Annual Report 2019

Putting fibre first

Tele Columbus AG

Key figures

	2019[1]	2018	Change	Change (in %)
Consolidated Income Statement (in EUR million)				
Total revenue	499.4	494.4	5.0	1.0%
Normalised EBITDA	239.5	236.0	3.5	1.5%
Normalised EBITDA-Margin (in %)	48.0%	47.7%	–	–
EBITDA	214.2	189.5	24.7	13.0%
Depreciation and amortisation[2]	184.2	– 283.0	467.2	– 165.1%
Net income	– 35.5	– 161.4	125.9	n/a
Consolidated Balance Sheet (in EUR million)				
Property, plant and equipment	669.2	639.4	29.8	4.7%
Intangible assets and goodwill	1,273.9	1,258.7	15.2	1.2%
Cash and cash equivalents	10.1	26.3	– 16.2	– 61.6%
Balance sheet total	2,058.4	2,025.8	32.6	1.6%
Net debt	1,422.0	1,389.6	32.4	2.3%
Net debt to EBITDA (ratio)	6.1	5.9	0.2	–
Consolidated Cash Flow Statement (in EUR million)				
Cash flow from operating activities	209.4	159.6	49.8	–
Cash flow from investing activities	– 155.4	– 144.1	11.3	–
Cash flow from financing activities	– 70.1	– 23.0	47.1	–
Net increase/decrease in cash and cash equivalents	10.1	26.2	– 16.1	–
Network (in thousands)				
Homes connected	3,379	3,337	42.3	1.3%
Homes connected – own network – two-way upgraded	2,350	2,298	51.7	2.2%
Subscribers (in thousands)				
Unique subscribers	2,268	2,292	– 24.1	– 1.1%
RGUs (in thousands)				
CATV	2,218	2,262	– 43.9	– 1.9%
Premium-TV	543	558	– 15.2	– 2.7%
Internet	584	574	10.0	1.7%
Telephony	432	439	– 7.1	– 1.6%
Total RGUs	3,778	3,833	– 55.1	– 1.4%
RGUs per Subscriber (in units)	1.7	1.7	0.00	0.0%
ARPU (in EUR/month)				
Blended TV ARPU (per subscriber)	9.0	9.4	– 0.4	– 4.3%
Blended Internet & telephony ARPU (per internet RGU)	24.3	24.0	0.3	1.4%

[1] Inclusive IFRS 16 effects
[2] 2018 contains impairment amounting to EUR 124.2m

Revenue

EUR **499.4** million

Revenue in 2019 financial year increased year-on-year by 1.0% to EUR 499.4 million. This was driven by growth in the B2B division as well as Internet & Telephony with retail customers. Moreover revenues from construction work increased as well.

Reported EBITDA

EUR **214.2** million

Reported EBITDA (incl. IFRS 16) increased by 13.0% year-on-year in financial year 2019 to EUR 214.2 million. Besides an increase in profitable growth from B2B customers and Internet & Telephony retail customers, the Company also de-creased non-recurring items significantly.

Investments

EUR **162.1** million

Investments (incl. IFRS 16) increased in financial year 2019 by 1.9% year-on-year to EUR 162.1 million. This increase stems mainly from an expansion of our fibre-based technology at our housing industry partners premises as well as additional infrastructure projects.

Homes Connected

3.4 million

The number of homes connected remained broadly stable year-on-year at 3.4 million in financial year 2019. This is explained by lower churn of homes connected as well as the acquisition of ANTEC Servicepool GmbH (Hanover).

Company profile

Tele Columbus AG is one of Germany's leading fibre network operators which reaches more than 3 million homes. Via its brand PŸUR, the Company, offers high-speed internet including telephony and more than 250 TV channels. All of this via a digital entertainment platform that combines linear TV with video on demand entertainment. To its housing association partners the Tele Columbus 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, the Company is actively supporting the fibre-based infrastructure and broadband internet expansion in Germany.

Content

Timm Degenhardt
Member of the Management Board

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

"As pioneers of fast and reliable communication, we are actively supporting the digital transformation of the housing industry and the changes in people's media use with our fibre infrastructure."

Dear shareholders, ladies and gentlemen,

After we successfully completed the consolidation and integration of the three companies Tele Columbus, pepcom and PrimaCom and initiated an extensive transformation process in 2018, the host of initiatives implemented so far to improve customer service and network quality and the product-range expansion are starting to bear promising fruit. In 2019, we largely stabilised the business and put Tele Columbus AG back on track for growth. With generated revenue of EUR 499 million and normalised EBITDA of EUR 240 million, we met our forecast issued at the beginning of the year.

Our efforts and activities in the 2019 financial year were geared towards rigorous implementation of our strategy aimed at generating sustainable growth. One of the most important strategic goals of the Tele Columbus Group is to provide an outstanding customer experience in every aspect. And we know that this means more than reliable TV supply and high-performance networks for high-speed Internet. A key factor in customer satisfaction is service quality, which must be clearly apparent in every contact and across all channels to Tele Columbus. We can continuously monitor this and measure it at all points of contact through customer surveys. The calculated Net Promoter Score (NPS) regularly gives us information on the improvements made. Through ongoing investment in our network and digitalisation of our services, we significantly increased customer satisfaction across all contact channels in 2019 and achieved lasting success. This success was confirmed by various independent trade publications, for instance in the large-scale service test by CHIP magazine, which rated the quality of the PŸUR customer hotline as “very good”.

Tele Columbus also invested heavily in expanding and strengthening its networks in 2019, particularly in the future-proof fibre network. We successfully completed the extensive project on full digitalisation in June 2019. Switching off the analogue TV and radio signals creates capacity for a greater diversity of channels and even faster Internet via broadband cable, and paves the way for the gigabit age: Tele Columbus used the resultant extra capacity to introduce the new transmission standard DOCSIS 3.1. In August 2019, Tele Columbus added an attractive 1,000 Mbit rate to its product range, and has been providing gigabit speed for just under a million residents in Berlin ever since.

Tele Columbus had already expanded its product range in April 2019 in response to the lasting trend towards higher Internet bandwidths. With the launch of the PŸUR “Surf & Phone + HDTV” packages in the 20, 200 and 400 Mbit/s speed tiers, Tele Columbus now provides the most attractive price/performance ratio on the market in the bundle segment. Harmonisation of bandwidths between the Internet single rates and the packages also allows consumers to compare the products more easily and choose the offer most suited to their needs. At the same time, the new offer structure created the ideal conditions for whetting the appetites of DSL customers in particular for high-speed Internet in the Tele Columbus Group’s networks.

In addition to the rigorous expansion of its product range and the associated attractive switch offers for DSL customers, the Company extended its sales network: in January 2020, Tele Columbus AG and mobilcom-debitel Shop GmbH, a freenet AG company, announced their agreement to cooperate on the sale of Internet products. Since then, the fibre-based Internet products and the popular Surf & Phone + HDTV packages of PŸUR with integrated telephony and TV services have been available at around 550 shops and franchise partners of mobilcom-debitel. Along with over-the-counter sales at exclusive PŸUR shops that are geographically well-connected to the served residential areas, the products of PŸUR are now also visible in inner-city locations with particularly high footfall as a result of the cooperation with mobilcom-debitel. This enables customers to select the best Internet and home entertainment options available where they live.

The highly competitive German broadband and cable market requires us to have a clear strategy for how we intend to structure our business and generate sustainable growth in the future. With this in mind, the decision communicated in October 2019 to open our own network and the resultant long-term wholesale agreement with Telefónica Deutschland are further milestones. The agreement, under which O_2 will market broadband products on Tele Columbus’ fibre-based network infrastructure in the future, is based on the IP-enabled network of around 2.3 million connected households in Germany. Through the continuous FTTH/FTTB expansion of the Company’s own network, the extra capacity will be monetised by enabling third-party providers to market IP products with high bandwidths on the network infrastructure of the Tele Columbus Group in the future. This additional revenue allows us to make further targeted investment in fibre expansion for our housing industry customers and infrastructure partners while securing a strong and lasting position on the fibre infrastructure market for Tele Columbus.

Our desire and need to be mindful of our strengths and focus on our role in the rapidly changing German broadband market is greater than ever in an age of digital transformation. Tele Columbus has always been a close and trusting partner of the housing industry. Through long-term contracts to supply their properties first with cable TV and now with a growing number of Internet and telephony services, we are helping the landlords to make their homes more desirable and attractive places to live. For Tele Columbus, these agreements mean a high level of investment and planning certainty over many years. Our Company's expertise and extensive experience in expanding high-performance cable and fibre networks puts us in a strong position with an edge over our competitors – thus enabling us to set up future-proof networks for the housing industry, municipalities and local authorities throughout Germany.

We demonstrated this expertise again in the 2019 financial year: along with successfully concluded contract extensions and network upgrades with housing industry partners such as Wohnbau Frankfurt (Oder), the Leipzig housing association UNITAS and the Potsdam housing cooperative PWG 1965 eG, the Tele Columbus Group was commissioned in June to actively operate the municipal fibre network built by the Heidelberg city council. As a result, data connectivity with gigabit speed was made possible for the first time in several districts where fast Internet connections had previously been in short supply. The Tele Columbus subsidiary pepcom GmbH will provide the active network technology, operate the network and allow residents to enjoy high-speed Internet connections with up to 1,000 Mbit/s under the PŸUR brand.

At the end of 2019, the Company achieved a major success: Halle (Saale) City Council in Saxony-Anhalt commissioned the Tele Columbus AG subsidiary HLkomm Telekommunikations GmbH, with its PŸUR Business brand, to expand the broadband network in areas that had previously been without sufficiently fast Internet access. As part of the federal and state broadband expansion initiative, the Tele Columbus Group will bring its fibre-based urban network to around 3,000 households, schools and businesses and ensure significantly improved Internet connections. In cooperation with the housing companies, Tele Columbus already provides more than 100,000 households in Halle with television, Internet and telephone via broadband cable.

In addition to the contract for further broadband expansion in Halle, with its PŸUR Business brand, HLkomm Telekommunikations GmbH successfully maintained its positive business trend and further increased its revenue and contribution margin with its differentiated products in the carrier and cloud & data security solutions segments in 2019. Through the state-of-the-art data centre in Leipzig-Lindenau inaugurated in October 2019 in particular, the business customer division PŸUR Business will be able to expand its range of innovative security solutions for data processing and storage in future and thus gain further market share in this fast-growing segment. All process chains for data storage, processing and provision can be mapped as per German data-protection regulations and under German sovereignty at the new data centre.

Along with a return to growth following the rigorous implementation of numerous strategic measures and projects, major personnel changes were a defining feature of the 2019 financial year. On 29 August 2019, the Annual General Meeting of Tele Columbus AG elected a new Supervisory Board as scheduled, following the suggestions made by United Internet. The members of the six-strong supervisory body are Dr Volker Ruloff (Chairman), Mr Claus Beck, Mr Hüseyin Dogan, Dr Susan Hennersdorf, Mr Stefan Rasch and Mr Michael Scheeren.

Immediately after being elected by the Annual General Meeting, the new members of the Supervisory Board got to work with the Management Board and management of Tele Columbus AG and started an extensive onboarding process with the common goal of making every effort to maintain the momentum of the Company's growth.

In December 2019, the Company announced that Timm Degenhardt would not be extending his contract as Chief Executive Officer (CEO) of Tele Columbus AG. At the end of January, the Supervisory Board appointed Dr Daniel Ritz as the new CEO and member of the Management Board with effect from 1 February 2020. Timm Degenhardt remained a member of the Management Board until 31 March 2020 in order to allow a smooth handover. Furthermore, continuity on the finance front is ensured with Eike Walters having been Chief Financial Officer (CFO) and a member of the Management Board since July 2018.

In Dr Daniel Ritz, the Company has gained a highly qualified manager with proven expertise in the fields of strategy and transformation as well as over 14 years of experience in the telecommunications industry. From 2016 to 2019, he served as President & CEO of PTCL, Pakistan's leading telecommunications provider. In addition, Dr Daniel Ritz held the role of CEO of the PTCL Group, which also includes a mobile communications provider and a bank for microfinance. From 2012 to 2016, the Swiss national was Chief Strategy Officer and a member of the Group management team of the Etisalat Group in Abu Dhabi.

Prior to this, Dr Daniel Ritz served as a member of the Group management team at Swisscom from 2006 to 2012, holding various posts at national and international subsidiaries. He was also CEO of Swisscom Central & Eastern Europe from 2008 to 2009.

As a pioneer of fast and reliable communication, one of our most important tasks is to actively support the ongoing digital transformation of the housing industry and the massively changing use patterns of tenants away from linear TV and towards Internet-based services and applications and to ensure a corresponding future-proof infrastructure.

Dear shareholders, this means that we must keep on investing heavily in order to ensure that the Tele Columbus Group remains competitive in the long term. Our company's success will continue to be driven by two fundamental strengths: our many years of expertise in constructing and operating high-performance fibre networks and the added value of our services for the housing industry and our customers. We provide access to digital solutions, information and entertainment. At national level, we enable this with a broadband infrastructure of the highest technical standard. And each individual customer receives a high level of service and attractive options for Internet and TV provision.

Rapid expansion with state-of-the-art fibre-optic networks also remains a sustainable investment in Germany's infrastructure and economy for you, our esteemed shareholders. We would like to thank you for the trust you placed in us in the 2019 financial year and very much hope you will keep on supporting Tele Columbus AG as it continues to grow and increase its enterprise value.

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

Timm Degenhardt
Member of the Management Board

Report by the Supervisory Board

for the 2019 financial year

Dear shareholders, ladies and gentlemen,

In the previous year, with the support of the Supervisory Board, the Management Board of Tele Columbus AG had already instigated an extensive transformation process with putting the company back on track for growth. As part of this, Tele Columbus successfully implemented numerous initiatives to improve customer service and network quality, particularly in the 2019 financial year. The strategy was also modified after intensive discussion with the Supervisory Board. The Management Board and Supervisory Board decided to open the company's own network to third parties. This decision was communicated to the market at the end of October 2019. At the same time, it was announced that a first wholesale partnership had been agreed with a major telecommunications company. The FTTH/FTTB expansion of the company's own network expands the capacity used by third-party providers and enables them to market IP products with high bandwidths on the network infrastructure of the Tele Columbus Group. This also increases the Tele Columbus Group's revenue, and means that its own investment in network expansion can pay off more effectively.

However, 2019 also saw significant personnel changes on the Supervisory Board

From 1 January up to and including 2 April 2019, the Supervisory Board, to be made up of eight people according to the Articles of Association, had six members. These were Frank Donck (Chairman), André Krause (Deputy Chairman), Christian Boekhorst, Yves Leterme, Catherine Mühlemann and Dr Susan Hennersdorf.

Frank Donck resigned his membership of the Supervisory Board with effect from 2 April 2019. André Krause took over as Chairman of the Supervisory Board with effect from 3 April 2019 until the end of the Annual General Meeting of Tele Columbus AG on 29 August 2019. He also acted as Chairman of the Audit Committee on an interim basis. On 29 April 2019, Christian Boekhorst took over as Chairman of the Audit Committee for the remaining term of office of the Supervisory Board.

The term of office of the previous members of the Supervisory Board expired as scheduled at the end of the Annual General Meeting on 29 August 2019. Following the election of the new Supervisory Board, all previous members of the Supervisory Board retired, apart from Dr Susan Hennersdorf. The company would like to thank all retired members for their constructive work on taking the company forward.

The Annual General Meeting on 29 August 2019 resolved that the Supervisory Board should consist of six members from then on.

Dr Volker Ruloff, Michael Scheeren, Stefan Rasch, Claus Beck, Dr Susan Hennersdorf and Hüseyin Dogan were elected to the new Supervisory Board.

Conflicts of interest

In particular, the Code of Conduct of the Supervisory Board contains detailed rules on handling conflicts of interest. In the case of Supervisory Board members Michael Scheeren, Claus Beck and Hüseyin Dogan, conflicts of interest may potentially arise due to their membership of governing bodies at companies of the United Internet Group, a major competitor (cf. the declaration of compliance with the German Corporate Governance Code).

Before each meeting, the Supervisory Board ascertains whether there could be conflicts of interest relating to the individual agenda items. In individual cases, appropriate measures were taken to prevent possible conflicts of interest. For instance, the above-mentioned Supervisory Board members excluded themselves from or abstained on resolutions with potential conflicts of interest.

The Supervisory Board is unaware of any further conflicts of interest of Management Board or Supervisory Board members in the reporting period that must be disclosed to the Supervisory Board and would have to be reported to the Annual General Meeting.

Overview of the Supervisory Board's activities

The Supervisory Board performed the duties required of it by law and the Articles of Association with the utmost care. The Management Board informed us orally and in writing of the business situation and developments, the current earnings position, the risk situation, risk management, short-term and long-term planning, investment and organisational measures. Our decisions were based on the reports and draft resolutions of the Management Board, which we examined in detail. We continuously monitored the work of the Management Board and assisted them with regard to their managerial duties, strategic enhancement of the company and individual key issues. In addition, the Chief Executive Officer (CEO) regularly updated the Chairman of the Supervisory Board on current developments and relevant matters at the company outside of committee meetings.

During 2019, the Supervisory Board met at six ordinary meetings in which the Management Board regularly reported on the situation of the company and on all important current and strategically significant matters. Furthermore, several telephone conferences and several meetings to introduce new Supervisory Board members were held, as well as one constitutive meeting and two extraordinary meetings of the Supervisory Board.

At the respective meetings, the Supervisory Board discussed in detail the challenges of and progress with implementation of the strategy devised by the Management Board. The supervisory body paid particular attention to the action priorities aimed at further improving operating performance and profitability and presented by the Management Board in its strategic and operational planning. The Supervisory Board was continuously informed of progress with implementation of the measures.

At its regular meeting in January 2019, the Supervisory Board dealt with budget planning for 2019. In addition, the Management Board and Supervisory Board discussed a possible new strategic orientation of the company that would enable a potential new structure of the Group and the involvement of an investor in the networks as well as the opening of the networks of Tele Columbus. The Supervisory Board approved the budget for 2019 at an extraordinary meeting in February.

At its ordinary meeting in March 2019, the Supervisory Board discussed the succession to the chair of the Supervisory Board due to the resignation of Frank Donck with effect from 2 April 2019, set new targets for the Supervisory Board and asked the Supervisory Board members about the efficiency of the work of the Supervisory Board. Furthermore, the Management Board provided an overview of the enhancement of operating performance, presented the compliance report and reported on the material individual risks in the context of risk management. There were no apparent risks jeopardising the continued existence of the company.

At an extraordinary meeting in March 2019, the Supervisory Board again dealt with the possible new strategic orientation of the company.

At its regular meeting in May, the Supervisory Board dealt with preparations for the Annual General Meeting and the future composition of the Supervisory Board. In addition, operational and legal issues and problems that may arise from implementation of the new strategic orientation of the company were discussed and analysed, with input from external consultants. The related existing rights and obligations of the company bodies were also discussed.

In three further telephone conferences in May, the Supervisory Board dealt with progress with the new strategic orientation of the company as well as the results for the first quarter of 2019.

In June and July, the Supervisory Board dealt with the postponement of the Annual General Meeting. This was caused by a late counterproposal on the composition of the Supervisory Board. To allow all shareholders to take part in the decision, the Annual General Meeting was postponed from 21 June to 29 August 2019.

At its meeting in August, the Supervisory Board was informed of the results for the second quarter of 2019 by the Management Board. In addition, the Supervisory Board dealt with the opening of the networks and a wholesale agreement to be concluded in relation to this.

At its constitutive meeting on 29 August 2019, the new Supervisory Board elected Dr Volker Ruloff as its Chairman and Michael Scheeren as its Deputy Chairman. In addition, an Executive Committee, also chaired by Dr Volker Ruloff, and an Audit Committee chaired by Michael Scheeren were set up.

In September and October 2019, several committee meetings and individual meetings were held with the Management Board and heads of department of the Tele Columbus Group for detailed introduction to and exchange of information with the new Supervisory Board members.

At its first meeting in October 2019 and in a further telephone conference, the new Supervisory Board also dealt with the possible new strategic orientation of the company as well as the opening of the networks and the wholesale agreement to be concluded regarding this.

In November 2019, the Management Board reported on the development of the company's operations and its results for the third quarter of 2019.

At its last ordinary meeting in 2019, the Supervisory Board approved the company's operational planning for subsequent years and the budget for 2020.

In a telephone conference on 16 December 2019, the CEO informed the Supervisory Board that he would not extend his contract that expires at the end of August 2020.

Supervisory Board committees

To ensure that tasks are performed efficiently, the Supervisory Board set up two permanent committees (the Executive Committee and the Audit Committee) and a temporary committee (the Nominations Committee) for election of the new Supervisory Board at the Annual General Meeting.

Executive Committee

From 1 January to 2 April 2019, the members of the Executive Committee were Frank Donck (Chairman), Yves Leterme and Catherine Mühlemann. After Frank Donck stepped down on 2 April 2019, André Krause took over the chair of the Executive Committee. Following the election of the new Supervisory Board on 29 August 2019, Dr Volker Ruloff (Chairman), Michael Scheeren and Claus Beck became members of the Executive Committee.

The **Executive Committee** met twice in the 2019 financial year. Matters discussed at the meetings included changes to the Supervisory Board as well as target attainment and remuneration of the Management Board.

Audit Committee

From 1 January to 29 April 2019, the members of the Audit Committee were André Krause (Chairman), Christian Boekhorst and Dr Susan Hennersdorf. As André Krause took over the chair of the Supervisory Board and the Executive Committee after Frank Donck stepped down, Christian Boekhorst was elected as Chairman of the Audit Committee on 29 April 2019. Following the election of the new Supervisory Board on 29 August 2019, Michael Scheeren (Chairman), Dr Susan Hennersdorf and Hüseyin Dogan became members of the Audit Committee.

The **Audit Committee** held twelve meetings in the 2019 financial year: nine by telephone conference and three in person. It assessed the effectiveness of risk management and advised on the issues of compliance, internal auditing, the internal control system and accounting, on the focal points of the audit of the financial statements and on the interim and annual financial statements.

Nominations Committee

Following the election of the new Supervisory Board by the Annual General Meeting in 2019, the Supervisory Board decided to set up a **Nominations Committee**.

From 28 September 2018 to 29 August 2019, the members of the Nominations Committee were André Krause (Chairman), Christian Boekhorst and Catherine Mühlemann. The Nominations Committee was disbanded with the Annual General Meeting on 29 August 2019.

The task of this committee was to find suitable candidates for the Supervisory Board, examine their qualifications on the basis of the skills profile defined by the Supervisory Board, conduct interviews with them and prepare for the Annual General Meeting. The Nominations Committee met five times in 2019.

Audit of the annual and consolidated financial statements

The annual financial statements of Tele Columbus AG prepared in line with the rules of the German Commercial Code (HGB) and the consolidated annual financial statements to 31 December 2019 prepared in line with Section 315e of the German Commercial Code on the basis of the International Financial Reporting Standards (IFRS) as well as the corresponding management reports were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. An unqualified audit opinion was issued in each case. The Supervisory Board examined the documents in depth. The audit reports were submitted to all members of the Supervisory Board for this purpose. First at the Audit Committee meeting and then during the Supervisory Board meeting on 30 March 2020, the responsible auditor explained the significant findings of the audit, each of which was discussed in detail in his presence. The examination by the Audit Committee and the Supervisory Board also covered the non-financial details for Tele Columbus AG and the Group integrated in the combined management report. The auditor reported on the scope, the main focal points and the significant findings of his audit, particularly addressing the key audit matters and the audit actions performed. No material weaknesses of the internal control system and the risk management system were reported. The Management Board and the auditors in attendance answered questions from the members of the Supervisory Board to the required level of detail.

The Supervisory Board raised no objections and approved the findings of the audit of the financial statements. At this meeting, the Supervisory Board approved the annual financial statements of Tele Columbus AG presented by the Management Board, the consolidated financial statements and the combined management report. The annual financial statements are therefore adopted.

The Supervisory Board would like to thank the Management Board and all members for their work and all they achieved in 2019.

Berlin, 30 March 2020

Dr Volker Ruloff
Chairman of the Supervisory Board

Top performance in on-site service

Gigabit connectivity for around a million Berlin residents, the successive upgrade to the new DOCSIS 3.1 transmission standard and the ongoing fibre expansion also required new equipment for the service technicians. The field service staff of RFC, a Tele Columbus Group company, have been uniformly issued with latest-generation high-performance meters.

At the connection point in the apartment, at the junction box and in the regional head-ends, these compact devices give the technicians all the information they need in the case of fibre cables as well as traditional coaxial technology.

Precise tests and fault diagnoses allow targeted rectification of interference and line faults so that Tele Columbus constantly fulfils its performance commitment in the gigabit sector, too.

Most customers are supported by the Tele Columbus Group's own technical experts. For short journeys, Tele Columbus additionally uses selected local network and electronics companies that are required to meet the same high quality and training standards.

Fibre and the Tele Columbus Group

Fibre means performance and future viability in residential buildings and businesses: for customers because the speed can be adapted to increasing data usage at any time – from the low-cost basic package to the attractive gigabit rate. For partners of Tele Columbus in the housing industry and municipalities, because the fibre infrastructure and our operating expertise gives them long-term certainty regarding connectivity of their properties and sites. And for Tele Columbus as a company, because the performance of the fibre cables allows efficient and sustainable expansion of the existing infrastructure and customer base.

Top performance right down to every apartment

The tenants who move into the 550-plus newly built apartments of Berlin housing company degewo in Marzahn, Altglienicke and Prenzlauer Berg will find a special piece of equipment behind a small wall flap in the hallway: the connection system for a fibre network, fully installed and ready to deliver Tele Columbus' services. The connection point is already in place, and the installation site for a Wi-Fi router is perfectly positioned right next to it. Ethernet cables for network sockets in the living rooms and coaxial cables for TV connections also converge in the installation cabinet. FTTH cables for each individual apartment provide tenants with high-speed Internet access of up to 1,000 Mbit/s.

A key pillar of the Tele Columbus strategy is to bring the fibre cables ever closer to the individual apartment and implement the FTTH concept in conjunction with the housing industry in construction or major renovation projects. Fibre is Tele Columbus' preferred technology in all new projects.

Fibre and the housing industry

Investment security, economic efficiency and durability throughout the entire lifecycle of a building's infrastructure: Tele Columbus works with the needs of the housing industry in mind. Our networking solutions are just as flexible as our models for cooperation. Opening access to whole residential districts or connecting individual buildings, erecting new structures or managing existing networks with the attractive PŸUR packages, fibre-optic as a powerful backbone in combination with coaxial technology or high-speed FTTH through to every apartment: Tele Columbus is a preferred partner for comprehensive communication and multimedia provision.

Top performance for all customer groups

Who needs a gigabit connection and uses the maximum speed of 1,000 Mbit/s? Unlike the provision of 200 or 400 Mbit/s, which have already become the norm for trouble-free use of HD video streams and cloud storage, demand for home use of the gigabit package is mainly linked to special requirements.

This demand stems from growing numbers of user groups. The engineer who uses an encrypted VPN connection to access the central company database of large, high-resolution plans or design drawings from home; the gamer who downloads the latest gaming software with a file size of up to 100 gigabytes and doesn't want to wait several hours until the process is complete; the doctor sharing X-ray images and CT scans with colleagues in her surgery; the media designer working from home who constantly has to receive new versions of film material and then return them with high upload rates: more and more customers need the highest speed available.

Fibre at home

Fibre cables have virtually unlimited capacity. Receiving the usual selection of 250 TV channels – many of them in top HD resolution – and parallel use of various high-resolution streams with the same connection is no problem with the powerful service from PŸUR. With high data rates even when uploading, fibre connections from Tele Columbus are ideally suited to the growing number of customers who send cloud data, streams and large files. Communication is right at the heart of activities at home and at work. Tele Columbus' network and services are the reliable basis for this.

All-round expertise in business applications

In October 2019, the Tele Columbus Group celebrated the opening of the new data centre of its B2B division PŸUR Business in Leipzig. Built in line with state-of-the-art standards, the data centre in Leipzig-Lindenau provides a high-security environment for data processing and storage.

With construction of the data centre, PŸUR Business is helping its customers even more in their efforts to meet the growing requirements for companies in relation to data security. Tele Columbus AG subsidiary HLkomm Telekommunikations GmbH is certified under ISO 27001 for IT baseline protection and under ISO 9001 for quality management with its PŸUR Business brand.

All process chains for data storage, processing and provision can be mapped as per German data-protection regulations and under German sovereignty at the data centre. Equipped with latest-generation transmission technology, the data centre is an integral part of the PŸUR Business backbone. This allows redundant networking with bandwidths of up to 100 Gbit/s at present.

Fibre for business customers

Tele Columbus' expertise extends beyond network operation and provision of multimedia services to private customers. The Business Solutions division delivers the high-performance fibre network with added value for businesses of all sizes. Our subsidiary HLkomm specialises in dedicated lines with a capacity of up to 100 Gbit/s and outstanding service, storage and high-security solutions and smart building applications. As a business customer specialist that operates throughout Germany, HLkomm provides connectivity and applications from a single source.

Top speed throughout Heidelberg

Operating fibre networks means significantly lower electricity consumption compared with conventional telephony or coaxial networks. In addition, Tele Columbus aims to ensure CO_2-neutral provision in all electricity supply agreements for the network nodes.

One future fibre network is the project in Heidelberg. Here, Tele Columbus will operate the municipal fibre network built by Heidelberg city council in the Schlierbach and Ziegelhausen districts. Further areas that previously had insufficient provision of fast Internet access are to follow. As a result, data connectivity with gigabit speed will be possible there for the first time. After a six-month selection procedure, Heidelberg city council chose the Tele Columbus subsidiary pepcom GmbH as the operator and provider in 2019.

While the municipality installs fibre cables and established domestic connections, pepcom will provide the active network technology, operate the network and offer fast Internet connections to residents under the PŸUR brand under their own responsibility.

Fibre and sustainability

As one of Germany's leading fibre operators, Tele Columbus AG ensures participation in social life through access to information and education. Our goal is to help shape the digital transformation of the worlds of communication and media in an environmentally sustainable and socially acceptable way. By acting responsibly, we aim to justify our customers' trust in our services at all times. That is why we have aligned ourselves with the brand values of fairness, simplicity and efficiency as well as a sustainable, customer-focused product structure.

Corporate governance report

Proper corporate governance is a top priority of Tele Columbus AG. The Management Board and Supervisory Board firmly believe that good corporate governance is a factor in the Company's long-term and lasting success. Corporate governance should ensure target-oriented, efficient collaboration between the Management Board and Supervisory Board, a focus on the interests of our shareholders and employees, appropriate handling of risks and effectiveness and transparency in all business decisions. The Management Board and Supervisory Board are aware that corporate governance is a process integrated in the company that must be continuously carried out.

This report relates to the 2019 financial year. The German Corporate Governance Code in the version dated 7 February 2017 ("the Code") applied throughout the whole 2019 financial year. The new version came into force on 20 March 2020. All references to provisions of the Code in this report therefore relate to the version of the Code dated 7 February 2017.

As there is considerable similarity between the content of the corporate governance report to be issued as per Section 3.10 of the Code and that of the corporate governance statement as per Section 289f of the German Commercial Code ("HGB"), the Management Board and Supervisory Board of Tele Columbus AG issues both declarations successively below.

Corporate governance statement as per Section 289f HGB

The corporate governance statement as per Section 289f HGB contains the declaration of compliance as per Section 161 of the German Stock Corporation Act (AktG) (1. below), relevant details on the corporate governance practices applied above and beyond the statutory requirements (2. below), a description of the procedures of the Management Board and Supervisory Board as well as the procedures and composition of the committees of the Supervisory Board (3. below), the stipulations as per Section 76 (4) and Section 111 (5) AktG and indication of whether or not the stipulated target values have been attained as well as the respective reasons (4. below) and a declaration on the skills profile and diversity concept (5. below), as well as further details on corporate governance (6. below).

The corporate governance statement as per Section 289f HGB is part of the management report. According to Section 317 (2) sentence 6 HGB, checking of the details as per Section 289f HGB must be restricted to whether the details have been provided.

Declaration of compliance as per Section 161 (1) AktG

According to Section 161 (1) of the German Stock Corporation Act ("AktG"), the Management Board and Supervisory Board of a company listed on the stock exchange must declare annually that the recommendations of the German Corporate Governance Code ("the Code") have been and are being complied with, or which recommendations have not been applied or are not being applied and the reasons for this. Detailed reasons for any deviations from the recommendations of the Code must be provided. The declaration of compliance must be permanently made accessible to the public on the company's website.

The Management Board and Supervisory Board have dealt with the recommendations of the Code in depth and declare in line with Section 161 (1) AktG that Tele Columbus AG has met and will continue to meet the recommendations of the Government Commission on the German Corporate Governance Code (the Code Commission) published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette in the version dated 7 February 2017, with the following exceptions:

1. "According to Section 5.3.2 sentence 5 of the Code, the Chair of the Supervisory Board must not chair the audit committee. This recommendation was not complied with between 2 April and 29 April 2019, as André Krause was both Chairman of the Supervisory Board and Chairman of the Audit Committee.

The concurrent holding of these roles was not based on a resolution of the Supervisory Board. The previous Chairman of the Supervisory Board, Frank Donck, stood down with effect from 2 April 2019. His deputy at the time, André Krause, took on the position of Chairman of the Supervisory Board. On 29 April 2019, Christian Boekhorst took over as Chairman of the Audit Committee for the remaining term of office of the Supervisory Board.

2. According to Section 5.4.2 sentence 2 of the Code, members of the Supervisory Board must not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company.

   The Management Board and Supervisory Board examined in detail the question of whether Claus Beck, Hüseyin Dogan and Michael Scheeren, elected by the Annual General Meeting on 29 August 2019, are to be regarded as Supervisory Board members with membership of a governing body at a significant competitor of the company on account of their membership of governing bodies at United Internet AG or companies of the United Internet Group. Although there are substantial arguments against regarding United Internet AG and individual group companies thereof at which the aforementioned gentlemen exercise memberships of governing bodies as significant competitors of Tele Columbus AG, particularly because some of the markets in which these companies and Tele Columbus AG operate do not overlap, the Management Board and Supervisory Board of Tele Columbus AG have decided to declare a deviation from Section 5.4.2 sentence 2 of the Code regarding the three above-mentioned gentlemen. However, the company does not believe that this will have a lasting detrimental effect on the work of the Supervisory Board, as any individual conflicts of interest that arise can be dealt with through suitable measures that protect the company's interests.

3. According to Section 7.1.2 of the Code, the consolidated financial statements and the Group management report should be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information must be made publicly accessible within 45 days from the end of the reporting period. Because of the ongoing integration process of all Group units, publication of the consolidated financial statements and the Group management report for the 2018 financial year were not made publicly accessible within 90 days from the end of the financial year. Likewise, not all the mandatory interim reports were made publicly accessible within 45 days from the end of the respective reporting period. In this respect, there was a deviation from the recommendation in Section 7.1.2 of the Code. For the 2019 financial year, the company expects the recommendation of the Code to be complied with and the consolidated financial statements to be published within the 90-day period.

Berlin, 13 January 2020

For the Management Board:

Timm Degenhardt
(CEO)

Eike Walters
(CFO)

For the Supervisory Board:

Dr Volker Ruloff
Chairman of the Supervisory Board

The declaration of compliance is made accessible to the public on Tele Columbus AG's website at www.telecolumbus.com.

Relevant information on corporate governance

Corporate governance of Tele Columbus AG is substantially but not exclusively determined by the provisions of the German Stock Corporation Act and is also geared towards the recommendations of the Code, all of which Tele Columbus AG fulfilled with the exception of those stated in the declaration of compliance as per Section 161 (1) AktG. Compliance is a top priority for Tele Columbus AG and is regarded as a key management task by the Management Board.

Internal control system

The Management Board of Tele Columbus AG has implemented organisational measures in order to establish an internal control system and meet its obligations responsibly and transparently. In addition to a compliance management system (CMS) and risk management, this also includes establishment of a capital market office dedicated to capital market compliance issues.

Tele Columbus AG has an internal control system geared towards the specific requirements of the company with processes aimed at ensuring regularity of internal and external accounting processes and the economic efficiency of the company's business operations as well as compliance with relevant legal regulations and internal guidelines. These control processes also include evaluation of potential risks that could affect the company's business operations and financial stability. Market developments, changes to the legal provisions relevant to us and change to the accounting principles are continuously monitored, analysed and assessed with regard to potential impacts on the company's business operations and financial position. Corresponding risk management and minimisation measures are developed and applied. A final assessment of the risks is performed by the Risk Committee.

Appropriate structures and processes are specified for the accounting process of Tele Columbus AG in the context of the internal control and risk management system. Along with defined control mechanisms, the pillars include system-based and manual coordination processes, clear separation of functions and strict adherence to the principle of dual control as well as guidelines and work instructions.

The Supervisory Board and, in particular, the Audit Committee of the Supervisory Board, are informed of material business risks as well as processes set up in the context of the internal control system, and they are convinced of the efficiency of the latter.

Furthermore, Tele Columbus AG has introduced a comprehensive compliance management system (CMS). The compliance management system gives clear guidelines for ethical, value-oriented and legally compliant business operations. The aim is to familiarise all employees with the relevant laws, regulations and internal guidelines. The compliance management system is intended to ensure the integrity of business transactions, and therefore the prevention of dishonest payments and anti-competitive and discriminating conduct, and data protection. The full Code of Conduct is made accessible to the public on Tele Columbus AG's website at **www.telecolumbus.com/investor-relations/**.

As 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 employees of the Compliance, Legal, HR, Controlling, Finance and Tax departments, the Data Protection Officer, the IT Security Officer and a representative of the Works Council. The Compliance Committee is responsible for monitoring the Compliance department and investigating and rectifying any compliance breaches. The Compliance department reports to the Compliance Committee and the Management Board on general compliance issues and any compliance breaches on a regular and ad-hoc basis. In addition, the Compliance department is responsible for initiating investigations into potential compliance breaches. All Tele Columbus Group employees have the opportunity to report any compliance breaches, anonymously if they wish, via a compliance hotline supervised by an external ombudsman. The ombudsman reports any compliance breaches to the Compliance Officer or directly to the Compliance Committee, the Management Board or the Supervisory Board.

The compliance management system and its application are monitored and enhanced by the company.

Audit-relevant processes

The annual financial statements and management report prepared by the Management Board of Tele Columbus AG as well as the consolidated financial statements and Group management report are audited by the auditor, discussed by the Audit Committee and approved by the Supervisory Board.

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

Prevention of conflicts of interest

Conflicts of interest of executive bodies and other decision-makers at the company or major shareholders contravene the principles of sound corporate governance and are harmful to the company. Therefore, Tele Columbus AG and its executive bodies strictly adhere to the recommendations of the Code with regard to this. The employees of Tele Columbus AG and its associated companies are also made aware of the problem of conflicts of interest and have binding rules of conduct in the event of actual or potential conflicts of interest. **For further details, see the chapter entitled "Procedures of the Supervisory Board"**

Procedures of the Management Board and Supervisory Board and procedures and composition of the Supervisory Board committees

Collaboration between the Management Board and Supervisory Board of Tele Columbus AG is trust-based and geared towards the long-term success of the company. The members of the Management Board attend the meetings of the Supervisory Board unless the Chairman of the Supervisory Board arranges otherwise after prior consultation with his deputy or if the Supervisory Board resolves to meet without the Management Board. The Management Board informs the Supervisory Board of the development of Tele Columbus AG's business operations promptly, extensively and regularly.

2019 was defined by the ongoing transformation process of the company, corporate growth, infrastructure expansion and a new strategic orientation. At the end of October 2019, the Management Board and Supervisory Board resolved to open the Tele Columbus Group's network to third parties and enter into wholesale partnerships.

Procedures of the Management Board

The number of Management Board members is determined by the Supervisory Board. At present, the Management Board has three members: the Chairman, Dr Daniel Ritz, Timm Degenhardt and Eike Walters. Mr Degenhardt stood down as Chairman with effect from 31 January 2020 and will leave the Management Board on 31 March 2020. Dr Daniel Ritz took over as Chairman of the Management Board on 1 February 2020. Consequently, there is a three-person Management Board for a transitional period of two months (February and March 2020).

The Management Board runs the company with the aim of sustainable value creation under its own responsibility and in the company's interest, i.e. taking into account the concerns of shareholders, employees and other groups associated with the company. Further details are set out primarily in the rules of procedure of the Management Board, approved by the Supervisory Board. The Management Board develops the enterprise strategy, coordinates it regularly with the Supervisory Board and ensures its implementation. The Chairman of the Management Board is responsible here for coordinating all portfolios of the Management Board. He is in regular dialogue with the Chairman of the Supervisory Board and represents the Management Board and the company in public.

The distribution of tasks between the three current members of the Management Board stems from the allocation plan. Each Management Board member manages the portfolio assigned to them under their own responsibility and must always bear the common good of the company in mind. Regardless of this, the members of the Management Board bear joint overall responsibility for management of the company and its subsidiaries. Therefore, decisions on the company's strategy, key aspects of business policy and all matters that affect multiple divisions or are of fundamental importance to the company and/or its Group companies remain the preserve of the entire Management Board. In addition, particularly important transactions and measures require the prior consent of the Supervisory Board. Meetings of the entire Management Board are held as required, but at least every two weeks, and are chaired by the Chairman of the Management Board.

Management Board resolutions can also be passed outside of meeting, in particular in writing, by fax or by e-mail, at the instruction of the Chairman of the Management Board.

The Management Board reports to the Supervisory Board on the progress of the company's business on a regular basis, at least once a quarter. Furthermore, transactions that may be of great significance to the profitability or liquidity of the company must be reported to the Supervisory Board in sufficient time to allow the Supervisory Board to issue an opinion before the transaction is carried out. Finally, important events as defined by Section 90 (1) sentence 3 AktG must be reported to the Chairman of the Supervisory Board.

Procedures of the Supervisory Board

From 1 January up to and including 2 April 2019, the Supervisory Board, to be made up of eight people according to the Articles of Association, had six members. These were Frank Donck (Chairman), André Krause (Deputy Chairman), Christian Boekhorst, Yves Leterme, Catherine Mühlemann and Dr Susan Hennersdorf.

Frank Donck resigned his membership of the Supervisory Board with effect from 2 April 2019. André Krause took over as Chairman of the Supervisory Board with effect from 3 April 2019 until the end of the Annual General Meeting of Tele Columbus AG on 29 August 2019.

The term of office of the previous members of the Supervisory Board expired as scheduled at the end of the Annual General Meeting on 29 August 2019. Following the election of the new Supervisory Board, all previous members of the Supervisory Board retired, apart from Dr Susan Hennersdorf. The company would like to thank all retired members for their constructive work on taking the company forward.

The Annual General Meeting on 29 August 2019 resolved that the Supervisory Board should consist of six members from then on.

Dr Volker Ruloff, Michael Scheeren, Stefan Rasch, Claus Beck, Dr Susan Hennersdorf and Hüseyin Dogan were elected to the new Supervisory Board.

The CVs of the current Supervisory Board members can be seen on the website at **https://www.telecolumbus.com/en/about-us/supervisory-board/**.

The members of the Supervisory Board are elected by simple majority at the company's Annual General Meeting. Tele Columbus AG is not subject to the German Co-determination Act or the German One-Third Participation Act.

For activities above and beyond the stipulations of the Articles of Association, the Supervisory Board has set itself rules of procedure in which the committees of the Supervisory Board are also set out. According to the rules of procedure, the Chairman of the Supervisory Board coordinates the work of the Supervisory Board and collaboration with the Management Board, chairs its meetings and represents the interests of the body externally. The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and engages in discussion with it on matters relating to strategy, planning, business development, the risk situation, risk management and the company's compliance as well as important events that are of material significance to the assessment of the company's position and development and its management. The Supervisory Board passes resolutions at meetings, at least two of which are held per calendar half-year. Outside of meetings, resolutions may be passed in writing, by telephone or via other comparable methods if determined in specific instances by the Chairman of the Supervisory Board or, in his absence, by his deputy. Supervisory Board resolutions are passed by simple majority of votes cast unless otherwise stipulated by law.

In the 2016 financial year, the Supervisory Board adopted and committed itself to its own code of conduct that outlines statutory rights and obligations and sets out further rules of conduct and guidelines for special situations. Each member of the Supervisory Board must notify the Supervisory Board of conflicts of interest, particularly those that may arise as a result of an advisory role or membership of a governing body at customers, suppliers, lenders or other third parties.

In the case of Supervisory Board members Michael Scheeren, Claus Beck and Hüseyin Dogan, conflicts of interest may potentially arise due to their membership of governing bodies at companies of the United Internet Group, a major competitor (cf. the declaration of compliance with the German Corporate Governance Code). Before each meeting, the Supervisory Board ascertains whether there could be conflicts of interest relating to the individual agenda items. In individual cases, appropriate measures were taken to prevent possible conflicts of interest. For instance, the above-mentioned Supervisory Board members excluded themselves from or abstained on resolutions with potential conflicts of interest.

There were no consultancy or other service or work contracts between members of the Supervisory Board and the company in the last financial year.

Composition and procedures of the Supervisory Board committees

To enable the Supervisory Board to perform its tasks as well as possible, the rules of procedure of the Supervisory Board provides for two permanent committees: the Executive Committee and the Audit Committee. The Executive Committee performs the tasks of the Nominations Committee to be set up according to Section 5.3.3 of the Code.

EXECUTIVE COMMITTEE

The Executive Committee consists of three members. The Executive Committee prepares the meetings of the Supervisory Board and deals with ongoing matters between the meetings of the Supervisory Board. Furthermore, the Executive Committee prepares the decisions of the Supervisory Board on corporate governance, in particular by adapting the company's declaration of compliance as per Section 161 AktG to changed situations and monitoring conformity with the declaration of compliance. In addition, the Executive Committee prepares the submissions for the Supervisory Board in the event of intended appointment and removal of Management Board members and, if applicable, appointment of a CEO. Submissions on all issues relating to remuneration of Management Board members that must be passed by the Supervisory Board are also prepared by the Executive Committee. The Executive Committee is also responsible for passing resolutions regarding the conclusion, amendment and termination of employment, pension, severance, consultancy and other contracts with Management Board members and regarding all issues above and beyond this, unless they relate to remuneration. In addition, the Executive Committee is responsible for passing resolutions on the granting of loans to persons as per Sections 89 and 115 AktG and for passing resolutions on approval of contracts with members of the Supervisory Board as per Section 114 AktG. The Executive Committee – with the involvement of the Management Board – should regularly advise on long-term succession planning for the Management Board.

From 1 January to 2 April 2019, the members of the Executive Committee were Frank Donck (Chairman), Yves Leterme and Catherine Mühlemann. After Frank Donck stepped down on 2 April 2019, André Krause took over the chair of the Executive Committee. Following the election of the new Supervisory Board on 29 August 2019, Dr Volker Ruloff (Chairman), Michael Scheeren and Claus Beck became members of the Executive Committee.

NOMINATIONS COMMITTEE

As a new Supervisory Board was to be elected in 2019, the Supervisory Board decided to set up a Nominations Committee. The task of this committee was to find suitable candidates for the Supervisory Board, examine their qualifications on the basis of the skills profile defined by the Supervisory Board and conduct interviews. The members of the Nominations Committee were André Krause (Chairman), Christian Boekhorst and Catherine Mühlemann. The Nominations Committee was disbanded once the new Supervisory Board was elected.

AUDIT COMMITTEE

The Audit Committee consists of three members who are elected by the Supervisory Board. One of the Audit Committee's tasks is to prepare the balance-sheet meeting of the Supervisory Board. It also deals with monitoring of the accounting process, the effectiveness of the internal control system, risk management and the internal auditing system, the audit of the financial statement, particularly the independence of the auditor, the services additionally performed by the auditor, the placing of the audit mandate with the auditor, determination of audit focal points and the fee agreement and – unless another committee is tasked with this – compliance. The Audit Committee is also responsible for approving non audit-related services by the auditor, coordinates the selection process for appointment of a new auditor and proposes two candidates to the entire Supervisory Board.

From 1 January to 29 April 2019, the members of the Audit Committee were André Krause (Chairman), Christian Boekhorst and Dr Susan Hennersdorf. As André Krause took over the chair of the Supervisory Board and the Executive Committee after Frank Donck stepped down, Christian Boekhorst was elected as Chairman of the Audit Committee on 29 April 2019. Following the election of the new Supervisory Board on 29 August 2019, Michael Scheeren (Chairman), Dr Susan Hennersdorf and Hüseyin Dogan became members of the Audit Committee.

The committee Chairman, André Krause, Christian Boekhorst and Michael Scheeren possess the expertise in the field of accounting or auditing required according to Sections 100 (5), 107 (4) AktG.

Reporting according to Section 289f (2) no. 4 HGB

As a company listed on the stock exchange and not subject to co-determination, Tele Columbus AG is required to define specific targets for the company with regard to the percentage of women and to publish it in the management report for the financial year. The targets for the Supervisory Board and Management Board must be stipulated by the Supervisory Board as per Section 111 (5) AktG, and the targets for the lower management levels must be stipulated by the Management Board as per Section 76 (4) AktG. For attainment of the target values, the Supervisory Board and Management Board must set periods that may not exceed five years.

At the time of stipulation, none of the Management Board of Tele Columbus AG were female, and neither of the current two members are female either. The Supervisory Board was open to female candidates when filling the vacant role of CEO after Timm Degenhardt stood down. However, no suitable female candidates were available at short notice. On 27 January 2020, the Supervisory Board appointed Dr Daniel Ritz as the new CEO with effect from 1 February 2020.

In the 2019 financial year, the percentage of women on the Supervisory Board was 33.33% as at 2 April 2019 and 40% from 3 April 2019 to 29 August 2019, thus exceeding the target of 25% set for the end of the attainment period on 30 June 2022. Since the election of the new Supervisory Board on 29 August 2019, the percentage of women on the Supervisory Board has been just 16%, which is below the set target. The Supervisory Board is aware how important it is for women to be appropriately represented on the management bodies of Tele Columbus AG.

By 30 June 2022, the Management Board intends to reach a target of 20% for the proportion of women at the first management level below the Management Board and 30% for the second level below it. In the 2019 financial year, the proportion of women at the first management level below the Management Board was 0%. The proportion of women at the second management level below the Management Board in the 2019 financial year was 12%. The Management Board maintains its set targets and intends to meet them by 30 June 2022.

Skills profile and diversity concept

In the interest of sound corporate governance, the company is keen to ensure that the composition of the Management Board and Supervisory Board is commensurate with the company's special requirements. Therefore, the composition of the Management Board and Supervisory Board should be such that its members possess the knowledge, skills and professional qualifications required to properly perform their duties.

Details on the Supervisory Board

To ensure that the composition of the Supervisory Board is commensurate with the company's specific requirements and that the tasks incumbent upon the Supervisory Board are performed properly, in a resolution passed on 12 March 2019, the Supervisory Board set specific targets for its composition, partly for the purpose of a diversity concept, and adopted a skills profile for the entire body as per the recommendation in Section 5.4.1 of the Code.

Accordingly, the composition of the Supervisory Board should be such that its members meet the following expertise and diversity requirements in addition to the minimum specialist qualifications for exercising of the Supervisory Board mandate in line with the statutory requirements and the requirements set by the Supreme Court:

- The members of the Supervisory Board should have the broadest possible range of experience, specialist expertise and skills and experience of dealing with political decision-makers that equips them for monitoring and advising the company.

- The members of the Supervisory Board who are on the Audit Committee should have experience of accounting issues. The Chair of the Audit Committee should have specific knowledge and experience in applying accounting principles and internal control procedures or in auditing. He/she should be independent and not be a former member of the company's Management Board whose term of office ended less than two years before his/her appointment as Chair of the Audit Committee.
- Each Supervisory Board member ensures that they have sufficient time available to discharge the Supervisory Board mandate.
- To prevent potential conflicts of interest, members of the Supervisory Board must not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company. If this is nevertheless the case, corresponding measures must be taken to prevent conflicts of interest on the part of the Supervisory Board member in the interest of the company.
- The maximum permissible length of membership of the Supervisory Board is four full terms of office.

With regard to compliance with the diversity required in Section 5.4.1 of the Code, the Supervisory Board has set itself the target of having at least one woman among its six members. This target is to be reviewed again when the next Supervisory Board election is held. Furthermore, at least three of the six members of the Supervisory Board should be independent as per the recommendation in Section 5.4.2 of the Code.

Based on the aims of ensuring that the composition of the Supervisory Board is balanced and meets the company's requirements, by way of a skills profile, the Supervisory Board has ruled that the overall body should have the following specialist, practical and personal experience and skills:

- Knowledge and experience in the fields of cable networks, multimedia and telecommunications, including TV, Internet, telephony and mobile communications
- Expertise in the field of digitalisation and technology
- Experience of developing marketing and portfolio strategies
- Knowledge and experience in the fields of accounting, auditing, internal control processes and risk management
- Expertise in the fields of capital markets and finance
- Knowledge in the fields of compliance and corporate governance
- Experience of enterprise management, including the development of corporate culture and organisations
- Experience and knowledge in the fields of mergers and acquisitions
- The Supervisory Board should have a sufficient number of members who possess international experience and/or expertise as well as experience of dealing with political decision-makers.

Details on the Management Board

When appointing Management Board members, the main priorities for the Supervisory Board are the specialist qualifications for the relevant Management Board portfolio, leadership qualities, past achievements and knowledge of the company and the market. In terms of diversity on the Management Board, the Supervisory Board looks out for differing, complementary profiles, differing educational and/or career backgrounds and a mixed age structure. With regard to the Management Board, when making suggestions to the Supervisory Board, the Executive Committee should also pay attention to diversity in line with the rules of procedure of the Supervisory Board, including giving due consideration to women. The Supervisory Board sets a target for the percentage of women on the Management Board (see above).

The aim of the above-mentioned diversity concept is to make appointments to the Management Board in such a way that the body as a whole possesses the knowledge, specialist skills and qualifications required to properly perform its duties. When appointing new members of the Management Board, the Supervisory Board will shortlist candidates who qualify by virtue of strategic management experience, specialist skills and qualifications and meet the above-mentioned requirements. The current line-up of the Management Board is commensurate with the diversity concept.

Further details on corporate governance

Transparency through communication

Transparency is a key element of sound corporate governance. For this reason, Tele Columbus AG uses almost all available communication channels to inform existing and potential investors, journalists and interested members of the public of the business performance of Tele Columbus AG regularly and on special occasions. In particular, the website www.telecolumbus.com provides a wealth of information on the company, past business performance and future prospects. The company's key dates are published in a financial calendar on its website. All business and financial press releases, investor relations news and financial reports (in German and English) as well as reports and documents on corporate governance and enterprise management can be viewed online. We also give interested parties the opportunity to register in order to receive company news electronically. Furthermore, our investor relations team is engaged in regular dialogue with capital market participants. When the respective quarterly and annual financial reports are issued, telephone conferences are held in which we inform investors and analysts of business developments. Regular conversations with journalists are another way in which we ensure that the public is widely informed.

Shareholders and the Annual General Meeting

Tele Columbus AG's shareholders can enforce their rights, in particular their right to information, and exercise their voting rights at the Annual General Meeting. They have the opportunity to exercise their voting right at the Annual General Meeting either in person or through an authorised representative of their choice, e.g. a duly instructed proxy nominated by the company. To help shareholders to exercise their rights and to prepare them for the Annual General Meeting, we make the invitation, agenda, reports, documents and further information on the Annual General Meeting available on Tele Columbus AG's website **www.telecolumbus.com** under the following path: **Investor Relations/General Meetings**. Attendance and the voting results are also published online immediately after the Annual General Meeting. This requires the exchange of information between Tele Columbus AG and shareholders.

Accounting and auditing

The consolidated annual financial statements of the Tele Columbus Group are prepared in accordance with the International Financial Reporting Standards ("IFRS") as applicable in the European Union as well as the applicable regulations set out in Section 315e (1) HGB. The individual financial statements of Tele Columbus AG are issued in line with the regulations of the HGB and the AktG as well as supplementary provisions of the Articles of Association.

By resolution of the Annual General Meeting on 29 August 2019, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as the auditor for the financial year ending 31 December 2019. Half-year and quarterly financial reports are not subject to audit review. The annual report for the 2019 financial year and the interim reports can be viewed on Tele Columbus AG's website **www.telecolumbus.com**.

Remuneration of the Management Board and Supervisory Board

The remuneration report sets out the key details of remuneration of the Management Board and Supervisory Board members as well as remuneration of the Management Board members in the 2019 financial year in line with the statutory regulations, broken down into non performance-related (fixed basic remuneration and fringe benefits) and performance-related components (long-term variable remuneration component) as well as components with a long-term incentive effect (Long-Term Incentive Plan) and itemised.

Remuneration of the Supervisory Board was stipulated by the general meeting of shareholders on 10 September 2014 in the context of the transformation resolution and is regulated in Article 18 of the Articles of Association of Tele Columbus AG. Remuneration of the Supervisory Board is detailed on an itemised basis in the remuneration report.

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

Directors' dealings

Under Article 19 of the MAR, members of the Management Board and Supervisory Board or persons closely associated with them are obliged to disclose notifiable transactions involving shares in the company or financial instruments linked thereto such as derivatives if the value of these transactions reaches or exceeds a total amount of EUR 5,000 within a calendar year. These notifications are published on the company's website at **https://www.telecolumbus.com/en/investor-relations/directors-dealings/**. BaFin increased this threshold to EUR 20,000 on 1 January 2020.

Investor Relations

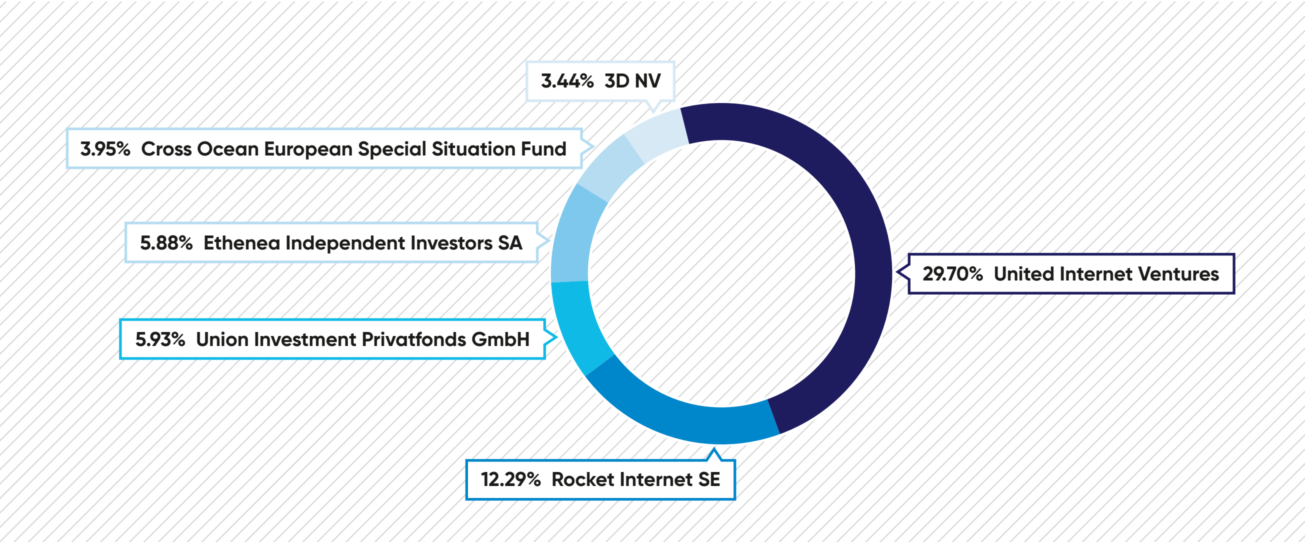
Introduction

Tele Columbus AG has now been listed on the Prime Segment of the German Securities Exchange in Frankfurt for more than five 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).

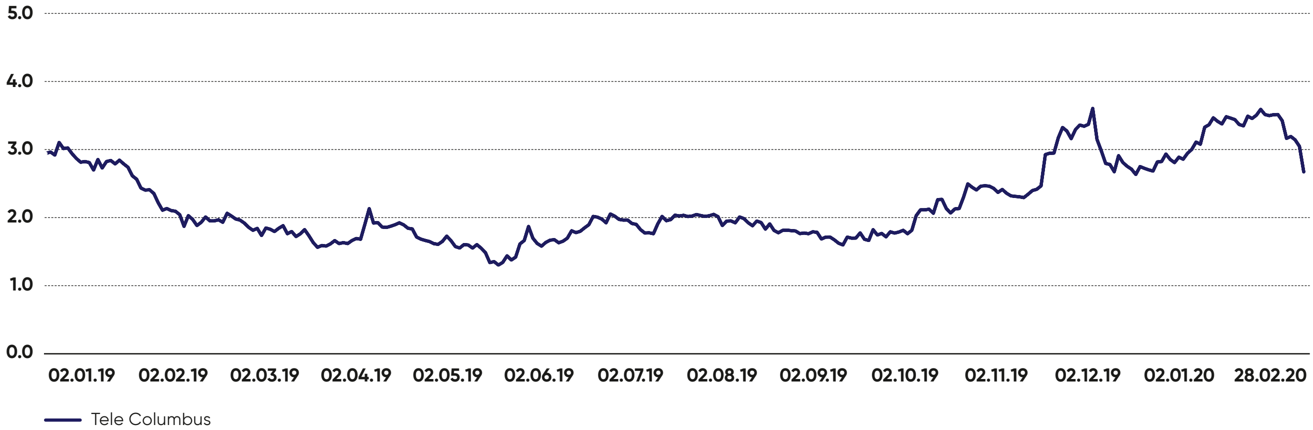
Communication with market participants

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 the financial year 2019, 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 conferences at international financial centres in Europe.

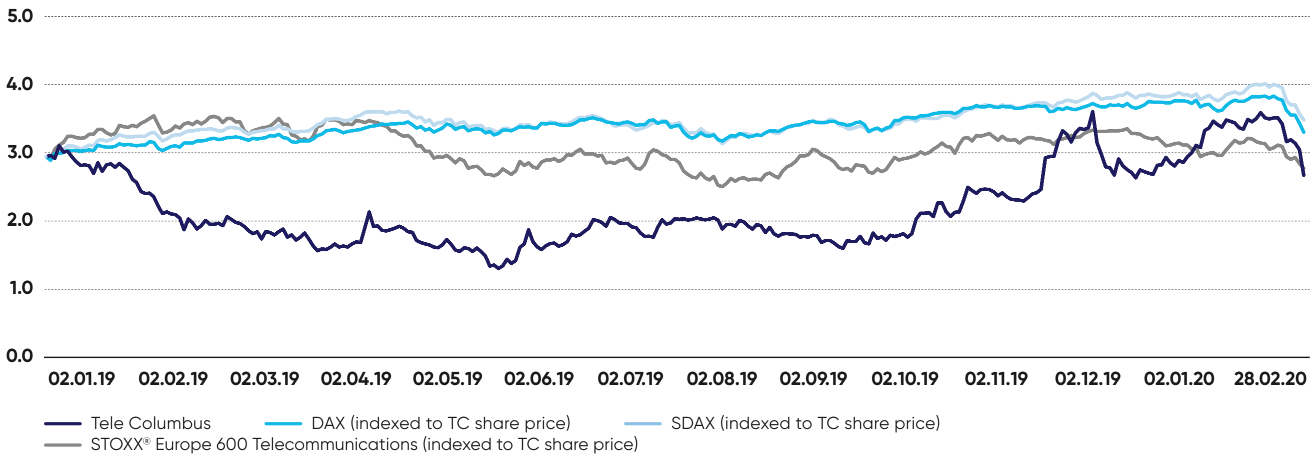
The key shareholders (as of 31 December 2019 based on securities notifications):
in %



Development of the Tele Columbus share price up to 28 February 2020
in EUR



Development of the Tele Columbus share price compared with the DAX and SDAX (indexed) up to 28 February 2020
in EUR



Altogether, the Company attended 15 different equity and credit conferences in Germany and abroad in 2019. At the majority of events at least one member of the management board was present.

On the four publication dates, the 2019 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/en/**.

As of 29 February 2020 Tele Columbus AG is analysed by seven different brokers: Bankhaus Lampe, Barclays, Commerzbank, Goldman Sachs, Hauck & Aufhäuser, J.P. Morgan and New Street Research. As of 29 February 2020 three analysts rated the Tele Columbus share "buy" and four as "neutral".

Your contacts for all issues concerning Investor Relations are: Leonhard Bayer (Director Investor Relations) and Manuel Ebert (Manager Investor Relations). You can reach both of them by email at: ir@telecolumbus.de.

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	Prime Standard
Stock exchange	Frankfurter Wertpapierbörse

Highlights of the 2019 financial year

January

Tele Columbus joins the Alliance for Fibre Expansion in Schleswig-Holstein

Tele Columbus joined the Alliance for Fibre Expansion in Schleswig-Holstein. The aim of the initiative is to achieve widespread provision of fast fibre-optic connections throughout the state by 2025.

March

2018 financial year ends on target/integration of PrimaCom and pepcom successfully completed

Tele Columbus AG successfully completed all integration-related projects in the 2018 financial year. In addition, the Company further expanded its fast-growing B2B business and resumed marketing in the 4th quarter. This is already bearing fruit in the form of customer growth in the Internet and premium TV segments.

June

Tender win for an infrastructure project in the city of Heidelberg

pepcom GmbH, a subsidiary of Tele Columbus AG, will actively operate the municipal fibre network in Heidelberg constructed by Heidelberg city council. As a result, data connectivity with gigabit speed is possible for the first time in the Schlierbach and Ziegelhausen districts as well as other parts of the city where fast Internet connections had previously been in short supply.

August

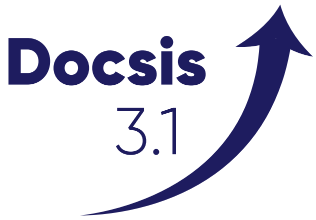
2019 Annual General Meeting

The 2019 Annual General Meeting was held in Berlin and, as scheduled, elected a new Supervisory Board for the Company chaired by Dr Volker Ruloff. The new Supervisory Board consists of six members and is elected for five years.

October

Data centre opens in Leipzig

The Tele Columbus Group opened the new data centre of its B2B division PŸUR Business. Built in line with state-of-the-art standards, the data centre in Leipzig-Lindenau provides a high-security environment for data processing and storage on a 1,400 m² site. With construction of the new data centre, PŸUR Business is helping its customers even more in their efforts to meet the growing requirements for companies in relation to data security.



August

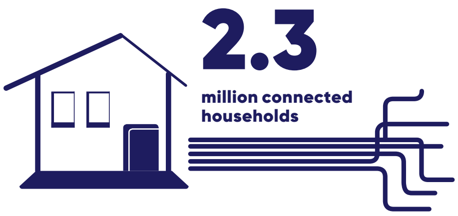
Introduction of DOCSIS 3.1

Tele Columbus AG launched gigabit speeds for Berlin under its PŸUR brand. Internet access with speeds of up to 1,000 Mbit/s is available to private customers. The high degree of fibre behind the cable connections and the new DOCSIS 3.1 transmission standard enables a leap into the future.

October

Wholesale agreement with Telefónica

Tele Columbus and Telefónica Deutschland reached an agreement under which O_2 will market broadband products on the Tele Columbus fibre-based network infrastructure in the future. The agreement is based on the IP-enabled network of around 2.3 million connected households in Germany.



Combined management report for the financial year ended 31 December 2019

Content

Group fundamentals

Business model of the Group

General information

As at the reporting date, Tele Columbus AG, headquartered in Berlin, had 54 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, which are accounted for using the equity method in the consolidated financial statements.

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 financial performance in the separate financial statements is 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 optic network operators reaching more than three million households in Germany and a comparatively high proportion of FTTB-connected households. Under the PŸUR brand, the Company offers high-speed internet access as well as more than 250 TV channels on a digital entertainment platform which combines conventional television with video entertainment on demand. With its partners in the housing sector, the Group creates customised cooperation models and advanced value added digital network services such as telemetry and tenant portals. As partner for municipal and regional providers, Tele Columbus is a driving force in the expansion of fibre optic infrastructure and broadband networks in Germany. For its business customers, carrier services and corporate solutions are provided on its proprietary fibre optic networks. The Group's companies operate throughout Germany as cable operators, with an especially strong market position in the eastern part of the country. About 37% of Tele Columbus's holdings are distributed across the remainder of Germany Overall, the Group supplies nearly 8% of all German households through existing networks.

Tele Columbus offers its customers access to TV services, telephone (fixed network and mobile) and fast internet with bandwidths of up to 1 Gbit/s. 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 the core business, services also include construction work relating to telephone and internet business as well as individual solutions for major customers.

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.

Company acquisitions and mergers

During the financial year there were no significant changes in the consolidated entities.

Main market and core business

Tele Columbus is one of the leading fibre optic network operators and has a strong regional market dominance in the following federal states: 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 is specialised in providing high-quality, integrated end user services from one source.

The Group purchases the required network services at locations where it has no access to its own networks.

As well as operating fibre optic 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 centres. Construction services include setting up fibre optic municipal networks or connecting residential districts to its own backbone, as well as the upgrading or modernisation 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. Tele Columbus counted approximately 3.4 million connected residential units as at 31 December 2019. Of these, about 2.27 million households had purchased at least one of the products offered.

The Group generates its income mainly from connecting fees paid by end-customers for one of the CATV products. 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.

Operating segments

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

"TV" SEGMENT

Tele Columbus offers basic as well as premium programming in the "TV" segment. Basic programmes comprise analogue and digital TV and radio broadcasting. The premium programmes offered contain up to 75 further digital TV channels, of which as many as 40 are broadcast in HD quality. Furthermore, more than 250 TV channels and over 70 digital radio stations 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.

"INTERNET AND TELEPHONY" SEGMENT

In the "Internet and Telephony" segment, the Group combines internet and telephone services. Revenue consists of proceeds from the conclusion of new contracts and installation services as well as monthly contract and service fees.

"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 sales revenue amounting to KEUR 85,400 (PY: KEUR 74,067). General administrative expenses and staff costs totalling KEUR 60,021 (PY: KEUR 65,039) are also attributable to this segment. The segment "Other" thus represents 17.1% (PY: 15.0%) of total revenue in 2019.

Objectives and strategies

Tele Columbus AG follows a sustainable and profitable growth strategy. The targets set were achieved in the reporting period, as described in Section “Business performance”. Over the medium term, Tele Columbus AG expects revenue growth in the low to mid-single-digit percentage range, with EBITDA expected to grow disproportionately in the medium single-digit percentage range.

The initiated steps in the previous year with regards to the consolidation and repositioning of the group in the strategic core areas (network, products, customer experience, housing industry, B2B as well as organisation & culture) have proven to be consistently positive and trendsetting in the financial year. The focus on these measures will therefore be continued and further operationalized through a group-wide master plan.

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. Tele Columbus plans extensive investments (CAPEX), also in future, to develop and upgrade its own 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 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 increase the attractiveness of the product portfolio through continuous refinement.
- Focus clearly on the customer by stabilising customer service and digitalising processes from the customer’s perspective.
- Positioning as a permanent and innovative partner for the housing sector.
- Development into a trendsetting 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. In this regard, Tele Columbus assesses the success using a management system that is based on the following KPIs: Revenue, EBITDA and CAPEX.

Management system

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

Key financial and non-financial indicators

Normalised EBITDA is the key performance indicator for the financial year 2019 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, amortisation/depreciation and impairment losses on assets. It is also adjusted for “non-recurring items” (one-off effects). These are defined by the Management Board 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. An example of these are legal and advisory fees for strategic projects. In addition to the "non-recurring items", expenses and income from certain transactions, which 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 AG which can also be used for sector and period comparisons.

Other than the Normalised EBITDA and, as described in the previous section, revenue, reported EBITDA and capital expenditures (CAPEX) represent main financial KPIs, that are used according to the figures determined under IFRS.

As of 2020, reported EBITDA, in addition to revenue and capital expenditure, shall serve as the main performance indicator. This takes account of the fact that the volume of non-recurring items is no longer considered to be significant in 2020 which makes a management according to a Normalised EBITDA no longer necessary.

Contractually-bound residential units represent a key non-financial performance indicator and are calculated according to internal definitions.

CAPEX and contractually-bound residential units are used as KPIs on the basis of Tele Columbus Group's business model only on group level.

Other key financial and non-financial indicators

Besides the aforementioned key financial and non-financial performance indicators, management uses additional indicators for managing individual operating activities:

RGUs (REVENUE GENERATING UNITS)

RGUs (revenue generating units) 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 Management Board monitors the RGUs for each individual service of all segments – both for CATV and premium TV services as well as internet and telephony services.

ARPU (AVERAGE REVENUE PER USER)

Average revenue per user (ARPU) is determined using 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 COMPANY'S OWN SIGNAL SUPPLY AND HAVING FEEDBACK CHANNEL CAPABILITY

This percentage represents the share of residential units that are linked to 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 include headcount (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).

Economic and financial report

Macroeconomic and industry conditions

Consumption providing a boost to the German economy

The German economy's momentum slowed in 2019, even though real GDP rose for the tenth year in a row, by 0.6% in 2019. This is the longest growth phase in unified Germany's history. This means, after an increase of 1.5% in 2018 and 2.5% in 2017, growth has continued to lose steam. Especially the manufacturing industry, which represents a good one-fourth of the entire economy, experienced a sharp drop of 3.6%. This was due in particular to weak production in the automotive industry.

In the year under review, Germany's economy above all benefited from strong domestic demand. Adjusted for inflation, private consumption rose by 1.6% and government spending by 2.5%. The number of employed, based on the residency concept (defined as the number of people employed with place of residency in Germany) stood at 45.3 million in 2019 – roughly 400,000 (0.9%) more than in the previous year – thus reaching a new record high.[1)]

Industry environment

OVERVIEW

Germany currently has about 35.2 million broadband connections. This is compared to the previous year an increase of 2.6%. After ADSL and VDSL, cable TV network is the second most important access technology in the German broadband market, with approximately 8.4 million connections used. Above-average growth of 3.7% was achieved in the cable TV network in 2019. Real fibre optic connections reported the strongest year-on-year growth from 1.1 million to 1.5 million shared connections.[2)]

The existing cable TV networks, which were originally constructed only for transmission of broadcasting signals and consisted of coaxial cables, are increasingly being upgraded by cable TV providers by replacing these with fibre optic lines. The resulting hybrid fibre-coaxial (HFC – Hybrid Fiber Coax) networks are capable of carrying ever greater data volumes and keeping up with the demand for ever higher-performance broadband connections. DOCSIS 3.1 transmission technology already enables download speed of 1 Gbit/s.

Competitors

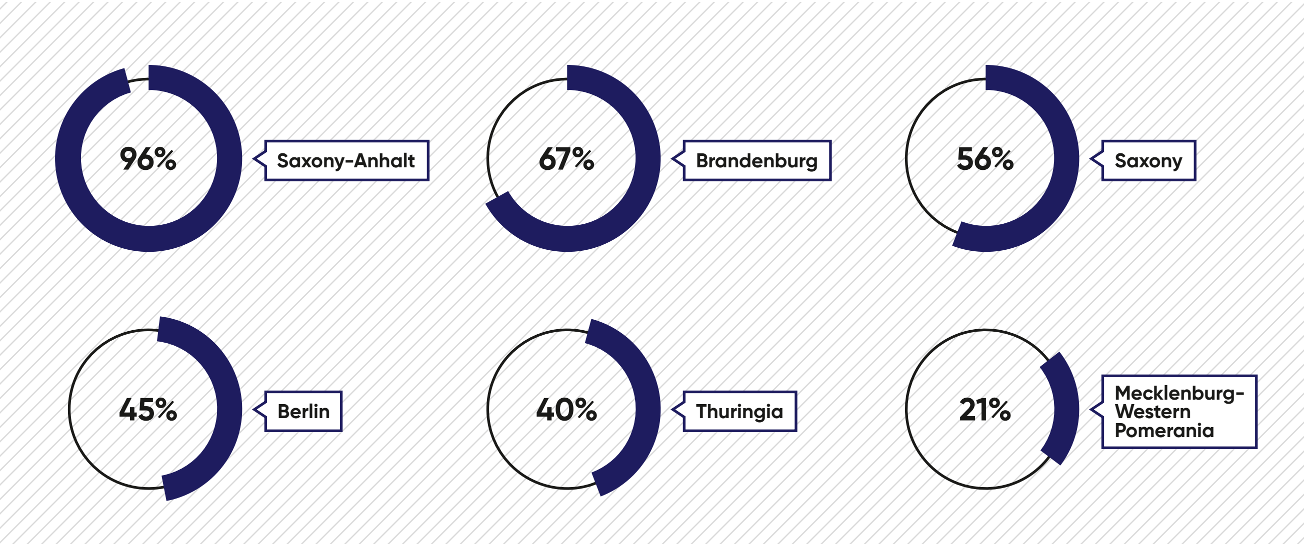
The German cable market is divided into NE3 and NE4 network operators. Following numerous market consolidations, most of the regional NE3 networks are owned by the two large cable network operators, Vodafone and Unitymedia, which also provide their own NE4 holdings via these networks. Vodafone's acquisition of Unitymedia, announced in May 2018, was ultimately approved in July 2019, subject to conditions. Thus, the regional NE3 networks will largely be in the hand of the Vodafone Group in the future.

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. However, NE4 network operators have consolidated in recent years.

Compared to its competitors, 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 2019, 67% in Brandenburg, 56% in Saxony, 40% in Thuringia, and 21% in Mecklenburg-Western Pomerania. We continue to have a market share of roughly 96% in Saxony-Anhalt. Thus, the total market share of Tele Columbus at cable households in these regions was around 53% in 2019.

[1)] Source: German Federal Statistical Office, 15 January 2020
[2)] Source: VATM market study

Market share in the eastern German federal states in %



In selected east German regions, such as the major cities of Leipzig, Erfurt or Halle, Tele Columbus has a regional market leadership. In the south and in the west 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 17% 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 to benefit from consolidation within the industry also in future. With the purchase of the majority interest in ANTEC Servicepool GmbH in 2019, Tele Columbus actively participated in this consolidation also in 2019.

TELEVISION

With 17.2 million cable TV households supplied, Germany is Europe's largest cable market[3]; 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 almost 17.3 million households in the year under review.

There is still a shift in user behavior from linear TV to streaming services via internet services, which means that there is a continuously growing need for fast internet access.

INTERNET AND TELEPHONY

In addition to analogue and digital TV, the demand for internet and telephone services via cable is increasing. Currently, about 8.4 million households in Germany already use their cable connection for faster internet access.

The German internet market is characterised by both rising demand for higher bandwidth as well as a still very low share of real fibre optic connections.[4]

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.

Tele Columbus was able to consolidate a market share of approx. 1.7% in the year under review.

[3] Digitalisation Report Video 2019
[4] VATM market study

GIGABIT INITIATIVE FOR GERMANY

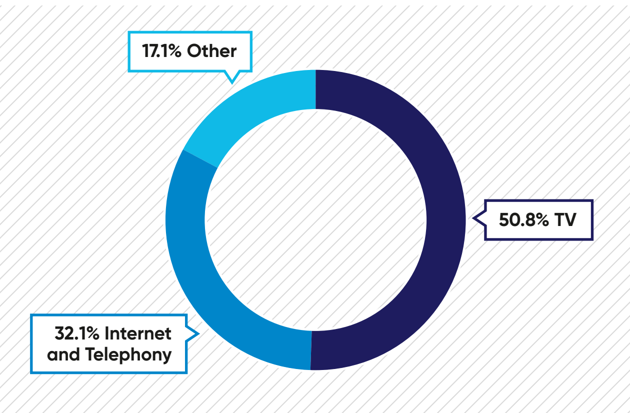
The "Gigabit Initiative for Germany" is an initiative of the Network Alliance to roll out converged gigabit-ready networks by 2025, spearheaded by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur – BMVI). To meet the needs of an advanced 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. Tele Columbus will keep a vigilant eye on future technology.

Business performance

The focus of Tele Columbus in financial year 2019 was on the continued stabilisation of internal processes.

After the Group managed to complete all integration projects in 2018, further measures were taken in 2019 to ensure continuous improvement and drive optimisation of systems and processes. The main focus in 2019 was on growth and marketing activities, which had positive effects on the relevant performance indicators. After a decline in revenue and Normalised EBITDA in 2018, these two key performance indicators again increased in 2019. Revenue increased by EUR 5.0 million (+1.0%) and the Normalised EBITDA increased by EUR 3.5 million (+1.5%) compared to 2018. The integration activities completed in 2018 are primarily manifest in the reduction in non-recurring expenses. These declined by EUR 21.1 million in 2019 (–45.5%) relative to 2018, with reported EBITDA increasing by EUR 24.6 million (+13.0%) over 2018 to EUR 214.2 million. As a result, both revenue and the earnings forecasts for 2019 were met.

Revenue by business segments in %



The positive development was also manifest in the growth pattern across the quarters. Average Normalised EBITDA grew in each quarter by 2.7%.

At 30.3% of revenue, the investments made in 2019 are below the projected level of investments (approx. 32% of revenue). This slight deviation from the forecast is mainly due to the choice of investments being selected in line with their expected profitability.

Revenue growth compared to 2018 was the result of opposing effects in the various product groups:

TV business generated revenue of KEUR 253,487 in 2019 (PY: KEUR 267,285), representing 50.8% of total revenue in 2019 (PY 54.1%).

The "Internet and Telephony" segment generated revenue of KEUR 160,518 in 2019 (PY: KEUR 153,029), representing 32.1% of total revenue in 2019 (PY 30.9%).

Other revenue, which mainly consists of the B2B and construction business, also increased by KEUR 11,333 million (+15.3%).

The number of residential units connected and equipped with feedback capability to NE3 increased over the prior year by approx. 52,000 to around 2,350,000 residential units. This share increased by approx. one percentage point to 70% of the total portfolio. The slight increase over the previous year is due to the consolidation of ANTEC Servicepool GmbH and, as stated in the forecast from the previous year, remains at a stable level. At the end of the reporting year, about 99% of the networks with feedback capability connected to the Group's own signal feed were equipped with hybrid fibre-coaxial infrastructure to the internet telecommunication standards DOCSIS 3.0 or DOCSIS 3.1. This enables the provision of transmission rates of up to one gigabit per second. The number of residential units connected to the Group's cable network was about 3.4 million at the end of 2019 and therefore increased over the prior year.

Customer Base/RGUs

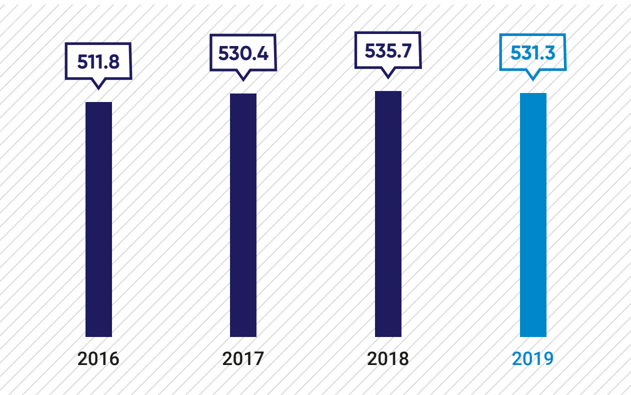
	2019	2018
Customer base subscribers in million	2.27	2.29
RGUs in million	3.78	3.83
RGUs Internet and Telephony segment in million	1.02	1.01
RGUs TV segment in million	2.76	2.82
RGUs Cable TV in million	2.22	2.26
RGUs Premium TV in million	0.54	0.56
RGUs per customer	1.67	1.67

The customer base of Tele Columbus decreased slightly to 2.27 million subscribers compared to year-end 2018.

The sum of the revenue-generating units (RGUs) declined for all services in the reporting year by 0.06 million to 3.78 million (PY: 3.83 million, approx. +0.05 million due to the consolidation of ANTEC Servicepool GmbH). The decrease results mainly from the decline in conventional cable TV customers.

There were contrasting developments for the Internet and Telephony business in the year under review. An increase from 574,000 to 584,000 RGUs was achieved for internet services. By contrast, the telephony business declined slightly, recording a loss of 7,000 units to 432,000 RGUs.

Total operating performance in EUR million



The RGUs for cable TV declined despite the consolidation of ANTEC Servicepool GmbH by 0.04 million to 2.22 million RGUs. A loss of 13,000 units was also reported for Premium TV Services.

The average number of products (RGUs) per customer across all segments remain stable in financial year 2019 at 1.67.

ARPU
in EUR

	2019	2018
ARPU	18.05	17.73
ARPU TV (per TV end customer)	9.01	9.41
ARPU Internet and Telephony (per Internet RGU)	24.26	23.97

The monthly average revenue per user (ARPU) – or "annual average ARPU" – from all services was EUR 18.05 in 2019 and thus 1.8% higher than in the previous year (EUR 17.73).

This trend was commensurate with Tele Columbus's strategic objective. The ARPU for bundled internet and telephone services rose to EUR 24.26 (PY: EUR 23.97). This is due to the various promotion activities involving price adjustments in 2019.

In contrast, the TV ARPU for the Group as at 31 December 2019 declined to EUR 9.01 from EUR 9.41 in the previous year. This development is due to the declining TV business in 2019.

Performance

Income statement

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

Income situation in KEUR	2019	2018
Revenue	499,405	494,381
Own work capitalised	22,591	20,753
Other income	9,393	24,467
Total operating income	**531,389**	**539,601**
Cost of materials	– 170,945	– 181,505
Employee benefits	– 77,736	– 79,376
Other expenses	– 68,528	– 89,171
EBITDA	**214,180**	**189,549**
Non-recurring expenses (net)	25,274	46,401
Normalised EBITDA	**239,454**	**235,950**
EBITDA	**214,180**	**189,549**
Net finance income/costs	– 66,764	– 77,759
Depreciation and amortisation	– 184,177	– 283,003
Income tax	1,261	9,817
Net loss	**– 35,501**	**– 161,396**

Revenue for financial year 2019 slightly increased by 1.0% year-on-year to KEUR 499,405.

Revenue from the TV segment decreased by 5.2% to KEUR 253,487 (PY: KEUR 267,285). Revenue in the Internet and Telephony segment, by contrast, rose by 4.9% from KEUR 153,029 to KEUR 160,518. As in the previous year there was also an increase in revenues for construction work by KEUR 5,487 to KEUR 28,725.

Own work capitalised increased in the financial year by 8.9% from KEUR 20,753 to KEUR 22,591. This increase is mainly attributable to higher capital expenditures in financial year 2019 throughout the Group.

Other income in the amount of KEUR 9,393 declined significantly by KEUR 15,074 year on year. This change is mainly due to significantly lower income from the reversal of provisions, reduced income from the sale of fixed assets, lower income from marketing subsidies and reduced other income.

Total operating revenue, defined as the sum of revenue, other income and own work capitalised, declined slightly in the reporting period by 1.5% to KEUR 531,389.

Compared with the previous year, the cost of materials declined by KEUR 10,560 to KEUR 170,945 in financial year 2019. This decline is attributable to multiple effects, including a significant decline in customer care. These costs were particularly high in the prior year (effect of KEUR – 5,536) due to the migration and the associated high level of call centre activities, including quality enhancement measures. In the wake of the mandatory first-time application of IFRS 16 Leases, the cost of materials fell by KEUR 3,683.

Benefits for employees of the Tele Columbus Group declined by KEUR 1,640 to KEUR 77,736. The decrease is largely attributable to the restructuring measures carried out in the Group in the prior year and the associated severance payments.

Other expenses amounted to KEUR 68,528 in financial year 2019 (PY: KEUR 89,171). The significant reduction from KEUR 20,643 (– 23.1%) mainly results from lower expenses for legal and consulting expenses, which declined by KEUR 7,355. Further significant effects are lower impairment losses on receivables and lower expenses for promotional activities, which, taken collectively, recorded a decrease of KEUR 5,289. A significant factor behind the decline in other expenses is the first-time adoption of IFRS 16 Leases (KEUR 4,561).

EBITDA amounted to KEUR 214,180 in financial year 2019 due to the factors described above and significantly improved by KEUR 24,631 (13.0%) compared to the previous year.

Normalised EBITDA improved slightly by 1.5% year-on-year to KEUR 239,454.

Result **in KEUR**	2019	2018
Normalised EBITDA	**239,454**	**235,950**
Strategic projects and optimisation measures (PY: restructuring and further integration measures)	–14,705	–30,295
Financial restructuring	–	–327
Other	–10,569	–15,778
Non-recurring expenses (–) (net)	**–25,274**	**–46,401**
EBITDA	**214,180**	**189,549**

Strategic projects and optimisation measures (PY: restructuring and further integration measures) in financial year 2019 amounted to KEUR 14,705 (PY: KEUR 30,295). These mainly include legal and consulting expenses of KEUR 8,307 (PY: KEUR 17,843), wages and salaries, premiums and bonuses associated with restructuring of KEUR 2,699 (PY: KEUR 5,246).

Strategic projects and optimisation measures (PY: restructuring and further integration measures)

in KEUR	2019	2018
Income statement item	**–14,705**	**–30,295**
Other income	–	3,268
Cost of materials	–1,791	–5,559
Employee benefits	–2,699	–5,246
Other expenses	–10,215	–22,758

Other non-recurring items in the amount of KEUR 10,569 (PY: KEUR 15,778) mainly comprise legal and advisory fees of KEUR 6,948. In addition, it also includes costs for customer communication totalling KEUR 1,082 for the project related to the analogue switch-off as part of the transition to the solely digital transmission of TV signals.

Other **in KEUR**	2019	2018
Income statement item	**–10,569**	**–15,778**
Other income	59	421
Cost of materials	–1,846	–4,538
Other expenses	–8,782	–11,661

In the reporting period, the operating margin, defined as the ratio of Normalised EBITDA to revenue, increased to 47.9% (PY: 47.7%).

Negative interest result improved over the prior-year period by KEUR 12,862 to KEUR 62,485. This essentially includes interest payable to third parties in the amount of KEUR 59,683, which fell significantly by KEUR 13,311 compared to the previous year. This is largely attributable to the refinancing and financing measures concluded in the prior year (75m term loan and the senior secured notes). In 2018, transaction costs (KEUR 18,338), which had previously been deferred, were recognised as an expense in the course of the (partial) repayment of Facility A and Capex Facility.

Other finance costs amounted in reporting year to KEUR 4,112 (PY: KEUR 2,407). Other finance result includes a negative adjustment in value of embedded derivatives of KEUR 5,122.

Amortisation, depreciation and write-downs declined significantly to KEUR 184,177 (PY: KEUR 283,003). In the previous year, this figure included, as a one off-effect, an impairment loss on goodwill of KEUR 124,209. An opposing effect is attributable to the first-time application of IFRS 16 Leases, as the first-time application resulted in increased depreciation of KEUR 8,266 compared to the previous year.

In financial year 2019, income taxes resulted in an income of KEUR 1,261 (PY: KEUR 9,817). Current income tax expenses increased by KEUR 6,617 to KEUR 7,992, while deferred tax income decreased by KEUR 1,938 to KEUR 9,254 (PY: deferred tax income of KEUR 11,192).

Financial year 2019 closed with a net loss of KEUR 35,501 (PY: KEUR 161,396).

Earnings by segment

Operating activities are divided into two segments. In addition to these reporting segments, there is another segment that contains other business activities and certain cost items.

The following table provides an overview of the sales revenue of the reporting segments in the financial years 2019 and 2018:

Revenue by segment in KEUR	2019	2018
Revenue TV segment	**253,487**	**267,285**
Revenue Internet and Telephony segment	160,518	153,029
Total revenue (excl. segment "Other")	414,005	420,314

Revenue from the TV segment decreased by 5.2% compared to the previous year to KEUR 253,487, which is mainly due to a decline in the cable TV RGU by approx. 59,000. Revenue in the Internet and Telephony segment increased by 4.9% year-on-year to KEUR 160,518. Compared to financial year 2018, the internet RGUs were increased by approx. 10,000. The further increase is due to higher transmission fees.

Normalised expenses of segments in KEUR	2019	2018
Cost of materials		
TV segment	−94,818	−100,773
Internet und Telephony segment	−24,229	−25,293
Employee benefits		
TV segment	−22,571	−22,109
Internet und Telephony segment	−20,612	−17,991
Other expenses		
TV segment	−11,492	−12,684
Internet und Telephony segment	−9,814	−10,916

The normalised expenses decreased year on year.

Result in KEUR	2019	2018
Normalised EBITDA		
TV segment	139,989	149,672
Internet und Telephony segment	116,337	111,810
Non-recurring expenses (−)/income (+)		
TV segment	−7	−1,506
Internet und Telephony segment	−47	30
EBITDA		
TV segment	139,981	148,165
Internet und Telephony segment	116,290	111,840

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".

Financial situation and cash flows

CASH FLOWS

In 2019, the Group was able 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, funded from cash and partial use of an existing credit line. 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. Further, Tele Columbus AG secured further financing in October 2018 in the amount of KEUR 75,000 with a term to maturity until 2023 and still has the revolving credit line of KEUR 50,000 available. This was partially utilised as at 31 December 2019.

The aggregated cash flows of the Tele Columbus Group for financial years 2019 and 2018 are as follows:

Cash Flow **in KEUR**	2019	2018
Cash Flow from operating activities	209,396	159,618
Cash Flow from investing activities	–155,395	–144,073
Cash Flow from financing activities	–70,139	–23,004
Net decrease in cash and cash equivalents	**–16,138**	**–7,459**
Cash and cash equivalents at the beginning of the reporting period	26,288	31,767
Cash and cash equivalents at the end of the reporting period	**10,149**	**24,307**
plus release of restricted cash and cash equivalents	–20	1,982
Free cash and cash equivalents at the end of the reporting period	**10,128**	**26,288**

CASH FLOWS FROM OPERATING ACTIVITIES

In the financial year ended 31 December 2019, net cash flows from operating activities amounted to KEUR 209,396 and were far above the prior year's level. The increase is mainly due to the mandatory first-time application of IFRS 16 leases and due to the positive working capital change. In contrast, there was an increase in trade payables and other liabilities of KEUR 45,289.

Income taxes paid increased by KEUR 4,872 to KEUR 8,920 (PY: KEUR 4,048).

CASH FLOWS FROM INVESTING ACTIVITIES

The cash flows from investing activities amounting to KEUR –155,395 (PY: KEUR –144,073) mainly result from investments in property, plant and equipment and intangible assets. The investments were, compared to previous year, on a stable level (2019: KEUR 149,833; PY: KEUR 148,875).

The main focus of these investments is the rigorous pursuit of our corporate strategy: besides replacing third party signal suppliers with Tele Columbus's own signal feed for current subscribers, as well as expanding the existing HFC networks for marketing high speed IP services 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 corporations in the course of new acquisitions or renewals of contracts. In financial year 2019, the Group invested a total of KEUR 126,344 (PY: KEUR 135,111) in technical equipment and construction in progress.

Furthermore, in 2019, Tele Columbus AG acquired the majority stake of 76.0% in ANTEC Servicepool GmbH, Hanover. The purchase price (KEUR 7,422) less cash acquired (KEUR 706) increases the cash flow from investing activities compared to the previous year by KEUR 6,716.

The liabilities incurred until the balance sheet date of 31 December 2019, which will result in cash outflows of about KEUR 86,320 in subsequent reporting periods (PY: KEUR 87,826), will be financed from existing cash balances and cash flows from operating activities.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities of KEUR –70,139 (PY: KEUR –23,004) consists in particular of interest payments (KEUR –54,381; PY: KEUR –53,001) and repayment of leasing liabilities (KEUR –23,247; PY: KEUR –14,379). The opposite effect is essentially the partial use of the revolving facility in the amount of KEUR 13,299. For the forthcoming financial year, the Tele Columbus Group expects cash outflows for the repayment of lease liabilities currently amounting to KEUR 25,927. Assuming that no additional lease agreements are concluded, future annual repayment obligations will be reduced to a range between KEUR 19,000 and KEUR 20,000 in the following two years. For 2020, the Group currently assumes a cash-effective interest charge (excluding interest from leasing agreements) of approximately KEUR 51,000 and the repayment of current loans of KEUR 1,000.

The financing structure of the Tele Columbus Group has a 93.8% long-term nature.

The revolving facility in the amount of KEUR 50,000 according to the senior facilities agreement was partially utilised as at the reporting date.

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

Asset situation

Balance sheet items

KEUR	31 December 2019	31 December 2018
Non-current assets	1,953,520	1,904,921
Current assets	104,908	120,859
Total assets	**2,058,428**	**2,025,780**
Equity	318,579	354,668
Non-current liabilities	1,566,920	1,512,666
Current liabilities	172,929	158,447
Total liabilities	**2,058,428**	**2,025,780**

Compared to 31 December 2018, total assets have increased by KEUR 32,648 to KEUR 2,058,428. The increase is mainly due to the first-time adoption of IFRS 16 Leases and is visible on both the assets side of the balance sheet through the recognition of right-of-use assets and on the liabilities side through the recognition of corresponding lease liabilities. The opposing effect on the asset side is the decline in cash and cash equivalents and a reduction in VAT receivables, whereas a decrease in equity represents the opposing effect on the liabilities side.

Property, plant and equipment rose by KEUR 29,726 to KEUR 669,166 compared to 31 December 2018. This is mainly due to the mandatory first-time adoption of IFRS 16 Leases and the related capitalisation of right-of-use assets. An offsetting effect resulted from the rise in depreciation of property, plant and equipment of KEUR 15,570.

As of December, 31 2019 intangible assets increased by KEUR 15,205, from KEUR 1,258,734 to KEUR 1,273,939. This is mainly due to the first-time adoption of IFRS 16 Leases and to goodwill recognised as a result of the acquisition of ANTEC Servicepool GmbH and the customer base acquired. An offsetting effect also resulted from the rise in amortisation, adjusted for the impairment loss on goodwill recorded in the prior year, of KEUR 9,813.

The decline in inventories to KEUR 5,586 is due to the consolidation of warehouses and the strategic decision to minimise inventories while at the same time securing supply capacities.

The decline in other current assets by KEUR 2,224 to KEUR 17,197 is due exclusively to the decrease in VAT receivables. Other current assets primarily consist of advance payments and other assets.

As at 31 December 2019, the Group's consolidated equity amounted to KEUR 318,579 (PY: KEUR 354,668). This decline is mainly due to the net loss incurred in the financial year of KEUR 35,501.

Non-current liabilities to banks and from the bond issuance increased by KEUR 1,400,814 to KEUR 1,404,430. The interest rate adjustments associated with the facility and the senior secured notes had a significant influence on this minor increase.

The Group's liabilities due to interest-bearing loans and senior secured notes totalled KEUR 1,432,175 as at 31 December 2019 (PY: KEUR 1,415,873). This corresponds to 69.6% (PY: 69.9%) of total assets.

At the balance sheet date other non-current financial liabilities amounted to KEUR 106,984 (PY: KEUR 57,974). As at 31 December 2019 and at 31 December 2018, this item largely comprised non-current lease liabilities for the use of infrastructure facilities. The increase is mainly due to the first-time adoption of IFRS 16 Leases.

Deferred tax liabilities of KEUR 27,544 were reported as at 31 December 2019 (PY: KEUR 33,249). These mainly decreased due to amortisation of the customer base.

Current liabilities to banks amounted to KEUR 27,745 (PY: KEUR 15,059). The increase results mainly from the utilisation of the revolving facility.

Current trade payables decreased by 0.7% to KEUR 75,878.

In line with the rise in non-current financial liabilities, the increase in current other financial liabilities was caused by the first-time adoption of IFRS 16 Leases.

Overall evaluation

The financial position, financial performance and cash flows reflect the Group's position in 2019. Tele Columbus has sufficient liquidity and has long-term financing in place. After a year of declining EBITDA, significant growth in earnings was recorded for the first time in 2019. Overall, 2019 was a year of stabilisation in which the Group pushed ahead with the optimisation of internal processes and structures and laid the foundations for further positive business development.

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 economic position as well as business performance of its subsidiaries. Financial performance is dependent, apart from finance costs, largely on income from investments, particularly expenses and income from profit and loss transfer agreements.

ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS

The revenue of KEUR 81,437 reported by Tele Columbus AG for financial year 2019 (2018: KEUR 87,522) mainly results from income from services and sales revenue to affiliated companies. The decline is mainly attributable to a decrease in income from services within the group.

The operating expenses refer mainly to the Company's management and financing function. Earnings depends largely on general administrative expenses, other operating income and finance income/costs.

Other operating income of KEUR 49,580 was significantly below the previous year's level (KEUR 52,897). The main reason for this is a decline in income from the reversal of provisions to KEUR 273 (2018: KEUR 4,251).

The cost of materials includes expenses for modems and receivers which were sold on by Tele Columbus AG to group entities. The rise is mainly due to the fact that Tele Columbus AG undertook the purchase of modems and receivers for the entire Group for the whole year, whereas in the previous year some group companies were still responsible for the purchase for a few months. Moreover, services received as part of sales projects are presented under cost of materials in financial year 2019.

Compared to the previous year, personnel expenses declined by KEUR 839 to KEUR 5,256. The decrease is attributable to the lower number of employees.

Amortisation, depreciation and write downs increased from KEUR 12,261 to KEUR 15,372, which is due to increasingly more purchases of IT software.

Other operating expenses decreased by KEUR 24,377 to KEUR 115,711 which results mainly from reduced expenses for legal and consulting services as well as for ancillary cost.

Compared to the prior year, net finance result increased from KEUR –33,826 to KEUR –36,324 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. The increase is mainly due to increased interest expenses in connection with external financing.

Income from profit transfers arose in the amount of KEUR 31,313 compared to KEUR 45,859 last year. The increase in expenses arising from loss absorption from KEUR 107 to KEUR 37,142 is mainly due to the negative annual result of the pepcom GmbH, which is characterised by expenses from mergers in the amount of KEUR 53,679.

Tele Columbus AG closed the financial year with a loss of KEUR 77,196. The loss will be carried forward to the following year.

Total assets rose slightly to KEUR 2,473,249 compared to 31 December 2018 (KEUR 2,332,295).

Under assets, the increase resulted mainly from higher intangible assets and receivables from affiliated companies, while under liabilities it was mainly due to increased liabilities to affiliated companies.

The increase in intangible assets from KEUR 38,722 to KEUR 50,454 was caused mainly by investments relating to new software solutions.

At KEUR 1,867,147, financial assets have remained largely unchanged compared to the previous year; the increase of KEUR 17,255 results largely from deferred interest receivables on loans to affiliated companies.

Receivables from affiliated companies of KEUR 506,791 arise from the cash pool receivables, receivables due to services and recharging as well as receivables from profit transfer.

Cash and cash equivalents declined from KEUR 4,682 to KEUR 2,942.

Tele Columbus AG's equity amounted to KEUR 436,479 as at 31 December 2019. The year-on-year decline results exclusively from the net loss of the fiscal year. The equity ratio is 17.6% (PY: 22.0%).

Other provisions increased by KEUR 2,021 to KEUR 30,638. This rise is mainly due to increased provisions for outstanding invoices.

The increase in liabilities to banks in the amount of KEUR 13,317 to KEUR 805,357 essentially results from the use of a current account credit.

Liabilities to affiliated companies increased year-on-year by KEUR 203,690 to KEUR 526,584. This was mainly caused by an increase in cash pool liabilities and higher liabilities from profit transfer agreements.

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 carried out during the financial and previous year for the purpose of debt financing successfully stabilised the Company's financial position.

Subsequent events

The Supervisory Board has appointed Dr Daniel Ritz as Chief Executive Officer (CEO) and member of the Management Board with effect from February 1, 2020. Timm Degenhardt has resigned from his position as CEO with effect from January 31, 2020, but remains a member of the Board of Management until March 31, 2020.

On 30th January 2020 the World Health Organisation declared the spread of the new coronavirus "Covid-19" as a "health emergency of international proportions". This pandemic has a considerable impact on the situation and development of the global economy and business in Germany. We therefore classify this as an event of particular significance after the balance sheet date. We refer to the statements in the risk report and the forecast in the management report.

Forecast

Slump in growth in Germany driven by industry

After growth in economic output in Germany fell below expectations in 2019, the Kiel Institute for the World Economy (IfW) expects growth to accelerate to 1.1% in 2020 due to a large number of working days. Particularly in the first half of the year, the IfW still anticipates appreciable negative effects from the industrial recession.

Considering the continued spread of the coronavirus, the IfW updated its economic forecasts in March 2020 and expressed concerns that the epidemic could have a significant negative impact on economic growth in Germany. Depending on the scenario, GDP is expected to decline between 4.5% and 8.7% in 2020. However, the IfW expects little or no losses for the information and telecommunications industry.[1)]

Industry forecast

In the opinion of Tele Columbus, the broadband market remains on course for success. The Company's view is based on industry developments over the past few years, the German 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 further 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 to 400 Mbps. In addition, cable network operators are further expanding the DOCSIS 3.1 telecommunications standard, which will provide large sections of the population with gigabit speeds.

[1)] https://www.ifw-kiel.de/de/publikationen/medieninformationen/2020/update-konjunkturbericht-deutsches-bip-duerfte–2020-zwischen–45-und–9-prozent-einbrechen/

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 German 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 [TKG] and has taken these into account in planning.

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 Management and the Supervisory Board. Annual planning for financial year 2020 was presented to the supervisory board in December 2019 and approved by these committees. The forecast period described below covers one year and is supplemented by medium-term forecasts. Based on the planning principles, a focused management of the group according to B2C and B2B will be sought from 2020.

At the same time, the core broadband business is to be continued with high investments in network infrastructure. The increasing penetration of existing internet and telephone services and the resulting improvement in the product portfolio to include a higher proportion of high-margin products as well as the additional earnings contributions from the network use of third parties are expected to have a positive impact on revenue and earnings growth.

Driven by a continued slight decline in customer numbers, a minor drop in revenue in the TV business is also expected in 2020. In the Internet and Telephony business, however, the customer growth that began in the second half of 2019 is expected to continue in 2020 and lead to a slight rise in revenue. As in recent years, the B2B business – which recently recorded above-average growth rates – is expected to continue to contribute to growth. Compared to 2019, a significant decline in construction revenue is anticipated, which is attributable to the upcoming completion of the infrastructure project in Plön, which have only an insignificant impact on the overall profitability of the B2B business.

The Management Board of Tele Columbus AG expects steady 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 continue to rise slightly. 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 figure at the end of financial year 2019 of 70% (PY: 69%), this percentage is expected to remain stable until the end of financial year 2020.

Tele Columbus continues to expand its hybrid fibre optic networks in accordance with demand and is basing this on the most up-to-date internet transmission standard DOCSIS 3.1. In 2019 the network in Berlin was upgraded to DOCSIS 3.1, giving approx. 1 million residents access to a gigabit connection. Internet connections based on the transmission standard DOCSIS 3.0 can achieve high speeds of up to 400 Mbps. 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 provides high performance connections and networks for business customers via its B2B and beyond.

Revenue of EUR 465–475 million is expected for financial year 2020 as a whole, as well as reported EBITDA of EUR 225 – 230 million. The sharp rise in reported EBITDA is driven by an improvement in operational profitability and the renewed significant decline in non-recurring expenses. Over the medium term, revenue is expected to grow in the low to mid-single-digit percentage range, while normalised EBITDA is expected to grow in the mid-single-digit percentage range.

The merger and further expansion of networks requires strong project-based investments, which are nevertheless expected to be at a lower level in 2020 than in the prior year. The Group expects investments of EUR 140–150 million in financial year 2020. Over the medium term, the investment-to-revenue ratio is expected to decline slightly.

The forecast one the relevant KPIs of Tele Columbus is subject to uncertainties, as it is currently not possible to precisely estimate the duration and effects from the spread of the corona virus. On one hand, the partial closure of the Group's own shops and sales outlets will reduce the number of new contracts through these channels. On the other hand, we are currently seeing a shift in sales volume to online channels and a lower number of contract terminations by our existing customers.

Risk report

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.

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 Management Board 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 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 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 assets, liabilities, financial position and financial performance.
- 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
- Sustainability risks

Status of risk management

In 2019, 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 and sustainability 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.

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 "Risk management system"**, 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 Management Board 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 Management Board and the auditor.

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.

Stronger differentiation of the risks in the risk categories was introduced in 2019 from previously three to four categories:

- Risk category A: critical risks that urgently 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: high risks requiring action. They are reviewed regularly and rigorously managed (orange).
- Risk category C: latent risks that may require action. These risks are selectively managed (yellow).
- Risk category D: risks currently requiring little action. These risks are selectively managed (green).

Net risk in KEUR

Likelihood of occurrence	0–100 very low	101–999 low	1,000–3,499 medium	3,500–6,999 very high	> 7,000 critical
81–100%	5	0	1	0	1
61–80%	4	0	0	3	0
41–60%	4	14	6	1	0
21–40%	6	24	10	0	0
0–20%	7	8	6	0	0

Level of damage

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.

The Group reported a total of 251 individual risks, which were consolidated into 100 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, C and D according to the net evaluations of these risks, i.e. by taking into account appropriate countermeasures. One risk is currently rated as being critical. 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 "TV" and "Internet and Telephony" segments 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".

Industry-specific risks

Strong competition

Tele Columbus is exposed to considerable risks in terms of the competitive situation on the German cable market due to the merger between Vodafone and Unitymedia in July 2019. Since this merger was approved subject only to minor conditions, Tele Columbus perceives a long-term threat in that this monopoly could result in a lasting competitive disadvantage. Especially the monopoly's considerable market power in content, sales and purchasing, as well as the possibility of cross-subsidisation, could sustainably weaken the market position of Tele Columbus. Following the merger, Vodafone would gain a very strong position particularly 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. New market players, such as regional and local providers of infrastructure networks, are increasingly crowding onto the market, which is resulting in 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. (high risk)

Strategic expansion of the fibre optic network

Wide-scale and high-cost investments, along with the necessary cost-cutting in terms of our investments, mean there is the risk that our fibre optic network cannot expand as fast as the market develops with new technology. This is linked to customer dissatisfaction and revenue losses. In addition, there is the competition's market power and thus associated investment potential. (high risk)

Changing customer behaviour

Another factor is continuous change in customer behaviour. Conventional TV products are increasingly being 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)

Falling prices/revenue

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

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. There is so far 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 regarding 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)

Operational risks

IT risks

While its business operations, Tele Columbus uses IT systems extensively, which could be disrupted or interrupted due to outside influences (environmental, building work, etc.) or updates in operation not yet carried out.

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 must 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)

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 customer service, there is always the risk that these service providers will not perform the agreed services as expected, it loses a large service provider or the costs for this service skyrocket. 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

To realise their strategic and operational objectives, the Tele Columbus AG Group companies depend on qualified specialists and senior staff. Regarding the recruitment and retention of qualified employees, the Group must measure itself against market competitiveness. The continuous updating and further development of the HR strategy represents an ongoing, high-priority task for management. (latent risk)

Legal proceedings, antitrust and consumer protection procedures

Current litigation

Tele Columbus Group is currently involved in one still ongoing 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 relating to 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)

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. 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 Management Board occurs at regular intervals.

Liquidity risk

Tele Columbus operates in a market where size and sustainable investments are necessary. This means there is a considerable need for capital and liquidity. The current financial funds available to Tele Columbus are limited and enable investments to a limited extent only. Therefore, the Management Board perceives a risk in that the financial reserves available are not sufficient in order to make all the necessary investments enabling sustainable customer growth and, thus, organic growth (high 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 credit lines available within the Group and partially utilised as at 31 December 2019 are designed to 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.

The Management Board 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 1,459,555.

Furthermore, the Group was not in a position to dispose over all financial resources as at the end of the year (restricted cash 2019 in the amount of KEUR 1,016). (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 should the need arise to hedge or control interest.

To limit risks, Tele Columbus uses two interest rate caps (interest capped at 0.75% versus 3-month EURIBOR) acquired in February 2016, at a nominal value of 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 2018. 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 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 current tax audits.

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

Compliance risks

Compliance in general

A company's corporate culture is determined by management and shaped as well as implemented by its employees. Tele Columbus Group has implemented a compliance management system to ensure that their conduct is in compliance with rules and regulations. 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)

Risks regarding 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.

Tele Columbus AG extended two shareholder loans to refinance legacy liabilities in the amount of KEUR 344,899 and KEUR 185,772, respectively to its subsidiaries.

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 beneficiary societies. 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 to ensure their ability to continue operations. This may also expose Tele Columbus AG to liquidity risk.

Risks related to Covid-19

The current Covid-19 pandemic has a significant impact on the situation and development of the global economy and in particular on the economy in Germany.

Legal regulations to contain the pandemic are leading to drastic restrictions on public life and the functionality of companies, e.g. by closing down businesses, contact and exit restrictions or special hygiene regulations. Many companies have to close, order short-time work or send their employees to home offices. Supply chains are also slowing down or failing completely.

Tele Columbus, as a system critical telecommunications company, is aware of its responsibility and constantly monitors current developments and has established close risk and measures management system. An emergency team was created that interacts by phone several times a day. Weekly KPI-tracking, workstreams in critical areas and a daily reporting to the management complete these emergency measures.

Currently, Tele Columbus is only affected by the effects of the pandemic to a manageable extent. For example, all PŸUR shops throughout Germany had to close temporarily. In some cases, however, the shops may reopen due to special permits. Potential risks may also arise from the planned legislation to protect citizens. The German government is currently planning to grant citizens and microentrepreneurs who have fallen into economic difficulties due to the pandemic the option to defer permanent current obligations (including telephone and internet contracts) until June 30, 2020.

Without direct compensation for the companies, this could lead to delays in recovering claims or total default of the receivable and revenues. If these are serious due to volume or duration of the deferral, this could lead to the Group's financial difficulties through no fault of its own. Currently, this risk cannot be assessed in monetary terms due to the lack of experience.

On the other hand, as a telecommunications company, we also see positive effects. Due to the current situation (short-time work, home office, etc.), the need for internet, telephone and television is increasing. We are therefore tending towards fewer terminations and more new contracts. Housing industries are also reconsidering terminations and are partially withdrawing them.

Overall, the current risk situation is difficult to assess due to a lack of experience and ignorance about the duration of the pandemic. As a fiber-optic company, we see ourselves in a stable industry and currently consider the risk situation to be manageable.

Opportunities

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 seized and managed as part of regular evaluations. 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.

Opportunities

Transformation of the Company

The restructuring of the Group with the involvement of a strategic investor at the Company's networks offers the opportunity to push network expansion further, which can heavily leverage the fasting-moving market and repay a portion of the external financing. (major opportunity)

However, both opening the networks of the Tele Columbus Group (wholesale) as well as using the networks of third parties offer Tele Columbus the opportunity to generate stronger growth and tap new market potential. (major opportunity)

Corporate consolidation (merger of individual subsidiaries), which began in 2019, provides Tele Columbus with an opportunity to streamline processes, simplify corporate management and thereby cut costs. (major opportunity)

Strategic expansion of the fibre optic network

Germany lags far behind other industrialised countries in terms of providing available bandwidth. The German government's coalition agreement stipulates pushing extensive expansion of gigabit networks by 2025 and developing a specifically designated Federal Broadband Support Programme for broadband expansion. As part of funding projects, Tele Columbus will work more closely with cities and municipalities. Tele Columbus is using this opportunity to further increase its participation in the expansion of fibre optic networks. Tele Columbus can gain a competitive edge over the competition especially in rural areas.

Strategic expansion of our fibre optic network can provide the Tele Columbus Group with a considerable competitive edge (especially in the internet business) in terms of available bandwidths. The use of fibre optic technology means there will be less disruptions, so that customer satisfaction will go up, the number of calls received by call centres will go down and costs will decrease. An appropriate communications strategy can generate considerable media interest and attention, which benefit sales strategies and thereby help drive revenue. (major opportunity)

However, the further rollout of the DOCSIS 3.1. data transmission standard is enabling speeds of up to one gigabit – i.e. 1000 Mbit – per second. This affords Tele Columbus an opportunity to offer much higher speeds on the market and stand out from DSL providers. (latent opportunity)

5G expansion

Licences for launching the new 5G mobile phone generation were auctioned in 2019 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. Direct connection of mobile stations to fibre optic networks will further increase in importance in the case of the 5th generation of mobile telephony. Apart from expansion of the mobile infrastructure, fibre optic networks will also have to be further expanded because without connection of the mobile stations to the fibre optic network, the many advantages of the new technology can be used only to a limited extent. Tele Columbus sees great growth opportunities in this development. As an operator of an already multi-faceted network and because of increasing expansion, Tele Columbus provides the necessary infrastructure 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)

Furthermore, the digitalisation of internal processes and systems at Tele Columbus is streamlining and accelerating individual activities. This offers the opportunity to position ourselves as an innovative and high-performing partner vis-à-vis customers and staff. (latent opportunity).

Raising the regional profile

A 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 this as a control instrument for offering customers higher quality service.

Providing positive services to customers ultimately also depends on the happiness of Tele Columbus's own employees. The TC Group has initiated various measures for attractively designing the PŸUR brand not only for customers, but also for current as well as future employees. These measures include optimising our processes, improved and broader customer perception, implementing a value management system, promoting work/life balance, attractive offices, the use of social media, etc. These measures boost employer attractiveness and employee satisfaction. This provides an opportunity to position ourselves as an attractive employer on the labour market and win and retain competent employees. (latent opportunity)

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

Expansion of the fibre optic network currently represents the greatest opportunities for Tele Columbus, but also the greatest risk.

Our 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 by international standards. This offers excellent 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 seeking to actively shape this growth using the financial resources at its disposal. Tele Columbus is very aware of the intrinsic opportunities and risks and manages these with the greatest of attention.

We are very critical of the merger of Unitymedia and Vodafone, as we view such a major merger as having significant influence on the German telecommunications market. Numerous industry associations from the housing sector, network operators and media companies, along with Deutsche Telekom, other competitors as well as Tele Columbus, are also highly critical of the merger. Vodafone can obtain even greater market leverage on the MDU market after the acquisition of Unitymedia and also in respect of TV stations, which could lead to considerable cost increases and disadvantages for customers as well as for Tele Columbus and other cable network operators. Even if Tele Columbus Group intensively prepares for the impact of the merger, it is able to influence the effects to a limited extent only.

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 assets and liabilities, financial position and financial performance. The risks identified are not such that they could affect the Company's ability to continue as a going concern, also in the future. Therefore, as at the date this report was prepared, the Management Board still considers 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 Management Board 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 Management Board was not aware of any risks that could affect the Company's ability to continue as a going concern or have a lasting adverse effect on its assets, liabilities, financial position and financial performance and thereby create such a going concern risk. The Management Board 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.

Corporate governance statement pursuant to Section 289f and Section 315d of the German Commercial Code [HGB]

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

Non-financial group report

Tele Columbus AG's separate non-financial report pursuant to Sections 315b and 315c in conjunction with 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")**.

Information on potential takeover offers

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).

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.

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 Investments Holding AG & Co. KG: 29.70%
  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.
- Rocket Internet SE: 12.29%
  Company's registered office: Berlin, Germany.

Shares with special rights that confer powers of control

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

Appointment and dismissal of members of the Management Board 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 Management Board 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 Management Board 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 Management Board 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.

Powers of the Management Board, in particular regading issuing or repurchasing shares

AUTHORISED CAPITAL

Pursuant to a shareholder resolution at the annual general meeting on 15 May 2015, the Management Board 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 on one or more occasions, 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.

CONDITIONAL 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 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.

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.

Agreements concluded between the Company and members of the Management Board 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 Management Board 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.

Compensation report

Compensation of the Management Board

Management Board compensation system

The Supervisory Board determines appropriate compensation for the individual members of the Management Board. 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 Management Board in 2019 financial year were Timm Degenhardt (CEO) and Eike Walters (CFO). The compensation of Management Board members considers 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 considered 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 Management Board. The structure and appropriateness of compensation of the Management Board is reviewed regularly by the Supervisory Board.

The total compensation of the members of the Management Board 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 Management Board 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 considered.

Basic compensation

Members of the Management Board 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 to this, the Management Board members have a contractual entitlement to fringe benefits and non-cash benefits, which primarily include the use of a company car or compensation for such a car and the payment of premiums for accident and health insurance. These costs were assessed according to tax regulations.

Short-term variable compensation component

The 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 adoption 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 relates to the following parameters: adjusted 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 adjusted 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 Management Board is not entitled to compensation for the whole financial year on which payroll is based, it is calculated on a pro rata basis.

Long-term variable compensation component (LTIP)

Management Board members participate in a long-term incentive plan (LTIP). The LTIP is part of the Management Board'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 Management Board 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.

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 Management Board 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 Management Board 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 2019 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 (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 2018.

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. A deviating exercise threshold of 120% was defined for instalments 4 and 5.

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 Management Board 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 Management Board 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.

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 2019 includes a deductible premium for members of the Management Board 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 Management Board 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.

Payments in the event of termination of a service contract

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

However, pursuant to the German Corporate Governance Code, the contracts provide 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 ("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 Management Board, 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 Management Board (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 Management Board 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%.

Overview of the total compensation of the Management Board

The total compensation granted to the members of the Board of Management for financial year 2019 amounted to KEUR 2,254 (previous year: KEUR 1,654). Of this amount, KEUR 850 (PY: KEUR 885) was attributable to fixed non-performance-linked compensation components, KEUR 60 (PY: KEUR 65) to other non-performance-linked benefits, KEUR 450 (PY: KEUR 257) to short-term performance-linked compensation components, KEUR 311 (PY: KEUR 0) to long-term variable compensation components (LTIP), KEUR 283 (PY: KEUR 247) to share-based compensation under the MSP, and KEUR 300 to other compensation or contractual benefits (PY: KEUR 200).

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

The individualised, overall compensation of the members of the Management Board, broken down into the respective components, is shown in the following table for financial year 2019. The first table shows the target compensation for the reporting year. The second table shows the actual payments made for that financial year.

Value of benefits granted for the 2019 financial year

	Timm Degenhardt			Eike Walters		
	2019	2019 (min)	2019 (max)	2019	2019 (min)	2019 (max)
Fixed salary	600,000.00	600,000.00	600,000.00	250,000.00	250,000.00	250,000.00
Fringe benefits [1]	52,224.00	52,224.00	52,224.00	7,800.00	7,800.00	7,800.00
Subtotal	**652,224.00**	**652,224.00**	**652,224.00**	**257,800.00**	**257,800.00**	**257,800.00**
Year-specific variable compensation [2]	300,000.00	0.00	450,000.00	150,000.00	0.00	165,625.00
Multiple year compensation: LTIP (3 years) [3]	0.00	0.00	0.00	0.00	0.00	0.00
Equity-based compensation (MSP) [4]	188,509.48	0.00	188,509.48	94,254.74	0.00	94,254.74
Other benefits [5]	300,000.00	0.00	300,000.00	0.00	0.00	0.00
Subtotal	**788,509.48**	**0.00**	**938,509.48**	**244,254.74**	**0.00**	**259,879.74**
Pension expenses	0.00	0.00	0.00	0.00	0.00	0.00
Total compensation	**1,440,733.48**	**652,224.00**	**1,590,733.48**	**502,054.74**	**257,800.00**	**517,679.74**

[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 2020. Allocations were made to provisions accordingly in 2019.
[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 2019, 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 fifth instalment is taken into account.
[5] Other compensation includes a sign-on bonus.

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] 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, 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.

Inflow for the 2019 financial year

	Timm Degenhardt	Eike Walters
	2019	2019
Fixed salary	600,000.00	250,000.00
Fringe benefits [1)]	52,224.00	7,800.00
Subtotal	**652,224.00**	**257,800.00**
Year-specific variable compensation [2)]	192,020.45	48,125.00
Multiple year compensation: LTIP (3 years)	0.00	0.00
Equity-based compensation (MSP)	0.00	0.00
Other benefits [3)]	300,000.00	0.00
Subtotal	**492,020.45**	**48,125.00**
Pension expenses	0.00	0.00
Total compensation	**1,144,244.45**	**305,925.00**

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 2018 was paid in the first quarter of 2019.
3) Other compensation includes a sign-on bonus.

Inflow for the 2018 financial year

	Frank Posnanski (until 15.07.2018)	Timm Degenhardt	Eike Walters (since 25.06.2018)
	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 compensation [2)]	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).

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			Tranche 5		
	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 7.78	TEUR 204	78,889	EUR 2.81	TEUR 164	225,000	EUR 3.07	TEUR 189	225,000
Granted options during the year	–	–	–	–	–	–	–	–	–
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	EUR 3.07		225,000
Exercisable options per 31 December	–	–	–	–	–	–	–	–	–

Matching Stock Program (MSP)

	Eike Walters, CFO					
	Tranche 4			Tranche 5		
	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 2.81	TEUR 82	112,500	EUR 3.07	TEUR 94	112,500
Granted options during the year	–	–	–	–	–	–
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	EUR 3.07	–	112,500
Exercisable options per 31 December	–	–	–	–	–	–

Pension benefits granted to Mr. Degenhardt in 2019 financial year amounted to KEUR 45 (PY: EUR 45).

As in the previous year, no advances were paid to Management Board members in financial year 2019, and there were no loans.

Compensation of the Supervisory Board

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 in 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.

Overview of the total compensation of the Supervisory Board

The total compensation of members of the Supervisory Board in financial year 2019 amounted to KEUR 341 (previous year: KEUR 426) (excluding VAT). Of this amount, KEUR 226 (previous year: KEUR 290) was attributable to fixed compensation for activities on the Supervisory Board. Compensation for committee work amounted to KEUR 24 (previous year: KEUR 25). In financial years 2019 and 2018, 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 2019 and 2018 is shown in the following tables:

Compensation of member of the supervisory board 2019 – since September 2019

EUR	Fixed compensation	Compensation for committee work	Attendance fees	Total compensation
Claus Beck	11,000.00	–	4,000.00	15,000.00
Hüseyin Dogan	11,000.00	1,333.33	4,000.00	16,333.33
Dr Susan Hennersdorf	11,000.00	1,333.33	4,000.00	16,333.33
Stefan Rasch	11,000.00	–	4,000.00	15,000.00
Dr Volker Ruloff (Chairman)	25,000.00	–	4,000.00	29,000.00
Michael Scheeren	11,000.00	4,000.00	4,000.00	19,000.00
Total	**80,000.00**	**6,666.66**	**24,000.00**	**110,666.66**

Compensation of member of the supervisory board 2019 – until August 2019

EUR	Fixed compensation	Compensation for committee work	Attendance fees	Total compensation
Christian Boekhorst	22,000.00	6,000.00	15,500.00	43,500.00
Franck Donck (Chairman until 2 April 2019)	18,750.00	1,250.00	3,500.00	23,500.00
Dr Susan Hennersdorf	22,000.00	2,666.67	11,000.00	35,666.67
André Krause (Chairman since 3 April 2019)	39,500.00	7,416.67	18,000.00	64,916.67
Yves Leterme	22,000.00	–	6,500.00	28,500.00
Catherine Mühlemann	22,000.00	–	12,000.00	34,000.00
Total	**146,250.00**	**17,333.34**	**66,500.00**	**230,083.34**

Compensation of member of the supervisory board 2018

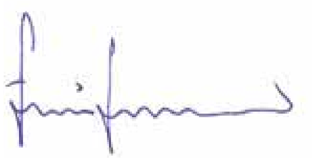
EUR	Fixed compensation	Compensation for committee work	Attendance fees	Total compensation
Franck Donck (Chairman)	75,000.00	5,000.00	13,000.00	93,000.00
Christian Boekhorst	33,000.00	4,000.00	22,000.00	59,000.00
Dr Susan Hennersdorf	33,000.00	1,000.00	10,500.00	44,500.00
André Krause	33,000.00	12,000.00	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**

Berlin, 27 March 2020
Tele Columbus AG, Berlin

The Management Board

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer



Timm Degenhardt
Management Board Member

Consolidated financial statements for the financial year

ended 31 December 2019

Content

Consolidated income statement

KEUR	Notes	2019	2018
Revenue	E.1	499,405	494,381
Own work capitalised	E.2	22,591	20,753
Other income	E.3	9,393	24,467
Total operating income		*531,389*	*539,601*
Cost of materials	E.4	–170,945	–181,505
Employee benefits	E.5	–77,736	–79,376
Other expenses	E.6	–68,528	–89,171
EBITDA		**214,180**	**189,549**
Depreciation and amortisation	E.7	–184,177	–283,003
EBIT		**30,003**	**–93,454**
Equity method income (+)/loss (–)		–168	–5
Interest and similar income	E.8	91	308
Interest and similar expense	E.8	–62,576	–75,655
Other financial income (+)/loss (–)	E.9	–4,112	–2,407
Profit (+)/Loss (–) before tax		*–36,762*	*–171,213*
Income taxes	E.10	1,261	9,817
Net loss		**–35,501**	**–161,396**
attributable to shareholders of Tele Columbus AG		–37,550	–163,848
attributable to non-controlling interests		2,049	2,452
Basic earnings per share in EUR	F.5	–0.29	–1.28
Diluted earnings per share in EUR	F.5	–0.29	–1.28

The following notes are an integral component of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

KEUR	2019	2018
Net loss	*−35,501*	*−161,396*
Other comprehensive income		
Remeasurement of gains (+)/losses (−) on defined benefit plans (after deferred of taxes)	−168	434
Total comprehensive income	**−35,669**	**−160,962**
of which attributable to:		
Shareholders of Tele Columbus AG	*−37,718*	*−163,414*
Non-controlling interests	2,049	2,452

The following notes are an integral component of these consolidated financial statements.

Consolidated statement of financial position

Assets

KEUR	Notes	31 December 2019	31 December 2018
Non-current assets			
Property, plant and equipment	E.11	669,166	639,440
Intangible assets	E.12	1,273,939	1,258,734
Investments accounted for using the equity method	B.4	414	411
Trade and other receivables	E.14.1	11	20
Other assets	E.14.2	6	–
Other financial receivables	E.14.2	688	660
Accruals and deferrals	E.14.2	1,937	2,780
Deferred tax assets	E.10	4,096	1,593
Derivative financial instruments	E.14.2	3,262	1,283
		1,953,520	**1,904,921**
Current assets			
Inventories	E.13	5,586	8,615
Trade and other receivables	E.14.1	61,785	56,209
Receivables due from related parties	F.2.2	11	6
Other financial receivables	E.14.2	1,976	1,940
Other assets	E.14.2	17,197	19,421
Current tax assets	E.10	4,672	4,712
Cash and cash equivalents	F.4	10,128	26,288
Accruals and deferrals	E.14.2	3,549	3,419
Assets held for sale	E.15	2	249
		104,906	**120,859**
Total assets		**2,058,428**	**2,025,780**

The following notes are an integral component of these consolidated financial statements.

Equity and liabilities

KEUR	Notes	31 December 2019	31 December 2018
Equity			
Share Capital	E.16	127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		– 439,512	– 402,419
Equity attributable to shareholders of Tele Columbus AG		*308,882*	*345,976*
Non-controlling interests		9,697	8,692
		318,579	**354,668**
Non-current liabilities			
Pensions and other long-term employee benefits	E.17	10,531	9,496
Other provisions	E.19	2,070	2,721
Liabilities to banks and from the bond issuance	E.20	1,404,430	1,400,814
Trade and other payables	E.21	46	120
Other financial liabilities	E.23	106,984	57,974
Deferred revenue	E.22	4,270	4,452
Deferred tax liabilities	E.10	27,544	33,249
Derivative financial instruments	E.22	11,045	3,840
		1,566,920	**1,512,666**
Current liabilities			
Other provisions	E.19	8,992	9,527
Liabilities to banks and from the bond issuance	E.20	27,745	15,059
Trade and other payables	E.21	75,878	76,383
Payables due to related parties	F.2.2	580	734
Other liabilities	E.23	23,824	24,834
Other financial liabilities	E.23	27,257	18,469
Income tax liabilities	E.10	6,895	10,510
Deferred revenue	E.22	1,759	2,931
		172,929	**158,447**
Total equity and liabilities		**2,058,428**	**2,025,780**

The following notes are an integral component of these consolidated financial statements.

Consolidated statement of cash flows

KEUR	Notes	2019	2018
Cash flow from operating activities			
Net loss		*–35,501*	*–161,396*
Net financial income or expense		66,597	77,754
Income taxes		–1,261	–9,817
Equity method income/loss		168	5
Earnings before interest and taxes (EBIT)		*30,003*	*–93,454*
Depreciation and amortisation	E.7	184,177	283,003
Equity-settled, share-based employee benefits		623	578
Loss (+) gain (–) on sale of property, plant, and equipment		–1,069	–2,383
Increase (–)/decrease (+) in:			
Inventories	E.13	3,035	2,313
Trade and other receivables and other assets not classified as investing or financing activities	E.14.1 E.14.2	1,180	–4,943
Accruals and deferrals	E.14.2	726	–36
Increase (+)/decrease (–) in:			
Trade payables and other liabilities not classified as investing or financing activities	E.21 E.23	1,030	–13,633
Provisions	E.19	463	–6,146
Deferred revenue	E.22	–1,853	–1,633
Income tax paid		–8,920	–4,048
Cash flow from operating activities		**209,396**	**159,618**
Cashflow from investing activities			
Proceeds from sale of property, plant and equipment		1,069	4,594
Acquisition of property, plant and equipment	E.11	–99,057	–103,745
Acquisition of intangible assets	E.12	–50,776	–45,130
Interest received		85	208
Acquisition of subsidiaries, net of cash acquired		–6,716	–
Cashflow from investing activities		**–155,395**	**–144,073**

KEUR	Notes	2019	2018
Cash flow from financing activities			
Payment of financial lease liabilities		– 23,753	– 14,379
Dividends paid		– 2,007	– 1,568
Proceeds from loans, bonds and short or long-term borrowings from banks		13,299	720,079
Transaction costs with redard to loans and borrowings		– 1,225	– 16,604
Repayment of borrowings		– 2,072	– 650,519
Interest paid		– 54,381	– 53,001
Acquisition of non-controlling interests		–	– 7,012
Cash flow from financing activities		**– 70,139**	**– 23,004**
Cash and cash equivalents for the period			
Net increase (+) / decrease (-) in cash and cash equivalents		– 16,139	– 7,459
Cash and cash equivalents at the beginning of the period		26,288	31,767
Cash and cash equivalents at the end of the period		**10,149**	**24,307**
Increase (+)/decrease (–) from release of restricted cash and cash equivalents during the period		– 20	1,982
Free cash and cash equivalents at end of period		**10,128**	**26,288**

The following notes are an integral component of these consolidated financial statements.

Consolidated statement of changes in equity

For the 2019 financial year

KEUR	Reference	Share capital	Capital reserve
Balance at 1 January 2019	E.16	**127,556**	**620,838**
Profit (+)/loss (–)			
Other comprehensive income			
Total comprehensive income		**–**	**–**
Dividends			
Change in non-controlling interests			
Other changes	E.16		
Equity settled share-based payments	E.18		
Balance at 31 December 2019	E.16	**127,556**	**620,838**

The following notes are an integral component of these consolidated financial statements.

For the 2018 financial year

KEUR	Reference	Share capital	Capital reserve
Balance at 1 January 2018	E.16	**127,556**	**620,838**
Adjustments due to first-time adoption of IFRS 9 (after deferred taxes)			
Adjusted balance as at 1 January 2018		**127,556**	**620,838**
Profit (+)/loss (–)			
Other comprehensive income			
Total comprehensive income		**–**	**–**
Dividends			
Changes in non-controlling interests			
Equity sattled share-based payments	E.18		
Balance at 31 December 2018	E.16	**127,556**	**620,838**

The following notes are an integral component of these consolidated financial statements.

Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
−112,968	**−287,725**	**−1,725**	**345,976**	**8,692**	**354,668**
	−37,549		−37,549	2,049	**−35,500**
		−168	−168		**−168**
–	**−37,549**	**−168**	**−37,717**	**2,049**	**−35,668**
			–	−2,007	**−2,007**
			–	963	**963**
			–		**–**
623			623		**623**
−112,345	**−325,274**	**−1,893**	**308,882**	**9,697**	**318,579**

Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
−113,130	**−123,877**	**−2,159**	**509,229**	**7,958**	**517,187**
−416			−416		−416
−113,546	**−123,877**	**−2,159**	**508,813**	**7,958**	**516,771**
	−163,848		−163,848	2,452	−161,396
		434	434		434
–	**−163,848**	**434**	**−163,414**	**2,452**	**−160,962**
			–	−1,778	−1,778
			–	59	59
578			578		578
−112,968	**−287,725**	**−1,725**	**345,976**	**8,692**	**354,668**

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 operating 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 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 accounting

Applying Section 315e of the German Commercial Code (HGB), the consolidated financial statements of Tele Columbus AG as at 31 December 2019 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 profit or loss and 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 financial year 2019 and for the comparative period of 2018.

The functional currency of the combined financial statements is the euro. Unless otherwise stated, all figures are presented in thousands of euros (KEUR). 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 Management Board of Tele Columbus AG on 27 March 2020 and approved by the Supervisory Board on 30 March 2020.

These consolidated financial statements are prepared on the going concern assumption.

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

A.4 Changes in significant accounting policies

The Group has applied IFRS 16 Leases for the first time as at 1 January 2019.

The Group applied IFRS 16 according to the modified retrospective approach. Comparative information presented for 2018 was not restated, i.e. it is presented, as previously reported, in line with IAS 17 and the related interpretations. Details on the changes in accounting policies are presented below.

Furthermore, the disclosure requirements pursuant to IFRS 16 have generally not been applied to comparative information.

DEFINITION OF A LEASE

Previously the Group determined whether, pursuant to IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, an arrangement contained or was a lease. The Group now evaluates where a contract is or contains a lease based on the definition of a lease, as illustrated in note D.2.4.

For the transition to IFRS 16, the Group decided to apply the practical expedient to retain the evaluation regarding which transactions are leases. The Group applies IFRS 16 solely to contracts which had previously been identified as leases. Contracts which were not identified as leases according to IAS 17 and IFRIC 4 were not examined to determine whether a lease according to IFRS 16 is present. Thus, the definition of a lease according to IFRS 16 is only applied to contracts which were concluded or amended on or after 1 January 2019.

AS LESSEE

As lessee the Group leases numerous of assets, including buildings, network infrastructure and IT equipment. The Group had previously classified leases as operating leases or financing leases based on its assessment of whether the lease transferred substantially all risks and rewards of ownership of the underlying asset to the Group. Pursuant to IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases, i.e. these leases are recognised in the statement of financial position.

LEASES THAT WERE CLASSIFIED AS OPERATING LEASES PURSUANT TO IAS 17

Previously, the Group classified leases of various asset categories as operating leases according to IAS 17. Upon transition the lease liabilities for these leases were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as at 1 January 2019. Right-of-use assets are measured in the amount of the lease liability, adjusted by the amount of the lease payments paid in advance or deferred.

The Group tested its right-of-use assets for impairment on the date of transition and concluded that there was no objective evidence of impairment of right-of-use assets.

The Group has made use of a series of relief provisions for the application of IFRS 16 to leases that had been classified under IAS 17 as operating leases. Specifically, the Group has:

- not recognised right-of-use assets or lease liabilities for leases for which the term will end within 12 months of the date of first-time adoption,
- not recognised right-of-use assets or lease liabilities for leases for which the underlying asset is of low value,
- not taken account of initial direct costs for the measurement of the right-of-use asset at the date of first-time adoption.

LEASES THAT WERE CLASSIFIED AS FINANCING LEASES PURSUANT TO IAS 17

The Group leases numerous of transmission lines and IT-equipment. A part of these leases was classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and lease liability as at 1 January 2019 was stated at the carrying amount of the leased asset and the lease liability under IAS 17 directly before this date.

AS LESSOR

Leases in which the Group acts as lessor are of no significance.

EFFECT AT THE DATE OF TRANSITION

As part of the transition to IFRS 16, additional assets for rights of use in the amount of KEUR 24,930 and additional lease liabilities in the same amount were recognised as of 1 January 2019. As a consequence, there were no effects on equity or deferred taxes as at the date of first-time adoption.

For the measurement of lease liabilities from operating leases, the Group discounted the lease payments using its incremental borrowing rate as at 1 January 2019. The average weighted interest rate amounts to 2.1 percent.

in KEUR	1 January 2019
Operate Lease obligations as at 31 December 2018 as referenced in Annual Report according to IAS 17	30,592
Leases that are not capitalised, according to existing option, which term ends within 12 months after the date of first application	−1,091
Leases that are not capitalised, according to existing option, in which the underlying asset is of low value	−1,948
Other effects	247
Operate lease obligations as at 31 December 2018 capitalised according to IFRS 16	27,800
Discounting with incremental borrowing rate at 1 January 2019	−2,870
(additional) lease liabilities at 1 January 2019	**24,930**

The impact of the application of IFRS 16 on earnings before taxes beginning on 1 January 2019 is presented below:

in KEUR	1 Jan to 31 Dec 2019
Reduction cost of materials	3,683
Reduction other expenses	4,561
EBITDA	**8,244**
Depreciation and amortisation	−8,266
Interest expenses	−746
Earnings before taxes	**−768**

Beyond this, there were no significant changes to the accounting and valuation methods compared with the Group's uniform accounting and valuation methods applied in the comparative period of the previous year.

B. Scope of consolidation

B.1 Consolidation methods

B.1.1 SUBSIDIARY

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 internal Group balances, income and expenses as well as all unrealised gains and losses from transactions within the reporting entity were eliminated in the course of consolidation. The cost of interests in subsidiaries in the context of corporate acquisitions is offset against the pro-rata fair value of the assets acquired and liabilities assumed as at the acquisition date. Any positive difference arising from the offsetting is reported as goodwill and capitalised in the amount of the interest acquired in the respective subsidiary.

B.1.2 MINORITY INTERESTS (NON-CONTROLLING INTERESTS)

Minority 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 not control or joint control in respect to financial and business policy. A joint venture is an arrangement by which Tele Columbus AG exercises joint governance with rights to its net assets, but not to the assets' value or the obligation for the venture's liabilities.

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 ACQUISITION OF THE CONTROLLING INTEREST IN ANTEC SERVICEPOOL GMBH, HANOVER

In financial year 2019 Tele Columbus AG acquired a controlling interest of 76.0% in ANTEC Servicepool GmbH, Hanover. The purpose of this company is the operation, distribution and management of multimedia supplies. The acquisition was conducted with the aim to further support the infrastructure expansion in regional core markets.

The acquisition amounted to KEUR 7,422 and has been paid in cash.

The cost of the business combination was allocated to the acquired assets and liabilities as at the acquisition date as follows:

in KEUR	Fair values after acquisition	Non-controlling interests
Intangible assets	3,466	1,095
Property, plant and equipment	1,021	322
Trade and other assets	255	81
Inventories	5	1
Cash and cash equivalents	537	169
Provisions and oher liabilities	140	44
trade payables	615	194
Other liabilities	380	121
Deferred taxes	1,097	346
Net of assets	**3,052**	**963**
Consideration paid	**7,422**	
Minorities		
Goodwill	**4,370**	

The non-tax-deductible goodwill is mainly attributed to expected synergy effects and the value of the acquired business model and was allocated to the "TV" segment.

The gross amount of the acquired receivables was KEUR 178. Allowances on receivables of KEUR 5 were recognised.

Since first consolidation, the acquired company has made a contribution to group revenue of KEUR 5,095 to EBITDA of KEUR 1,463 and to profit for the period of KEUR 728.

The Group incurred acquisition-related costs of KEUR 212 for legal advice and due diligence costs. These costs are recognised in other expenses.

Besides the matters already described, there were no other changes in the consolidated group in the reporting period as well as in the previous financial year.

B.3 Scope of consolidation

Tele Columbus AG and the following subsidiaries are fully consolidated in the consolidated financial statements of Tele Columbus AG; the respective ownership interests correspond to the voting right percentages:

Capital share

in %	2019	2018
ANTEC Servicepool GmbH, Hanover	76.00	–
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[2]	–	100.00
Cable Plus GmbH, Berlin[1]	100.00	100.00
Cabletech Kabel- und Antennentechnik GmbH, Unterföhring[1]	100.00	100.00
Cabletechnics GmbH, Unterföhring	–[7]	100.00
Cablevista GmbH, Unterföhring	–[6]	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
HL komm 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, Munich	–[8]	100.00
Kabelfernsehen München Servicenter GmbH & Co. KG, Munich	–[8]	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 (Main)	98.96	98.96
Mediaport GmbH, Munich	–[3]	100.00
“Mietho & Bär Kabelkom” Kabelkommunikations-Betriebs GmbH, Cottbus[1] [9]	100.00	100.00
MKG-Medienkommunikationsgesellschaft mbH, Essen	100.00	100.00
NEFtv GmbH, Nuremberg[1]	100.00	100.00
Netzpool Berlin GmbH, Berlin	–[5]	100.00
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

Capital share

in %	2019	2018
Kabelfernsehen München Servicenter GmbH (vormals: pepcom Süd GmbH, Unterföhring)[8]	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 Geschäftskunden Vertriebs GmbH, Berlin	100.00	–
Tele Columbus Hessen GmbH, Berlin[1]	100.00	100.00
Tele Columbus Infrastrukturprojekte GmbH, Berlin	–[4]	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	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 2019 financial statements, the company used the exemption provision of sections 264 (3) and 264b HGB.
[2] The liquidation of the company was resolved by shareholders resolution of 23 March 2017.
The deletion of the company in the commercial register (local court Essen HRB 16714) took place on 9 August 2019.
[3] Mediaport GmbH was due to a merger agreement and the resolution of the shareholders meeting at 8 August 2019 merged with Cabletech Kabel- und Antennentechnik GmbH.
[4] Tele Columbus Infrastrukturprojekte GmbH was due to a merger agreement and the resolution of the shareholders meeting at 8 August 2019 merged with Tele Columbus Kabel Service GmbH.
[5] Netzpool GmbH was due to a merger agreement and the resolution of the shareholders meeting at 8 August 2019 merged with WTC Wohnen & TeleCommunication GmbH & Co. KG.
[6] Cablevista GmbH was due to a merger agreement and the resolution of the shareholders meeting at 8 August 2019 merged with Cabletech Kabel- und Antennentechnik GmbH.
[7] Cabletechnics GmbH was due to a merger agreement and the resolution of the shareholders meeting at 8 August 2019 merged with pepcom GmbH.
[8] Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft – was due to a merger agreement and the resolution of the shareholders meeting at 29 October 2019 merged with pepcom Süd GmbH. In the course, Kabelfernsehen München Servicenter GmbH & Co. KG, due to being Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft – the solely general partner of the company, was accrued to pepcom Süd GmbH. Simultaneously pepcom Süd GmbH has been renamed as “Kabelfernsehen München Servicenter GmbH”. The companies used the exemption of sections 264 (3) and 264b of the German Commercial Code (HGB) for its 2019 financial statements.
[9] By resolution of the shareholders’ meeting on December 5, 2019, the registered office of the company was moved from Gablenz (District Court Dresden, HRB 5735) to Cottbus and the partnership agreement changed in § 1 (company and registered office).

With regard to the list of shareholdings in accordance with Section 313 (2) no. 4 HGB, please refer to the appendix to the 2019 annual financial statements of Tele Columbus AG.

The following table shows information about subsidiaries with minority interests before intragroup elimination in financial year 2019:

For the 2019 financial year **KEUR**	MDCC Magdeburg City-Com GmbH, Magdeburg	ANTEC Servicepool GmbH, Hanover	Other non-controlling interests	Total
Non-controlling interests	*48.98*	*24.00*	–	
Non-currents assets	17,370	1,318	163	
Current assets	2,227	337	1,990	
Non-current liabilities	–8,401	342	–111	
Current liabilities	–4,636	304	–1,666	
Net assets	*6,560*	*2,301*	*376*	*9,237*
Carrying amount of non-controlling interest	**2,911**	**2,344**	**232**	**5,488**
Revenue	26,160	5,093	4,236	
EBITDA	12,738	1,442	1,457	
Expenses and income not considered in EBITDA	–9,299	–1,255	–512	
Total comprehensive income	**3,439**	**187**	**945**	**4,571**
Non-controlling interests allocated to EBITDA	6,239	346	237	6,822
Income and expenses not considered in EBITDA attributable to non-controlling interests	–4,555	–301	–79	–4,935
Cash flow from operating activities	22,746	309	1,908	
Cash flow from investing activities	–17,988	–485	–253	
Cash flow from financing activities	–5,188	–60	–1,125	
of which dividends to non-controlling interests	–1,666	–	–161	
Net increase (+)/decrease (–) in cash and cash equivalents	**–430**	**–236**	**530**	**–136**

For the 2018 financial year **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**

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.

Associates	**Capital Share in %** 31 December 2019	 31 December 2018
AproStyle AG, Dresden	**25.10**	25.10
Deutsche Netzmarketing GmbH, Cologne	**20.00**	20.00
TV Produktions- und Betriebs-gesellschaft GmbH & Co. KG, Jena	**40.00**	40.00
TV Produktions- und Betriebs-verwaltungs GmbH, Jena	**40.00**	40.00

The carrying amount of investments in associates totals KEUR 414 (2018: 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 financial year 2019 (2018: KEUR 0).

Joint Ventures	**Capital Share in %** 31 December 2019	 31 December 2018
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	**50.00**	50.00
JVA Media GmbH, Magdeburg	**–**	50.00

The carrying amount of interests in joint ventures totalled KEUR 0 (2018: KEUR 1).

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

C. Basis of accounting

Disclosure and measurement

The entities included in the consolidated financial statements of Tele Columbus AG are presented in accordance with 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 contingent assets and liabilities presented on the reporting date and the revenue and expenses recognised during the reporting period are also affected. Although management has formulated the estimates to the best of their knowledge as well as taken the most recent results into consideration, the actual results may differ.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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 testing of the carrying amount of non-financial assets (31 December 2019: KEUR 1,042,656; 31 December 2018: KEUR 1,039,634):
  At the end of each reporting period, the companies of Tele Columbus AG assess whether there is objective evidence of impairment of non-financial assets. Goodwill and construction in progress are not amortised or depreciated, but are impairment-tested annually instead. For impairment testing of goodwill according to IAS 36 as at 31 December 2019, the fair value less costs to sell for each cash-generating unit was used as the recoverable amount. 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 (2019: KEUR 669,166; 2018: KEUR 639,440):
  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 decommissioning 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 of deferred tax assets (2019: KEUR 4,096; 2018: KEUR 1,593):
  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 Management Board 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 recognised at cost in the statement of financial position. Internally generated intangible assets are carried at 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.

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 pursuant to IFRS 15 if they are payments directly related to the conclusion of a contract. These expenses are amortised over the expected useful life of three years.

The costs of obtaining the contract include the costs for contract initiation (mainly sales commissions to employees in the direct and indirect distribution channel) and the costs to fulfil the contract. These are to be capitalised if it can be assumed that the costs will be offset by future revenue from the contact. Costs for contract initiation are additional costs which would not have been incurred without the contract being concluded. Costs to fulfil a contract are costs directly incurred after contract inception, which serve contract performance but are incurred in advance and are not capitalised under another reporting standard. Tele Columbus makes use of the option to recognise contract costs that have an amortisation period of less than one year as expenses.

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 any indication 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 "Amortisation" item in the income statement.

Gains and losses on disposals are recognised in the "Other income" or "Other expenses" item.

D.2.2 BUSINESS COMBINATIONS

For business combinations, capital is consolidated by applying the acquisition method pursuant to IFRS 3. Assets and liabilities of the newly acquired subsidiaries that are identified when preparing the opening balance are recognised at fair value. These also include identified 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 (PPE) are measured at cost less accumulated depreciation and any 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 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 3 to 15 years. The cable network infrastructure comprises technical equipment with an estimated useful life of between 8 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 – provided they are not sold to the customer under a contract – are 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 "Other income" or "Other expenses" item.

D.2.4 LEASES

METHOD APPLIED FROM 1 JANUARY 2019 ON:

The Group assesses whether a contract constitutes or includes a lease upon contract inception. This is the case if the contract entitles control over the use of an identified asset for a period of time in exchange for consideration. To identify whether the contract includes the right to control an identified asset, the Group uses the definition of a lease according to IFRS 16 as its base.

This method is used for contracts which have been concluded on or after 1 January 2019.

AS LESSEE

At the commencement date or modification of the contract containing lease components, the contractually agreed remuneration based on the stand-alone selling price has to be distributed. The Group has, however, decided to refrain from separation of non-lease components for all asset categories and instead to recognise lease and the non-lease components as one single lease component.

At the commencement date, the Group recognises an asset for the right-of-use asset granted and a lease liability. The right-of-use asset is initially measured at cost commensurate with the initial measurement of the lease liability, adjusted by the payments made on or before the commencement date plus any initial direct costs and estimated costs for the dismantling or removal of the underlying assets or the restoration of the underlying assets or site where the asset is located, less any received lease incentives.

Subsequently the right-of-use asset is depreciated straight line from the commencement date to the end of the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term or the costs of the right-of-use asset take account of the Group exercising a purchase option. In this case, the right-of-use assets is depreciated over the useful life of the underlying assets, which has been determined in line with the rules for property, plant and equipment. In addition, the right-of-use asset is continually tested for impairment where necessary and adjusted by specified remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments not yet made at the commencement date, discounted with the interest rate underlying the lease or, if this cannot be readily determined, at the incremental borrowing rate of the Group.

The Group uses a credit-risk appropriate yield curve based on market data to determine its incremental borrowing rate, which was adjusted further for the various asset categories.

The lease payments incorporated in the measurement of the lease liability include:

- fixed payments, including de facto fixed payments
- variable lease payments which are linked to an index or (interest) rate, initially measured using the applicable index or (interest) rate at the commencement date
- amounts, which are expected to be paid based on a residual value guarantee, and
- the exercise price of a purchase option, if the Group is reasonably certain to exercise this, lease payments for an extension option if the Group is reasonably certain to exercise this and penalty payment for early termination of the lease, unless the Group is reasonably certain that the lease will not be terminated early.

The lease liability is measured at net carrying amount using the effective interest method. The lease liability is remeasured if the future lease payments change due to a change in the index or (interest) rate, if the Group adjusts its estimate of the expected payments in the context of a residual value guarantee, if the Group changes its assessment of a purchase, extension or termination option being exercised or a de facto fixed lease payment changes.

In the event of such remeasurement of the lease liability, a commensurate adjustment to the carrying amount of the right-of-use asset is made or is made through profit or loss where the carrying amount of the right-of-use asset has been reduced to zero.

SHORT-TERM LEASES AND LEASES WHICH ARE BASED ON LOW VALUE ASSETS

The Group has decided not to report right-of-use assets and lease liabilities for leases based on low value assets as well as for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

AS LESSOR

Where the Group acts as lessor, it classifies each lease either as a finance lease or operating lease at contract inception. The Group makes an overall assessment to classify each lease based on whether the lease transfers substantially all risks and rewards of ownership of the underlying assets. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. For the purposes of this assessment, the Group takes account of specific indicators, such as whether the lease includes the major part of the economic life of the asset.

Generally the financial reporting methods according to IFRS 16 applicable for the Group as lessor do not diverge from those applied during the comparative period.

The companies of Tele Columbus AG also lease customer premises equipment ("CPE") necessary for receiving digital television and broadband transmission packages 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 under property, plant and equipment.

METHOD APPLIED BEFORE 1 JANUARY 2019:

For contracts concluded before 1 January 2019, the Group has assessed whether an arrangement was or contained a lease as follows:

- Fulfilment of the arrangement depended on the use of a specific asset or specific assets and
- the arrangement conveys a right to use the asset. An arrangement conveyed the right to use an asset, if the following is met:
  - o The purchaser had the ability or right to operate the asset, while obtaining or controlling more than an insignificant amount of the output.
  - o The purchaser had the ability or right to determinate physical access to the asset, while obtaining or controlling more than an insignificant amount of the output.
  - o Facts and circumstances indicated it was improbable that other parties would assume more than an insignificant amount of the output and the price per unit was not contractually fixed per unit of production nor did it correspond to the current market price per unit of performance.

AS LESSEE

In the comparative period, the Group had classified leases in which substantially all of the risks and rewards of ownership were transferred as finance leases. If this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were those payments over the lease term which the lessee had to pay, excluding contingent payments. Subsequent to initial recognition, the assets were recognised in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and not recognised in the Group's statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received were recognised as component of the total lease expense over the term of the lease.

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

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. 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 excluding a significant financing component are measured at their transaction price.

b) Classification and subsequent measurement

On initial recognition of financial assets, Tele Columbus AG 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 respective of 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 AG 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 credit losses are also determined if certain conditions are met.

c) Measurement categories

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

- "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 profit or loss.
- "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 exchange 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 exchange gains or losses, and impairment losses are recognised in profit or loss. 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:

- "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 profit or loss.
- "At amortised cost":
  Financial liabilities measured at amortised cost are measured using the effective interest method. Interest expenses and foreign exchange 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 an interest rate in line with the market, and by using other common financial calculation 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 assessed fair value deviates from the transaction price, the difference is amortised over the term of the contract.

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 of 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.

d) 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 treated as extinguished, and the financial liability is recognised based on the changed terms at fair value.

e) Impairment of financial assets

Tele Columbus recognises expected credit 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 expected credit 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 addition. 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 addition 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 expected credit 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 significantly increased credit risk, the loss allowance continues to be measured based on the present value of the expected credit losses from possible default events over the remaining term of the financial instrument ("lifetime expected credit 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 a similar risk structure. Lump-sum specific allowances for credit losses are determined on the basis of the maturity structure of receivables and 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 adjusted. This reversal may not result in the carrying amount of the financial assets exceeding the carrying amount at amortised cost that would have resulted had the impairment not been recognised at the date of reversing the impairment. 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 relative to initial recognition, Tele Columbus takes account of suitable 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 life-time credit 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 senior secured notes.

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 subsequent financial periods that indicate that the future cash flows from the financial asset will once again approximate the original level (e.g. due to a rise in the credit rating), the impairment loss is reversed through profit or loss.

When calculating expected credit losses and assessing the change in the relative probability of default, Tele Columbus takes account of forward-looking macroeconomic factors as well as debtor-specific, geographical and industry-specific characteristics. Further information on calculating expected credit losses and assessing the relative change in the probability of default is given 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 respect of 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)”.

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 Group 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 employees at the grant date is generally recognised as an expense over the vesting period with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of claims for which the related service conditions and non-market performance conditions are expected to be met, so that the amount ultimately recognised is based on the number of claims that meet the related service conditions and non-market performance conditions at the vesting date. For share-based payments with non-vesting conditions, the fair value of the share-based payment is measured at the date of granting in order to take these conditions into account and no adjustments are made for any differences between the anticipated 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 jubilee or other long-service 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.

BENEFITS RESULTING FROM TERMINATION OF EMPLOYMENT

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 Group 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 PREPAID INCOME

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

D.2.10 RECOGNITION OF REVENUE

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. The stand-alone selling price of each individual component is stated as a ratio of the sum of the stand-alone selling prices of the contractual performance obligations.

A contract asset is recognised if Tele Columbus has recognised revenue due to the fulfilment of a contractual performance obligation before the customer has made a payment or (regardless of due date) the preconditions for invoicing, and thus the recognition of a receivable, are in place. Typically this occurs in the course of revenue smoothing due to discounts granted at the start of an end customer contract.

A contract liability is recognised if the customer has made a payment or a receivable from the customer is due before Tele Columbus has satisfied a contractual performance obligation and thus recognised revenue. Typically this occurs by way of paid provision fees and other advance one-off payments of the customer which do not constitute a consideration for a separate performance obligation.

For each contract with a customer, contract liabilities are netted with the contract assets.

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 recognised as a liability and – in line with the transfer of the service to the customer – recognised as revenue over the contract term. Companies can choose not to include a financing component at the level of the individual contract for materiality reasons.

The majority of revenue arises from customers which have already terminated the original contract term and have received performance under contract extensions with a maximum term of one year. No information is provided on the remaining performance obligations as at 31 December 2019 that have an original expected duration of one year or less.

The carrying amount of the contract costs included in the statement of financial position as at 31 December 2019 (excluding costs for contract initiation) was KEUR 27,897 (2018: KEUR 22,538) and mainly consists of sales commissions to third-party dealers in direct and indirect distribution channels and to employees.

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION METHODS

Revenue is measured based on 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 following provides information on the type and point in time at which the performance obligation from contracts with customers is satisfied, including significant payment terms, and the associated revenue recognition principles for the individual products and/or 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).

Revenue is recognised pursuant to IFRS 15 over time. Revenue recognition corresponds to the provision of services for the customer (output-based method). If the aforementioned 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.

OTHER TRANSMISSION FEES AND FEED-IN FEES

Revenue for other transmission fees and various feed-in fees (distribution of programmes to the companies of Tele Columbus AG) are recognised over the contract term. The invoicing intervals (monthly, quarterly or annual) depend on the negotiated contractual terms. Revenue is recognised on a monthly basis and is estimated regarding the requirements of IFRS 15, which means that the estimate of variable parts of the transaction price is constrained in line with the requirements in IFRS 15.56-58.

Revenue is recognised pursuant to IFRS 15 over time. Revenue recognition corresponds to the provision of services for the customer (output-based method).

CONSTRUCTION WORK

Construction services include installing fibre-optic networks, connecting residential areas to the Group's own backbone, and expanding or modernising coaxial or glass 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 individual contractually agreed payment dates, Tele Columbus issues an invoice to the customer in line with the stage of completion of the construction service. Advance payments are also contractually agreed with the customer on an individual basis.

Revenue is recognised pursuant to IFRS 15 over time. An input-based method (cost-to-cost method) is used for revenue recognition. Advance payments received are recognised under contract liabilities.

NETWORK CAPACITY

Major customers are provided with a contractually agreed bandwidth (transfer capacity) for transmitting data via Tele Columbus infrastructure (networks).

Pursuant to IFRS 15 revenue is recognised over time. Revenue recognition corresponds to the provision of services for the customer (output-based method).

ONE-OFF FEES FOR BUSINESS CUSTOMERS

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

Revenue is recognised at the date of service provision in accordance with IFRS 15.

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 Management Board. 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, these are assessed as having taken place at the end of the reporting period. Derivatives are generally reported in level 2. In 2019, 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 TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised using the liability method for all temporary differences between the carrying amount of the assets/liabilities recognised for tax purposes and the carrying amount according to IFRS.

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 carry forwards are recognised only to the extent that it is probable that the respective taxable entity (company or reporting entity) 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 reporting entity) 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 using the tax rates expected to be valid for the period in which an asset is realised or a 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.2.15 SERVICE CONCESSION AGREEMENT

REVENUES

Revenue associated with construction or upgrade services under a service concession arrangement is recognized on a time proportion basis.

This is done analogous to the Group's accounting method for the recognition of sales revenues from construction contracts. Revenue from operating or service contracts is recognized in the period in which the services are rendered by the Group. If the service concession agreement contains more than one service obligation, the consideration received is allocated in accordance with the relative individual selling prices of the individual services provided.

INTANGIBLE ASSETS

The Group recognises an intangible asset under a service concession arrangement when it has the right to use the infrastructure facility.

An intangible asset received as consideration for the rendering of construction or upgrade services under a service concession arrangement is measured on initial recognition at fair value in accordance with the fair value of the services performed. After initial recognition, the intangible asset is measured at cost including capitalised borrowing costs and less accumulated amortisation and accumulated impairment losses.

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 2019, as adopted by the EU, that are effective for financial years commencing on or after 1 January 2019.

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 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
Amendments to IAS 1	Presentation in the statement of financial position: Classification of Liabilities as Current or Non-Current	01.01.2019	23.01.2020

Apart from the application of IFRS 16, the standards and interpretations mentioned above did not have any significant impact on the consolidated financial statements as at 31 December 2019. Please refer to the explanatory notes in Section “A4 Changes in significant accounting policies”.

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 indicated, their 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, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01.01.2020	16.01.2020
Amendments to IAS 1 and IAS 8	Definition of materiality	01.01.2020	10.12.2019
Amendments to References to the Conceptual Framework	Amendments to References to the Conceptual Framework	01.01.2020	06.12.2019
EU Endorsement pending			
Amendments to IFRS 3	Business Combinations	01.01.2020	open
IFRS 17	Insurance Contracts	01.01.2021	open
Amendments to IFRS 10 and 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 date indicated.

There is expectation that amendments to IFRSs will have a significant impact on the financial reporting of the companies of Tele Columbus AG.

E. Explanatory notes to the consolidated income statement and consolidated statement of financial position

E.1 Revenue

KEUR	2019 TV	2019 Internet & Telephony	2019 Other	2019 Total	2018 Total
Revenue from contracts with customers	**243,414**	**154,703**	**79,093**	**477,210**	**473,237**
Analogue	196,180	–	–	196,180	204,750
Internet/telephony	–	142,683	14,133	156,816	153,051
Additional digital services	29,754	–	–	29,754	28,154
Other transmission fees and miscellaneous feed-in charges	14,236	10,118	–	24,354	25,160
Construction services	–	–	28,725	28,725	23,238
Network capacity	–	–	13,301	13,301	12,254
Computing centre	–	–	3,547	3,547	3,770
One-off fees for B2B customers	–	–	10,126	10,126	8,459
Antenna/maintenance	901	788	563	2,252	2,171
Hardware sales	61	36	8,398	8,495	3,580
Other	2,283	1,078	300	3,662	8,649
Revenue from renting	**10,073**	**5,815**	**6,307**	**22,195**	**21,144**
Receiver rent	10,073	5,815	–	15,887	15,026
Network infrastructure rent	–	–	6,307	6,307	6,118
	253,487	**160,518**	**85,400**	**499,405**	**494,381**

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 fees 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 22,591 in 2019 (2018: KEUR 20,753) mainly comprises expenses for work performed by our own employees in connection with expanding the cable network.

E.3 Other income

KEUR	2019	2018
Gains on disposal of non-current assets	1,805	3,507
Income from dunning fees	1,049	1,203
Income from the de-recognition of liabilities and reversal of provisions	928	6,399
Income from marketing subsidies	417	2,030
Income from sale	264	1,898
Other income from bad debt	–4	1,045
Miscellaneous other income	4,934	8,385
	9,393	**24,467**

Payments and increases in value that are not directly related to the corporate purpose are recognised in other income.

E.4 Cost of materials

KEUR	2019	2018
Cost of raw materials and supplies	–1,524	–2,978
Cost of purchased services/goods	–169,421	–178,527
	–170,945	**–181,505**

Costs of raw materials, supplies and operating materials were for goods used for doing repair and maintenance work.

The cost of purchased services mainly relates to fees for the reception of signals, construction services, maintenance costs, commissions, electricity and other services as well as changes in inventories of customer terminals.

E.5 Employee benefits

KEUR	2019	2018
Wages and salaries	–63,913	–65,200
Social contributions and expenses for pension provisions	–11,476	–10,883
Other personnel costs	–2,347	–3,293
	–77,736	**–79,376**

E.6 Other expenses

KEUR	2019	2018
Legal and advisory fees	–19,200	–26,555
Advertising	–10,880	–12,342
IT costs	–6,974	–8,839
Impairment on receivables	–5,396	–9,223
Occupancy costs	–5,161	–8,774
Communication costs	–2,999	–2,818
Vehicle costs	–2,676	–3,045
Non-period expenses	–2,401	–1,090
Insurance, fees and contributions	–1,725	–1,568
Travel expenses	–1,654	–1,724
Maintenance	–1,478	–2,084
Office supplies and miscellaneous administrative expenses	–1,054	–1,283
Incidental bank charges	–942	–1,077
Losses on disposal of non-current assets	–736	–1,124
Miscellaneous other expenses	–5,252	–7,625
	–68,528	**–89,171**

E.7 Amortisation, depreciation and write-downs

Depreciation, amortisation and impairment of non-current assets amounted to KEUR 184,177 (2018: KEUR 283,003), of which KEUR 85 (2018: KEUR 124,209) was attributable to impairment.

E.8 Interest income and expenses

KEUR	2019	2018
Interest income from third parties and similar income	91	308
Income resulting from compounding of interest caps	–	–
Interest and similar income	**91**	**308**
Interest paid to third parties	– 56,000	– 68,834
Expenses resulting from compounding of loans and bond under the effective interest rate method	– 6,481	– 5,337
Expenses resulting from revaluation of interest caps	– 95	– 1,484
Interest and similar expenses	**– 62,576**	**– 75,655**
	– 62,485	**– 75,347**

The interest paid mainly relates to liabilities to banks and liabilities arising from the senior secured notes.

E.9 Other finance income/costs

KEUR	2019	2018
Value adjustment due earn-out liability	145	– 2,329
Value adjustment due to refinancing	864	1,218
Value adjustment of embedded derivatives	– 5,122	– 1,296
Other financial total income	**– 4,112**	**– 2,407**

E.10 Income tax expense

KEUR	2019	2018
Income from deferred taxes	9,254	11,192
Current deferred taxes, current year	– 4,046	– 3,118
Current deferred taxes, previous years	– 3,947	0
Deferred tax income/loss	**1,261**	**9,817**

The following table shows the reconciliation of annual profit multiplied by the effective tax rate to income taxes:

KEUR	2019	2018
Earnings before tax (EBT)	– 36,762	– 171,213
Group's tax rate	30.82%	30.43%
Expected tax expense (–)/income (+)	**11,330**	**52,104**
Adjustments of temporary differences	–	– 635
Effects due to changes in tax rates	– 1,589	968
Adjustments for changes in recognition	– 1,300	– 3,554
Trade tax additions/subtractions	– 2,101	– 1,937
Non-deductible expenses	– 443	– 543
Non-taxable income	0	31
Amortisation goodwill	0	– 38,225
Consolidation effects	– 656	167
Taxes for previous years	– 3,947	1,743
Other differences	– 33	– 302
Reported income tax expense (–)/income (+)	**1,261**	**9,817**

The overall tax rate of 30.82% (2018: 30.43%) corresponds to the weighted tax rate for the consolidated entities. The reduction is due to the change in the trade tax multiplier for the taxable group.

Because of the potential risk of retrospective tax payments due to a tax audit at subsidiary level, the Tele Columbus AG as the parent company and other tax debtors recorded liabilities for uncertain income tax payments.

Adjustments for recognising changes result particularly from not capitalising interest carryforwards as well as from corrections of loss carried forwards to lower values.

Impairment losses on goodwill were recognised in the financial year under review, which had no impact on the current as well as the deferred taxes.

Deferred tax assets and liabilities are recognised for the following types of temporary differences and loss carryforwards:

KEUR	31 December 2019	31 December 2018
Property, plant, and equipment	6,875	3,682
Financial assets (without derivatives) and other assets	15,815	9,230
Intangible assets	9,567	8,473
Tax loss and interest carry forwards	12,689	19,710
Derivatives	3,091	1,382
Liabilities and provisions	12,839	8,736
Offset	– 56,781	– 49,620
Deferred tax assets	**4,096**	**1,593**
Property, plant, and equipment	– 4,240	– 5,074
Intangible assets	– 55,033	– 50,083
Receivables and other assets	– 2,813	– 2,023
Liabilities and provisions	– 21,542	– 25,384
Derivatives	– 695	– 305
Offset	56,781	49,620
Deferred tax liabilities	**– 27,544**	**– 33,249**
Change	8,208	11,210
of which through profit or loss	9,254	11,192
thereof recognised by consolidation (current assets)	0	184
of which not through profit or loss through consolidation (intangible assets)	– 1,378	–
of which offset against other comprehensive income (provisions)	332	– 166

The deferred tax assets and liabilities recognised in other comprehensive income result from measurement differences in pension provisions.

All other changes in deferred tax items were recognised as deferred income tax expense/income.

At group level there are construction projects which, in contrast to the tax law, are reported in accordance with the regulations of IFRS 15 and are therefore based on a period-related revenue recognition. Thus, in the tax balance sheet inventories are being capitalised and payments received are being passivated, whereas according to IFRS, receivables are reported on the balance sheet. This results in changes in deferred tax items among “Financial Assets (excluding derivates) and other assets”, “receivables and other assets” and “liabilities and provisions”.

Deferred tax assets for property, plant and equipment and intangible assets particularly result from higher amounts recognised for these assets in supplementary statements of financial position and from the effects of intercompany profit elimination within the Group. Deferred tax assets in connection with liabilities and provisions result in particular from provisions for impending losses that are not tax deductible and from the recognition of liabilities from lease contracts.

Deferred tax liabilities particularly result from the identification of intangible assets (particularly the customer base) in the context of acquisitions 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 carryforwards and interest carryforwards:

KEUR	31 December 2019	31 December 2018
Temporary differences	0	6,916
Trade tax loss carry-forwards	0	466
Corporate tax loss carry-forwards	0	468
Interest carry-forwards	170,338	149,396

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 investment valuations recognised in the financial statements for tax purposes (outside basis differences) of KEUR 1,026 (2018: KEUR 873). A realisation is currently not 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 2019, and for the comparative period from 1 January to 31 December 2018.

Movements in intangible and fixed assets during the financial year 2019

TEUR	Acquisition costs						
	1 Jan 2019	Adjustments to opening balance IFRS 16	Additions from changes in consolidated entities	Additions	Disposals[1]	Reclasses	31 Dec 2019
I. Intangible assets							
1. Goodwill	1,307,746	–	4,370	–	–	–	1,312,116
2. Concessions, industrial and similar rights, as well as assets and licenses for such rights and assets	112,063	–	83	22,881	151	21,446	156,318
3. Internally developed software	2,474	–	–	–	–	46	2,521
4. Customer bases	332,282	–	4,478	6,536	41	–	343,255
5. Customer commissions	98,340	–	–	19,082	−1,243	–	118,664
6. Assets under development and advance payments	4,407	–	–	21,846	171	−20,436	5,645
	1,857,312	–	*8,931*	*70,345*	*−880*	*1,056*	*1,938,519*
II. Property, plant and equipment							
1. Properties	3,063	16,361	–	8,240	958	–	26,707
2. Plant and equipment	1,226,661	8,014	1,187	51,742	8,118	97,724	1,377,210
3. Other, operating and office equipment	46,246	555	111	2,361	2,144	3,327	50,457
4. Assets under development and advance payments	94,450	–	46	67,649	4,773	−102,107	55,266
	1,370,420	*24,930*	*1,344*	*129,993*	*15,993*	*−1,056*	*1,509,640*
	3,227,732	**24,930**	**10,275**	**200,338**	**15,113**	**–**	**3,448,159**

[1] Of which reclassification to the item “Assets held for sale”: net book value of KEUR 0 (including acquisition costs of KEUR 0 and depreciation of KEUR 0).

| **Notes to the consolidated financial statements**

Accumulated depreciation and amortisation								**Net carrying amounts**	
1 Jan 2019	Adjustments to opening balance	Scheduled additions[1]	Unscheduled additions	Disposals[1]	Disposals from changes in consolidated entities	Reclasses	31 Dec 2019	31 Dec 2019	31 Dec 2018
272,519	–	–	–	–	–	–	272,519	1,039,597	1,035,226
67,649	–	17,038	–	145	–	1	84,543	71,775	44,413
823	–	53	–	–	–	–	874	1,647	1,651
181,783	–	34,135	–	41	–	–	215,876	127,378	150,499
75,802	–	13,722	–	−1,243	–	–	90,767	27,897	22,538
–	–	–	–	–	–	–	–	5,645	4,407
598,576	*–*	*64,948*	*–*	*−1,057*	*–*	*1*	*664,579*	*1,273,939*	*1,258,734*
1,181	–	3,923	–	605	–	–	4,499	22,209	1,883
705,230	1,467	108,393	–	5,357	115	−1	809,617	567,592	521,431
24,519	−3,705	6,913	–	1,506	–	–	26,221	24,236	21,727
51	–	–	85	–	–	–	137	55,129	94,399
730,981	*−2,238*	*119,229*	*85*	*7,468*	*115*	*−1*	*840,474*	*669,166*	*639,440*
1,329,557	**−2,238**	**184,177**	**85**	**6,411**	**115**	**–**	**1,505,053**	**1,943,104**	**1,898,173**

Movements in intangible and fixed assets during the financial year 2018

TEUR	Acquisition costs				
	1 Jan 2018	Additions	Disposals[1]	Reclasses	31 Dec 2018
I. Intangible assets					
1. Goodwill	1,307,746	–	–	–	1,307,746
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
3. Internally developed software	2,266	155	–	53	2,474
4. Customer bases	332,558	–155	121	–	332,282
5. Customer commissions	79,513	19,095	268	–	98,340
6. Assets under development and advance payments	18,614	15,663	66	–29,804	4,407
	1,804,803	***45,130***	***572***	***7,950***	***1,857,312***
II. Property, plant and equipment					
1. Properties	3,093	24	54	–	3,063
2. Plant and equipment	1,118,259	55,254	9,263	62,411	1,226,661
3. Other, operating and office equipment	35,341	7,318	845	4,432	46,246
4. Assets under development and advance payments	90,440	79,857	1,054	–74,793	94,450
	1,247,133	***142,454***	***11,216***	***–7,950***	***1,370,420***
	3,051,938	**187,584**	**11,788**	**–**	**3,227,732**

[1] Thereof reclassification to the “Assets held for sale” item: Net carrying amount of KEUR 333 (including acquisition costs of KEUR 1,817 and depreciation of KEUR 1,537)

| **Notes to the consolidated financial statements**

Accumulated depreciation and amortisation						Net carrying amounts	
1 Jan 2018	Scheduled additions[1)]	Unscheduled additions	Disposals[1)]	Reclasses	31 Dec 2018	31 Dec 2018	31 Dec 2017
148,310	–	124,209	–	–	272,519	1,035,226	1,159,436
52,893	10,106	–	23	4,673	67,649	44,413	11,214
770	53	–	–	–	823	1,651	1,496
150,500	31,283	–	–	–	181,783	150,499	182,058
62,378	13,692	–	268	–	75,802	22,538	17,135
–	–	–	–	–	–	4,407	18,614
414,851	*55,134*	*124,209*	*291*	*4,673*	*598,576*	*1,258,734*	*1,389,953*
1,167	16	–	2	–	1,181	1,883	1,926
616,842	97,984	–	4,836	–4,760	705,230	521,431	501,417
19,204	5,660	–	432	87	24,519	21,727	16,138
51	–	–	–	–	51	94,399	90,389
637,264	*103,660*	*–*	*5,270*	*–4,673*	*730,981*	*639,440*	*609,869*
1,052,115	**158,794**	**124,209**	**5,561**	**–**	**1,329,557**	**1,898,173**	**1,999,822**

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 2019. 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 2019.

E.12.2 RESULT OF IMPAIRMENT TESTING OF GOODWILL

Goodwill and intangible assets under construction are reviewed 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 in particular to the business customer area of the segment "others").

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 (product segment "TV"), Internet and Telephony (product segment "Internet and Telephony", and HLkomm (especially business customer area of "Other" segment.

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

KEUR	31 December 2019	31 December 2018
TV	395,511	391,140
Internet and Telephony	594,019	594,019
HLkomm	50,068	50,068
Total	**1,039,598**	**1,035,227**

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 based on the weighted average cost of capital (WACC) in line with the discounted cash flow (DCF) method. 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 inputs used for normalisation of EBITDA were again added, and free cash flow after tax was determined (taking account of investment planning and planned changes in working capital, among other things), 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% (2018: 1.00%) for the TV CGU and 1.25% (2018: 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 0.20% (2018: 1.00%) and relevant industry parameters. The WACC after taxes is 5.55% (2018: 5.33%) for both the TV and the Internet and Telephony CGUs, while the WACC before taxes is 7.60% (2018: 6.95%) for the TV CGU and 7.40% (2018: 7.16%) for the Internet and Telephony CGU. With regard to the HLkomm CGU, a WACC of 7.62% (2018: 7.56%) after taxes and 10.29% (2018: 11.12%) before taxes was calculated. The difference in the interest rate compared to the TV and the Internet and Telephony CGU reflects the 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 did 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).

Sensitivities segment TV

KEUR	31 December 2019	31 December 2018
Assumption: increase in Interest rate by 1% or 3% to 6.55% or 8.55%		
possible impairment of carrying amount	–150,972/ –340,514	–/ –472,664
threshold of change in % points	0.04	–0.55
Assumption: decrease in long-term EBITDA of 15% to an EBITDA margin of 37%		
possible impairment of carrying amount	–169,674	–310,473
threshold of change in % points	–0.57	10.00
Assumption: no long-term growth, i.e. growth-rate of 0%		
possible impairment of carrying amount	–114,435	–249,152
threshold of change in % points	–0.05	1.68

Sensitivities Internet and Telephony

KEUR	31 December 2019	31 December 2018
Assumption: increase in Interest rate by 1% or 3% to 6.55% or 8.55%		
possible impairment of carrying amount	–183,542/ –402,987	– –417,667
threshold of change in % points	0.02	0.06
Assumption: decrease in long-term EBITDA of 15% to an EBITDA margin of 55%		
possible impairment of carrying amount	–221,206	–228,921
threshold of change in % points	–0.25	–0.84
Assumption: no long-term growth, i.e. growth-rate of 0%		
possible impairment of carrying amount	–175,749	–182,890
threshold of change in % points	–0.02	1.18

Furthermore, and also with regard to the other CGUs, there are no changes of assumptions that management considers to be feasible within a year and which would lead to an impairment of goodwill.

As in the previous year, there are no possible scenarios for any of the parameters in the HLkomm 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 1,273,940 (2018: KEUR 1,258,734) comprise goodwill of KEUR 1,039,596 (2018: KEUR 1,035,227), customer bases of KEUR 127,379 (2018: KEUR 150,499), customer commissions of KEUR 27,897 (2018: KEUR 22,538) and other intangible assets of KEUR 79,068 (2018: KEUR 50,471).

The other intangible assets mainly relate to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets, and software licences. As these are intangible assets with a finite useful life, 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 2019	31 December 2018
Raw materials and supplies	5,465	7,638
Work in progress	121	977
Inventories	**5,586**	**8,615**

Inventories comprise of 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 financial year 2019, impairment losses amounted to KEUR 379 (2018: KEUR 319).

E.14 Current and non-current assets

Current and non-current assets comprise trade receivables, other financial receivables and other assets, prepaid expenses and derivative financial instruments.

E.14.1 TRADE RECEIVABLES

KEUR	31 December 2019	31 December 2018
Trade and other receivables – gross	79,113	70,252
thereof contract assets	3,570	9,277
Impairment losses	–17,317	–14,023
Trade and other receivables – net	**61,796**	**56,229**

Trade receivables mainly include receivables from subscription fees and from signal delivery, transmission and feed-in fees.

Trade receivables include contract assets according to IFRS 15 of KEUR 3,571 (31.12.2018: KEUR 9,277). Contract assets mainly comprise the Group's claims to consideration for construction services that had been completed but not yet invoiced as at the reporting date and have a term of less than one year. Contract assets are attributable to customer contracts associated with contract manufacturing. The decline in the financial year is mainly due to completion and invoicing of a construction phase.

In addition, there are trade receivables from related parties.

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 quality as plan assets.

Other assets mainly include advance payments and creditors with debit balances.

The reported derivative financial instruments relate to embedded derivatives of the senior secured notes issued in May 2018.

Prepaid expenses mainly consist of payments in connection with insurance policies, maintenance contracts and rents.

E.14.3 IMPAIRMENT OF CURRENT AND NON-CURRENT FINANCIAL ASSETS

Impairment losses are recognised in the item "Other expenses".

There are no overdue receivables for which no impairment loss was recognised.

Impairment losses on trade receivables were mostly recognised as lump-sum specific allowances in line with the dunning level and maturity structure. Movements in the allowances for trade receivables were as follows:

KEUR	
Impairment losses per 31 December 2018	**14,023**
Additions	6,106
Use of allowance	– 2,101
Reversal	– 710
Impairment losses per 31 December 2019	**17,317**

As in the previous year, no impairment losses were recognised on other short- and long-term financial assets. No impairment losses were also recognised for the contract assets included in trade and other receivables and cash and cash equivalents.

E.15 Assets held for sale

Assets held for sale reported in the statement of financial position in the amount of KEUR 2 (2018: KEUR 249) 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 is 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 of the annual general meeting on 15 May 2015, the Management Board is authorised to increase the Company's share capital with the approval of the Supervisory Board on one or more occasions by a total not exceeding EUR 1,925,693 by issuing new no-par value registered 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 until 14 May 2020.

CONTINGENT CAPITAL

In accordance with the resolution of 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 expires on 14 May 2020 (midnight).

REVALUATION RESERVE IAS 19

The revaluation reserve consists of the following components:

31 December 2019 KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	– 3,319	1,426	– 1,893
	– 3,319	**1,426**	**– 1,893**

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**

An amount of KEUR 623 (2018: KEUR 578) from share-based payment was recognised in equity.

Movements in equity and distributions to non-controlling interests are shown in the consolidated statement of changes in equity.

E.17 Pension plans and other long-term employee benefits

There are pension entitlements for employees of individual companies that were acquired by Tele Columbus Group 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. It is possible in some cases to claim a pension earlier against reduced payments.

Pension benefits may consist of fixed pension benefits and/or pension benefits dependent on salary progression for the person entitled to benefits. Pension benefits may also include disability benefits or a survivor's pension.

Some pension benefits are secured by so-called plan assets, which in the event of insolvency may only utilised only to satisfy the claims of the persons eligible for pension benefits.

The entitled employees do not make separate contributions to the pension plans. The amount of future payments is dependent, in particular, on the increase of pension entitlements 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 obligations arising from the plans are financed exclusively by the respective 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 Dr Klaus Heubeck, Cologne.

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 provisions for employee benefits, provisions for partial retirement, and provisions for jubilee or other long-service benefits.

KEUR	31 December 2019	31 December 2018
Pension commitments	8,651	7,820
Commitments for partial retirement and anniversaries	1,879	1,676
	10,531	**9,496**

Post-employment benefits and partial retirement, jubilee or other long-service benefits falling due in the subsequent financial year amount to KEUR 534 (2018: KEUR 568).

The following table shows the reconciliation of the present value of defined benefit obligations (DBO) to their carrying amounts:

KEUR	31 December 2019	31 December 2018
Present value of defined benefit obligations (DBO)	10,084	9,291
Plan assets	−1,433	−1,471
Pension commitments	**8,651**	**7,820**

The present value of the defined benefit obligations is divided into capital-backed and non-capital-backed pension plans:

KEUR	31 December 2019	31 December 2018
Present value of defined benefit obligations (DBO) – capital-backed plans	3,058	2,636
Present value of defined benefit obligations (DBO) – non-capital-backed plans	7,026	6,655
	10,084	**9,291**

The present value of the pension obligations developed during the reporting period as follows:

KEUR	31 December 2019	31 December 2018
Present value of defined benefit obligations as of 1 January	9,291	11,804
Current service cost	11	13
Interest expense	154	145
Actuarial gains for adjustments made due to experience	− 39	− 299
Actuarial losses for adjustments made due to demografic changes	78	78
Actuarial gains for adjustments made due to experience	1,824	− 343
Benefits paid	− 1,235	− 2,107
Present value of defined benefit obligations as of 31 December	**10,084**	**9,291**

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 financial year 2019 or slightly higher.

The following table shows the movements in plan assets:

KEUR	31 December 2019	31 December 2018
Plan assets as of 1 January	1,471	2,758
Interest income from plan assets	15	49
Actuarial gains/losses	32	–
Benefits paid	− 86	− 1,336
Plan assets as of 31 December	**1,433**	**1,471**

Plan assets consist of employer pension liability insurance, the management and capital investment of which are the insurer's sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in 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 534 (2018: KEUR 568).

The following expenses were incurred for post-employment benefits:

KEUR	2019	2018
Current service cost	− 11	− 13
Net interest expense	− 138	− 96
	− 149	**− 109**

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:

in %	31 December 2019	31 December 2018
Interest rate	0.8–2.82	1.7–3.29
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]

KEUR	31 December 2019 Defined benefit obligation		31 December 2018 Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (1.00% change)	–8,823	–11,004	–7,450	9,433
Future pension increase (0.25% change)	–10,056	–9,605	8,430	–8,311

[1] The sensitivities were determined irrespective of the plan assets.

Fluctuation and expected salary increases are considered to be insignificant estimates of sensitivity. The expected fluctuation and salary increase are not material due to the low proportion of active employees.

Expenses for defined contribution plans amounted to KEUR 5,320 in 2019 (2018: KEUR 4,967).

In addition to the plan assets, there are reinsurance entitlements of KEUR 1,578 (31 December 2018: KEUR 1,586), which do not qualify as plan assets within the meaning of IAS 19 and are thus recognised as other financial receivables.

E.18 Share-based payment

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 Management Board 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 THE SHARE-BASED PAYMENT PROGRAMMES

Depending on the development of the share price and other vesting conditions, the MSP and POP grant the option of receiving shares in Tele Columbus AG.

The MSP requires an own investment in shares of the Tele Columbus AG (i.e. MSP shares). Each 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.

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. MSP Phantom Stocks are, however, subject to restriction of sale.

The payment 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 the vesting period ending on 22 January 2019. The second MSP tranche was allocated on 23 January 2016 and the vesting 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 vesting 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 depend on the share performance during the vesting period. This is determined from the basis price, defined as the closing price of the company’s share in XETRA trading or a similar trading system replacing Xetra on the Frankfurt Stock Exchange within the last trading day before the grant date, and the exercise price, defined as the average weighted closing share price (XETRA trading on the Frankfurt Stock Exchange) within the last 30 trading days before the beginning of the respective exercise 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 base price.

The Phantom Options Programme for selected managers does not require an own investment in shares of Tele Columbus AG. Each participant is allocated a certain number of Phantom Options (i.e. POP-Tranche) by the Management Board after approval of the Supervisory Board. Further conditions of this programme resemble those of the MSP.

MEASUREMENT OF FAIR VALUE

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 in the measurement of the fair values of the equity-settled share-based payment plans incorporate the following assumptions:

Matching Stock Program (MSP)

	2015 Tranche 1	2016 Tranche 2	2017 Tranche 3	2018 Tranche 4	2019 Tranche 5
Fair value of the option	EUR 1.30	EUR 2.03	EUR 1.71	EUR 0.73	EUR 0.84
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.90	EUR 2.49	EUR 2.82
Exercise price	EUR 7.01	EUR 8.60	EUR 7.78	EUR 2.81	EUR 3.07
Expected volatility	25%	35.6%	31.2%	42.5%	44.8%
Expected maturity	5 years	5 years	5 years	5 years	5 years
Expected dividends	–	–	–	–	–
Hurdle	130%	130%	130%	120%	120%
Cap	EUR 9.34	EUR 12.74	EUR 12.74	EUR 11.52	EUR 10.67
Risk-free interest rate (based on German Government Bonds)	– 0.1%	– 0,223%	– 0,362%	– 0,186%	– 0,327%

Phantom Options Program (POP)

	2015 Tranche 1	2016 Tranche 2	2016 Further	2017 Tranche 3	2018 Tranche 4	2019 Tranche 5
Fair value of the option	EUR 1.45	EUR 2.74	EUR 2.07	EUR 1.99	EUR 0.79	EUR 0.96
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.75	EUR 7.90	EUR 2.49	EUR 2.82
Exercise price	EUR 7.01	EUR 8.60	EUR 8.43	EUR 7.78	EUR 2.81	EUR 3.07
Expected volatility	25%	35.6%	35.6%	31.2%	41.5%	44.8%
Expected maturity	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	–	–	–	–	–	–
Hurdle	130%	130%	130%	130%	120%	120%
Cap	EUR 30.13	EUR 42.85	EUR 42.85	EUR 30.25	EUR 40.78	EUR 36.46
Risk-free interest rate (based on German Government Bonds)	– 0.1%	– 0,223%	– 0,223%	– 0,362%	– 0,186%	– 0,327%

The expected volatility of the share price of Tele Columbus AG is based on its historical volatility since the IPO.

RECONCILIATION OF OUTSTANDING STOCK OPTIONS

The weighted average exercise prices and the number of share subscription rights for the MSP and the POP are as follows:

Matching Stock Program (MSP)

	Tranche 1		**Tranche 2**		**Tranche 3**		**Tranche 4**		**Tranche 5**	
	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options
Outstanding options at 1 January	EUR 7.01	255,313	EUR 8.60	182,813	EUR 7.78	177,327	EUR 2.81	337,500		
Granted options during the year	–	–	–	–	–	–			EUR 3.07	337,500
Forfeited options during the year	–	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–	–
Expired options during the year	–		–		–		–	–	–	–
Outstanding options as of 31 December	EUR 7.01	255,313	EUR 8.60	182,813	EUR 7.78	177,327	EUR 2.81	337,500	EUR 3.07	337,500
Exercisable options as of 31 December	–	255,313	–	–	–	–	–	–	–	–

Phantom Options Program (POP)

	Tranche 1		**Tranche 2**		**Further**		**Tranche 3**		**Tranche 4**		**Tranche 5**	
	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options	Weighted average excercise price	Number of options
Outstanding options at 1 January	EUR 7.01	92,744	EUR 8.60	187,500	EUR 8.43	25,000	EUR 7.78	330,000	EUR 2.81	510,000	–	–
Granted options during the year	–	–	–	–	–	–	–	–	–	–	EUR 3.07	480,000
Forfeited options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	25,000	–	–	–	–	–	20,000	–	–
Outstanding options as of 31 December	EUR 7.01	92,744	EUR 8.60	162,500	8.43	25,000	EUR 7.78	330,000	EUR 2.81	490,000	EUR 3.07	480,000
Exercisable options as of 31 December	–	92,744	–	–	–	–	–	–	–	–	–	–

The outstanding subscription rights of the first tranche as at 31 December had a weighted-average contractual life of four years, and those of the second to fifth tranche of five years.

As a result of the MSP and POP programmes, an amount of KEUR 623 (2018: KEUR 578) 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 development of other provisions in the current financial year:

KEUR	1 Jan 2019	Additions from changes in consolidated entities	Utilisation	Reversal	Additions	Discounting/ unwinding of discount	31 December 2019
Additional claim for tax audit risks	6,267	–	–	–	115	–	**6,382**
Restructuring	781	–	781	–	256	–	**256**
Litigation provisions	1,005	5	412	305	158	–	**451**
Dismantling obligation	1,753	–	–	271	71	58	**1,611**
Onerous contracts	491	–	491	–	119	–	**119**
Retention requirements	504	1	–	27	7	1	**486**
Warranty provision	365	–	–	–	137	–	**503**
Other provisions	1,081	–	3	–	176	–	**1,255**
	12,248	**6**	**1,687**	**603**	**1,039**	**59**	**11,062**

The other provisions reported as at 31 December 2019 can be divided into current obligations of KEUR 8,992 (2018: KEUR 9,527) and non-current obligations of KEUR 2,070 (2018: KEUR 2,721).

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 litigation provisions mainly relate to disputed claims.

The provisions for asset retirement obligations were mainly recognised in relation to the main registered office of the Company in Berlin.

E.20 Liabilities to banks and due to the senior secured notes

KEUR	31 December 2019	31 December 2018
Liabilities to banks and due bond – nominal values	1,435,028	1,436,122
Transaction costs	–43,044	–42,248
Accrued interest	9,560	3,492
Liabilities in connection with embedded derivatives	2,886	3,449
Long-term liabilities to banks and due bond	**1,404,430**	**1,400,814**
Liabilities to banks and due bond – nominal values	28,213	15,940
Accrued interest	676	264
Transaction costs	–1,144	–1,144
Short-term liabilities to banks and due bond	**27,745**	**15,059**
	1,432,175	**1,415,873**

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 1,428,489 (2018: KEUR 1,409,980) and other individual loans and liabilities of subsidiaries in the amount of KEUR 3,686 (2018: KEUR 5,893).

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 (75m term loan) and a facility of KEUR 50,000 for working capital financing (revolving facility).

The margin is 3.00% p.a. plus EURIBOR for the Term Loan Facility A2, 4.25% p.a. for the 75m term loan 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 was partially 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 75m term loan was based on the three-month EURIBOR.

In addition, the Company Tele Columbus AG has access to KEUR 650,000 from senior secured notes issued in May 2018 with an interest coupon of 3.875% p.a.

The floors in relation to the EURIBOR and the repayment options are embedded derivatives (hybrids) and are subject to the requirement of separate disclosure and measurement stipulated in IFRS 9.

As at the reporting dates, the balances of credit facilities and senior secured notes (including outstanding interest) were as follows:

KEUR	31 December 2019	31 December 2018
Term Loan Facility A2 (term ending on 15 October 2024)[1]	699,276	696,951
Senior Secured Notes (term ending on 2 May 2025)[2]	643,740	641,950
Term Loan Facility 75m (term ending on 18 October 2023)[3]	72,502	71,863
Senior Revolving Facility (term ending on 2 January 2021)[4]	12,972	–
	1,428,489	**1,410,764**

[1] Contains transaction costs not compounded yet for the term loans in the amount of KEUR – 18,737 (2018: KEUR – 21,352) and embedded derivatives in the amount of KEUR 1,530 (2018: KEUR 1,820) that result from agreed floors and repayment options in the term loans.
[2] Contains any transaction costs not compounded yet for the Bond in the amount of KEUR – 11,241 (2018: KEUR – 13,090) and embedded derivatives in the amount of KEUR 782 (2018: KEUR 848), which result due repayment options in bond terms.
[3] Contains any transaction costs not compounded yet for the Term Loan 75m in the amount of KEUR – 3,506 (2018: KEUR – 4,314) and embedded derivatives in the amount of KEUR 573 (2018: KEUR 717), which result from agreed floors and repayment options in the term loans.
[4] Contains any transaction costs not compounded yet for the Revolving Facility in the amount of KEUR – 468 (2018: KEUR – 880).

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 (Term Loan Facility A2, Term Loan Facility 75m, Senior Revolving Facility and Senior Secured Notes). Pledges on interests in affiliated and associated companies may be enforced if the conditions underlying the pledge were in place and the collateralised financial instruments were also terminated. In addition, loans of the companies of Tele Columbus AG are collateralised with trade receivables. In addition, loans recognised by the companies of Tele Columbus AG are covered by trade receivables. The covenant agreements within the financing contracts were met in 2019.

The value of the loan collateral pledged as at the respective reporting date were as follows:

KEUR	31 December 2019	31 December 2018
Shares in affiliates	1,595,232	1,586,514
Trade receivables	4,852	4,852
	1,600,084	**1,591,366**

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 3,686 (2018: KEUR 5,893). The term of these loan agreements/liabilities varies between 5 and 71 months. Fixed interest rates between 0.63% p.a. and 4.22% p.a. have been agreed for the loans.

E.21 Trade payables and other liabilities

KEUR	31 December 2019	31 December 2018
Receivables included in trade receivables and other receivables	**75,924**	76,503
Contract assets	**810**	8,397

Trade payables mainly comprise liabilities in connection with signal delivery contracts, services, and supplies and services that had been performed by the reporting date but not invoiced.

Contract liabilities in the amount of KEUR 810 (2018: KEUR 8,397) are included in trade payables as at 31 December 2019.

E.22 Deferred income and derivative financial instruments

Deferred income 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 liabilities in the amount of KEUR 108,956 (2018: KEUR 63,443). Long-term lease liabilities amounted to KEUR 86,777 while short term lease liabilities amounted to KEUR 22,179.

Other liabilities mainly relate to value-added tax, customer deposits, employee bonuses, severance payments and other provisions with the nature of liabilities.

F. Other explanatory information

F.1 Contingent assets, contingent liabilities, leases and other financial obligations

F.1.1 PURCHASE COMMITMENTS

Purchase commitments in connection with capital expenditure and operating expenses amounted to KEUR 86,320 as at the reporting date (2018: KEUR 87,826).

F.1.2 AVALS

The guarantees of KEUR 6,146 (2018: KEUR 7,126) mainly consist of rent guarantees and guarantees for licence agreements. In accordance with IFRS requirements, KEUR 5,861 (2018: KEUR 6,811) of these guarantees are not included in the statement of financial position.

F.1.3 LEASES

The Tele Columbus Group has a large number of leases, for which, almost exclusively, it acts as lessee. A significant portion of leases account for the leasing of local and regional transmission lines. Furthermore, the Group leases buildings and premises on a larger scale. These serve to accommodate offices for administrative staff, retail stores for end customers and in some instances also technical equipment.

For lease contracts in which the Group is lessee in financial year 2019 the amounts presented hereinafter.

Right-of-use assets from leases are presented as property, plant and equipment in the balance sheet. The values for financial year 2019 have developed as follows.

KEUR	Carrying amount as of 1 January 2019	Additions to rights of use	Depreciation	Carrying amount as of 31 December 2019
IT and workstation infrastructure	1,512	640	– 838	1,314
Office equipment	1,087	255	– 668	674
Vehicles		283	– 51	232
Transmission lines	66,135	23,269	– 12,924	76,480
Buildings	15,711	8,667	– 3,912	20,466
Technical infrastructure	6,061	4,635	– 5,318	5,378
Total	**90,506**	**37,749**	**– 23,711**	**104,544**

The maturities of the lease liabilities as of December 31, 2019 are as follows:

KEUR	31 December 2019
Less than one year	22,179
Between one and five years	59,159
More than five years	27,618
	108,956

The following table shows the reconciliation of future minimum lease payments to the present value of the lease liabilities:

KEUR	31 December 2019
Future minimum lease payments	123,570
Finance costs	– 14,614
	108,956

Future lease obligations from short-term leases and leases based on low-value assets as of 31 December 2019 are as follows:

KEUR	Short-term leases	Leases based on low value assets	Total
Less than one year	1,767	251	**2,018**
Between one and five years	–	146	**146**
More than five years	–	18	**18**
	1,767	**415**	**2,182**

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

For short-term leases and leases based on low value assets, lease payments are expensed on a straight-line basis over the lease term:

KEUR	31 December 2019
Depreciation expense for usage rights [1]	**23,711**
Interest expenses for leasing liabilities [2]	**3,511**
Short-term lease expenses [3]	**4,087**
Expenses for leases based on low-value assets [3]	**380**
Expenses for variable lease payments that were not included in the measurement of lease liabilities [3]	**1,115**
	32,804

[1] Included in “Depreciation”
[2] Included in “Interest and similar expenses”
[3] Included in “Material costs” and “Other operating expenses”

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

KEUR	31 December 2019
Payments for lease liabilities	**32,240**
	32,240

[1] The following was designated by the Group:
- payments for the repayment portion of the lease liability as financing activity
- payments for the interest portion of the lease liability as financing activity
- payments made under short-term leases, payments for leases where the underlying asset is a low-value asset and variable lease payments that have been excluded from the measurement of the lease liability as operating activities.

Future variable lease payments are expected to be at the current level.

Due to the exercise of extension and termination options, only minor changes compared to the current level are expected for future cash outflows.

Leases entered into by the Group as lessee but which have not yet commenced will, as things stand at present, result in future additional cash outflows amounting to KEUR 1,504 per year.

Sale-and-leaseback transactions were only insignificant in financial year 2019. Based on the current status, there are also no extensive sale-and-leaseback transactions planned for financial year 2020.

F.1.4 OTHER FINANCIAL OBLIGATIONS

In addition to the leases described above, the Group has other financial obligations (mainly from service contracts).

Future minimum payments from these contractual relationships have the following maturities:

KEUR	31 December 2019	31 December 2018
Less than one year	**24,342**	10,344
Between one and five years	**18,215**	22,960
More than five years	**643**	13,975
	43,200	**47,278**

In financial year 2019, expenses from other financial obligations amounted to KEUR 28,656 (2018: KEUR 19,297).

The total minimum payments from finance leases and other financial obligations amounted to KEUR 168,952 as of 31 December 2019 (2018: KEUR 156,716).

F.1.5 EXPANSION AND OPERATION OF INFRASTRUCTURE NETWORK IN THE DISTRICT OF PLÖN

On 28. On February 28, 2017, Tele Columbus Group concluded a service concession agreement with the "Zweckverband Breitbandversorgung im Kreis Plön" ("ZBP" – the grantor of the concession) for the construction and operation of an empty pipe and fiber optic network in the area of the Plön district. The Tele Columbus Group has been commissioned with the planning and expansion of the passive broadband network. The agreement runs until December 31, 2041 and the first section was completed and released for use on December 31, 2019. Under the terms of the agreement, ZBP will successively purchase the completed passive broadband network. Tele Columbus Group leases and operates the completed and sold network from the "Zweckverband" and is also responsible for ongoing maintenance. Tele Columbus, as the leaseholder, is responsible for the delivery of multimedia services to the end customers connected to the broadband network.

Tele Columbus pays the "Zweckverband Breitbandversorgung Plön" a rent which is linked to the net investment costs in the network infrastructure (purchase price) made by the lessor and amounts to a certain percentage of the net investments made by the lessor in the respective calendar year. The lease payable under this procedure shall be recalculated taking into account the investment costs incurred for each investment year. No rent shall be charged in the calendar year in which the investments are made. In the first calendar year following the investment, the rent shall be 1.5%, in the second calendar year thereafter 3.0% and for each subsequent calendar year 6.8%.

The service concession agreement contains a five-year renewal option, which must be notified by the lessee (Tele Columbus) at least 25 months before the end of the contract. After expiry of the contract, the licensor has the choice of using the network itself or selling it. In case of sale, the lessee has a right of first refusal. The extraordinary right of termination remains unaffected.

In the period from January 1 to December 31, 2019, the Group recognised revenues from construction services of KEUR 24,633 with a profit of KEUR 843.

The Group recognised an intangible asset of KEUR 19,484 with a useful life until December 31, 2041, which represents the present value of future lease payments for the completed section 1. The financial liabilities in connection with the intangible asset recognised in the balance sheet amounted to KEUR 18,978 as of December 31, 2019.

As of December 31, 2019, Tele Columbus Group has only concluded the service concession agreement described above.

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 Management Board members, 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 2019	31 December 2018
Receivables from related entities, short-term	11	6
Payables to related entities, short-term	229	235
Payables to related persons, short-term	352	499

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 remuneration of the Supervisory Board.

F.2.3 EXPENSES AND INCOME FROM RELATED-PARTY TRANSACTIONS

The following overview shows expenses and income from related-party transactions:

KEUR	2019	2018
Sale of goods and services		
Related entities	1,701	448
Acquisition of goods and services		
Related entities	−8,619	−7,635
Other		
Related entities		
Other income (+)/expenses (−)	−17	−16

F.2.4 INFORMATION ON MANAGEMENT REMUNERATION

In the financial year 2019 the Management Board in key positions at Tele Columbus AG consists of the following individuals:

Name	Financial year 2019	Member of management since/until
Timm Degenhardt	Chief Executive Officer	since 1 September 2017 member of Management Board; since 1 January 2018 Chief Executive Officer
Eike Walters	Chief Financial Officer	since 25 June 2018 member of Management Board; since 15 July 2018 Chief Financial Officer

Remuneration of the Management Board

In the current year, the members of the Management Board received total remuneration of KEUR 1,943 (2018: KEUR 1,654). This total remuneration comprises pension benefits granted in the financial year in the amount of KEUR 45 (2018: KEUR 45) and the fair value of the share options granted in the amount of KEUR 283 (2018: KEUR 246).

Individualised disclosures on the Management Board remuneration are presented in the remuneration report, which forms part of the management report.

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 Management Board of Tele Columbus AG and their close family members.

The Supervisory Board's remuneration claim in the current year amounts to KEUR 341 (2018: KEUR 426).

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 2019:

Financial Instruments by category under IFRS 9

KEUR	Measurement category IFRS 9	31 December 2019	31 December 2018
Financial assets			
At Fair Value through profit or loss	Derivative Financial Assets	3,262	1,283
Total		**3,262**	**1,283**
Measured at amortised cost	Receivables from related parties	11	6
	Trade receivables and other financial receivables	64,467	49,552
	Cash and cash equivalents	10,128	26,288
Total		**74,606**	**75,846**
Financial liabilities			
At Fair Value through profit or loss	Derivative Financial Liabilities	11,045	3,840
Total		**11,045**	**3,840**
Measured at amortised cost	Liabilities to banks and due bond issuance	1,432,175	1,415,875
	Liabilities to associates and related parties	580	734
	Trade payables	75,924	68,105
	Other financial liabilities	25,286	7,906
Total		**1,533,964**	**1,492,620**
No classification	Lease Liabilites[1]	108,956	68,538
Total		**108,956**	**68,538**

[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 IFRS 16.

The carrying amounts of the financial assets and liabilities, 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 2019 and as at 31 December 2018 were made in level 2. 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.

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:

Short-term financial instruments, such as trade receivables, trade liabilities, and receivables and liabilities from related parties are recognised at their respective carrying amount. This represents a reasonable approximation of fair value due to their short maturities.

Long-term financial instruments are recognised at their present value within the Statement of Financial Position.

The carrying amounts of loans and senior secured notes are not equal to market value, as the interest rates applicable to these liabilities are not adjusted to the prevailing money market conditions until a later date.

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, their carrying amount is not significant (under EUR 500). 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 of 31 December 2019 KEUR	Fixed Rate	Duration
Embedded Call in Senior Secured Notes (Bond)	650,000	3,262	3.88%	02.05.2025
Interest Cap 1	550,000	–	0.75%	31.12.2020
Interest Cap 2	550,000	–	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. Measurement is based on the "Two-factor Hull-White" model using the yield curves for risk-free and risk-bearing investments. The model applied was also calibrated using swaption volatilities and the fair value of the underlying liability.

The following table shows the changes in value of liabilities from credit facilities and senior secured notes and the associated derivatives:

KEUR	Senior Tranche A	Capex Facility	Senior Secured Notes-Bond	Facility 75m	Revolv. Facility	
Nominal value of credit facilities and bond as of 31 Dec 2018	**707,463**	**–**	**650,000**	**75,000**	**–**	**1,432,463**
Provision of Revolv. Facility during 2019	–	–	–	–	13,299	–
Nominal value of credit facilities and bond as of 31 Dec 2019	**707,463**	**–**	**650,000**	**75,000**	**13,299**	**1,445,762**
Fair value of embedded derivatives financial debts as of 31 Dec 2018	– 4,454			614		– 3,840
Fair value of embedded derivatives financial debts as of 31 Dec 2018			1,187			1,187
Change in other financial result	– 6,646	–	1,068	456		– 5,122
Other changes	– 1,015		1,015			
Fair value of embedded assets financial debts as of 31 December 2019	–	–	3,262			3,262
Fair value of embedded derivatives financial debts as of 31 December 2019	– 12,115	–	–	1,070		– 11,045

As at 31 December 2019, the fair value of the embedded derivatives (measurement level 2) amounted to KEUR – 7,783. In the event of a 0.5 percentage point increase in credit risk, the fair value of the embedded derivatives would amount to KEUR – 9,294.

In the event of a 0.5 percentage point decrease in credit risk, the fair value of the embedded derivatives would amount to KEUR – 3,375.

The table below shows the net result in relation to the corresponding financial instrument classification:

1 Jan to 31 Dec 2019	Gains (+)/losses(–) through profit or loss			
KEUR 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	–	–	– 5,122[2)]	– 5,122
Financial assets measured at amortised cost	91	– 5,396	–	– 5,305
Financial liabilities measured at amortised cost	– 59,249	–	865	– 58,384
Leases[1)]	– 3,509	–	–	– 3,509
Total	**– 62,668**	**– 5,396**	**– 4,257**	**– 72,321**

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 2018	Gains (+)/losses(−) through profit or loss			
KEUR 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
Leases [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.

The interest-rate caps result in a loss on measurement at fair value of KEUR 95 (2018: KEUR 1,484).

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
- Market risk
- Default risk

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 conducted through Treasury 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. Management is regularly informed.

Non-derivative financial instruments result from both the operative business activities as well as from investment and financing activity. The following table defines such instruments:

Scope of activities	Material financial instruments
Operational	Trade receivables
Investing	Long-term receivables
Financing	Liquid funds and loans

LIQUIDITY RISK

Liquidity risk is the risk that existing liquidity reserves are not sufficient to meet financial obligations in a timely manner. Liquidity risks can also arise if outflows of cash should become necessary in light of business operations or investment activity. Liquidity management at Tele Columbus AG aims to ensure that – as far as possible – sufficient liquid funds are always available for the Company to be able to meet its 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.

In addition to used credit facility, the Group currently has an unused revolving credit facility of KEUR 50,000 (with a term until 2 January 2021).

Cash and cash equivalents amounted to KEUR 10,128 as at 31 December 2019 (2018: KEUR 26,288). The Group also regularly reviews other financing options. Based on the existing financing instruments and the possible financing options, there is no liquidity risk in the short and medium term.

The following table shows the contractually agreed maturity dates for liabilities to banks and arising from the senior secured notes; the amounts shown are non-discounted gross amounts:

KEUR	31 December 2019	31 December 2018
Less than one year – not derivative	14,419	2,169
Less than one year – derivative	–	–
Less than one year – interest liabilities (before effects from derivatives)	64,531	64,727
Between one and five years – not derivative	784,569	77,701
Between one and five years – derivative	–	–
Between one and five years – interest liabilities (before effects from derivatives)	191,535	200,462
More than five years – non-derivative	650,458	1,358,421
More than five years – derivative	–	–
More than five years – interest liabilities (before effects from derivatives)	10,497	16,990

The financing agreement on granting credit facilities dated 3 May 2018 contains various covenants whereby the creditor has the option to call in the loans in the event of non-compliance. The fulfilment of said covenants and the capital risk faced by Tele Columbus AG for being a joint-stock company are regularly monitored by the Management Board.

As at the reporting date, liquidity risk in case of non-compliance with these covenants amounted to KEUR 1,459,555 (31 December 2018: KEUR 1,446,168). 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 the Group.

Strategic measures regarding compliance with existing covenants and payment obligations have been initiated in order to ensure the liquidity of the companies of the Group on a long-term basis.

In the context of Group financing the aim is to gradually repay financial liabilities using liquidity generated from their operations.

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 loans agreements with floating-rate interest.

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.

Long-term financial instruments bearing variable interest, for which the interest rate is linked to a market interest rate, such as the EURIBOR, are exposed to risks arising from future cash flows. 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	31 December 2019	31 December 2018
Rise of EURIBOR by 0.5 %	– 931	– 1,495
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.

F.3.2.3 CREDIT 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 on from other companies and from retail customers. The credit risk is therefore based on the individual risk of the contracting party concerned.

To mitigate credit risk, preventive and other measures are taken as well as the use of debt collecting agencies.

Preventive measures include reviewing the credit worthiness of a customer in regard to its solvency, experiences from the past, and the review of other factors before a contractual relationship is entered into.

Impairment losses are recognised for overdue receivables at varying percentages depending on the dunning level or maturity intervals. The percentage rates are considered within the estimations from management with regard to the recoverability of the relevant amounts. These estimations are mostly based on past experience.

Only trade receivables were value-adjusted in the respective reporting periods. Therefore, the companies of Tele Columbus AG assume that all receivables for which specific allowances have not been made are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. For wholesale customers, reminders are sent on a case-by-case basis. The responsible departments decide, considering special agreements with these customers, whether the reminder will be sent. 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 credit losses for trade receivables (general allowances) and other receivables for individuals (specific allowances) as at 31 December 2019. The gross carrying amount and the allowances refer solely to the trade receivables used as the base for the calculation of the general and specific allowances and do not relate to collected receivables:

31 December 2019 KEUR	Loss ratio (weighted average)	Gross carrying amount	Impairment	Direct affect of creditworthiness
not overdue	5%	1,054	51	No
1 – 60 days overdue	11%	1,643	185	No
61 – 90 days overdue	19%	826	154	No
91 – 120 days overdue	29%	1,225	360	No
121 – 360 days overdue	59%	2,782	1,643	No
more than 360 days overdue	84%	6,614	5,558	Yes
		14,144	**7,950**	

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
121 – 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 twelve 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, for example, that 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. This means that it is moving towards a claim that is overdue over 360 days. 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 credit losses as at 31 December 2019

In the final step, Tele Columbus AG calculates the expected credit losses as at 31 December 2019. The impairment loss thus amounted to KEUR 17,317 as at 31 December 2019. The change in value compared to the prior period is recognised in profit or loss.

Trade receivables are impaired to the expected recoverable amount in accordance with the procedure for determining lump-sum specific allowances for credit losses. The credit risk for other current financial receivables 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. In addition to forward-looking macroeconomic factors, Tele Columbus also includes debtor-specific, geographical and industry-specific characteristics.

The maximum exposure to credit risk as at the reporting date amounted to KEUR 61,807 (2018: KEUR 56,235).

It is assumed that the value-adjusted carrying amount of trade receivables approximately equals 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.

F.4 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.

2019	**Liabilities**			**Equity**
KEUR	Other liabilities	Finance Lease Liabilities	Liabilities to banks and from the bond issuancee	Non-controlling interests
Statement of financial position as at 1 January 2019	24,834	68,538	1,415,873	8,692
Changes in cash flow from financing activities				
Payments of financial lease liabilities and other permissions		– 23,753		
Dividends paid				– 2,007
Proceeds from loans, bonds and short or long-term borrowings from banks			13,299	
Transaction costs with regard to loans and borrowings			– 1,225	
Repayment of borrowings			– 2,072	
Interest paid			– 54,381	
Acquisition of non-controlling interests				
Total change in cash flow from financing activities		**– 23,753**	**– 44,379**	**– 2,007**
Other changes				
Relating to liabilities				
New finance lease contracts		66,991		
Reversal of transactions costs			5,685	
Valuation of derivatives			– 563	
Interest expenses			56,891	
Interest paid		– 3,411		
Payments for the acquisition of companies less cash acquired	– 6,716			
Other changes	5,706	591	– 1,332	3,013
Total other changes, relating to liabilities	– 1,010	64,172	60,681	–
Total other changes, relating to equity	–	–	–	3,013
Statement of financial position as at 31 December 2019	**23,824**	**108,956**	**1,432,175**	**9,697**

2018	Liabilities			Equity
KEUR	Other liabilities	Finance Lease Liabilities	Liabilities to banks and from the bond issuancee	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 and other permissions		−14,379		
Dividends paid				−1,568
Proceeds from loans, bonds and short or long-term borrowings from banks			720,079	
Transaction costs with regard to loans and borrowings			−16,604	
Repayment of borrowings			−650,519	
Interest paid			−53,001	
Acquisition of non-controlling interests	−7,012			
Total change in cash flow from financing activities	**−7,012**	**−14,379**	**−45**	**−1,568**
Other changes				
Rrelating 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.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to shareholders and the average number of shares outstanding. The stock option programmes MSP and POP (see E.18 "Share-based payment") 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 2019	1 Jan to 31 Dec 2018
Profit for the period allocated to shareholders in KEUR	**−37,549**	−163,850
Weighted average of ordinary shares outstanding (in number of issues)	**127,556,251**	127,556,251
Undiluted result per share in EUR	**−0.29**	−1.28
Diluted result per share in EUR	**−0.29**	−1.28

Determination of weighted average of ordinary shares outstanding

KEUR	1 Jan to 31 Dec 2019	1 Jan to 31 Dec 2018
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.6 Segment reporting

DESCRIPTION OF THE 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 comprise analogue and digital TV and radio broadcasting. The TV packages offered include another 75 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 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.

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	2019	2018
Revenue B2B customers/ construction services	85,400	74,067
Other income	1,693	7,525
Own work capitalised	4,319	2,986
Direct costs	– 48,262	– 45,096
Personnel expenses	– 31,620	– 33,865
Other expenses	– 28,401	– 31,174

Expenses and income are allocated to segments either directly or based on appropriate formulae.

As they also cannot be allocated to the two segments, one-off effects (more information under "Segment reporting") are shown in the reconciliation.

With the exception of the elimination of the "one-off effects", the accounting principles for segment reporting correspond to the principles applied for the Consolidated Financial Statements and are to be understood analogously to IFRS as they are to be applied in the EU. This applies as long as the valuation methods and the definition of segments do not change.

Therefore, a reconciliation need not be made due to differences between internal measurement and IFRS measurement, but only in respect of items that are not allocated to reportable segments.

SEGMENT REPORTING

EXPLANATION OF THE MEASUREMENT VARIABLES OF THE SEGMENTS

For the Tele Columbus Group Management Board, normalised EBITDA[1)] is the key performance indicator which is reported separately for each operating segment for the purposes of monthly reporting. Normalised EBITDA constitutes earnings before net finance income/costs (share of profit of equity-accounted investees, interest income, interest expense and other finance income/costs), income taxes, amortisation, depreciation and impairment losses on fixed assets. EBITDA does not contain any so-called "one-off effects". These are defined by the Management Board as non-recurring, rare or extraordinary expenditure or income if the event is not likely to reoccur in the next two financial years or did not occur in the past two financial years. In addition to the "non-recurring items", expenses and income from certain transactions, which by the Management Board'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 adjusted EBITDA. These are expenses or income that have predominantly not arisen from the operational business or are of a restructuring nature, and therefore cannot be used to assess operating success.

Non-recurring expenses in 2019 are mainly costs of ongoing restructuring, e.g. external support and consulting services for efficiency-enhancing projects. A further share of the special effects was attributable to costs for consulting services in connection with strategic projects.

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.

[1)] This ratio is a performance indicator as defined by Tele Columbus AG's management.

The following table contains information on the reportable “TV” and “Internet and Telephony” segments and the non-reportable “Other” segment:

2019 KEUR	TV	Internet &Telephony	Other	Total
Revenue	253,487	160,518	85,400	499,405
Normalised EBITDA	139,989	116,337	– 16,871	239,454
Non-recurring expenses (–)/income (+)	– 7	– 47	– 25,220	– 25,274
EBITDA	**139,981**	**116,290**	**– 42,091**	**214,180**

2018 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**

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	2019	2018
EBITDA of reportable segments	256,271	260,005
Depreciation and amortisation	– 184,177	– 283,003
Profit/loss from investments in associates	– 168	– 5
Other financial income and expenses	– 66,597	– 77,754
Other	– 42,091	– 70,456
Profit before taxes	**– 36,762**	**– 171,213**

OTHER SEGMENT DISCLOSURES

Secondary segmenting based on geographical criteria is not applied, as all revenue is generated exclusively in Germany.

Revenue is generated by a plurality of customers such that no significant portion is attributable to one or a few external customers.

F.7 Disclosures pursuant to the German Commercial Code [HGB]

EMPLOYEES

The Group employed an average of 1,117 staff in the financial year (2018: 1,216), of which 1,031 were employees (2018: 1,137), 54 managerial staff (2018: 57) and 32 trainees (2018: 23).

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT [AKTG]

The 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 2019 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/en/investor-relations/declaration-of-conformity/**.

AUDITOR'S FEE

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 2019	31 December 2018
Audit services	1,380	1,551
Other assurance services	–	–
Other services	69	15
	1,449	**1,566**

F.8 Events after the reporting period

With effect from 1 February 2020, the Supervisory Board appointed Dr Daniel Ritz to be Chief Executive Officer (CEO) and member of the Management Board. Timm Degenhardt resigned his position as CEO with effect from 31 January 2020 but will remain member of the Management Board until 31 March 2020.

On 30th January 2020 the World Health Organisation declared the spread of the new coronavirus "Covid-19" as a "health emergency of international proportions". This pandemic has a considerable impact on the situation and development of the global economy and business in Germany. We therefore classify this as an event of particular significance after the balance sheet date. We refer to the statements in the risk report and the forecast in the management report.

Declaration by the Group's management

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 is combined with the management report of Tele Columbus AG, gives a true and fair view of the Group's business development including its performance and position, and also describes significant opportunities and risks relating to the Group's anticipated development.

Berlin, 27 March 2020
Tele Columbus AG, Berlin

Management Board

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

Timm Degenhardt
Member of the Board

Independent auditor's report

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 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2019, 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 2019. 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 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, 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 2019. 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.

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.

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.

In Light of the impairment of the reported goodwill in prior year, that was allocated to the Cash-generating unit "TV", 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 2019.

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 mark-ups for overheads as well as compliance with group-wide requirements for the application of useful lives for specific asset classes. We reviewed the additions to property, plant and equipment recognized using analytical and substantive procedures on a sample basis. The analytical procedures include the comparison of the absolute amounts of additions as well as capital expenditures ratio to the prior year, the 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 "Editorial of the Management Board" of the annual report, the "Report of the Supervisory Board" pursuant to Section 171 (2) AktG, the declaration of compliance with the German Corporate Governance Codex, the statement on corporate governance and the non-financial declaration. 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 29 August 2019. We were engaged by the audit committee of the Supervisory Board on 11 December 2019. 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, 30 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner	Hofmann
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate social responsibility report

Content

About this report

As one of Germany's leading fibre operator, Tele Columbus AG ensures participation in social life through access to information and education in over three million connected households. Our goal is to help shape the digital transformation of the worlds of communication and media in an environmentally sustainable and socially acceptable way. By acting responsibly, we aim to justify our customers' trust in our services at all times.

With our entire workforce, as a united Company, we have aligned ourselves with the brand values of fairness, simplicity and efficiency as well as sustainable, customer-focused product structure.

With this Corporate Social Responsibility (CSR) report, Tele Columbus is presenting its third report so that the transparency that forms a basis for dialogue with our core stakeholder groups also extends to matters of social responsibility and sustainable activities. In this context, sustainability is an increasingly important aspect for the Group. Tele Columbus AG's investment in expansion of the fibre-based network is intended to meet demand for broadband on a long-term basis and ensure media diversity.

To help us to do this in an environmentally sustainable and socially responsible way, we have set ourselves clear targets in all key areas of activity for the first time through our sustainability strategy.

One key feature of the 2019 financial year was a transformation process aimed at putting the Company back on track for growth. In particular, the numerous initiatives to improve customer service and the targeted expansion of technical network resources, positive effects of which were already apparent in the second half of the year in the form of impressive test results, are to be seen through this prism.

From a strategic perspective, the decision to open the Tele Columbus Group's networks to third parties allowed us to branch out in another new direction. At the end of October 2019, we announced an agreement with Telefónica Deutschland that allows our cooperation partner to market products on our network on its own behalf (wholesale).

At the same time, housing industry sales are fully geared towards fibre technology in order to ensure future-proof scalability of bandwidths at any time of day and increase customer satisfaction. As a result, following successful completion of the digital TV switchover, Berlin was upgraded to become the first gigabit city in the Tele Columbus Group network. Consequently, a million Berlin citizens have been supplied with bandwidths of up to one gigabit per second in DOCSIS 3.1 technology since August 2019.

Disclosure

At the same time, Tele Columbus has integrated the separate non-financial Group report as per Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) into this sustainability report. Unless otherwise stated, the compiled data describes the situation as at 31 December 2019.

In the description of concepts and the gathering of performance indicators, reporting is based on the criteria of the German Sustainability Code (GSC) in conjunction with the GRI Sustainability Reporting Standards. This information was submitted to the GSC office in order to attain a declaration of conformity.

An index with a list of the key topics as per Section 289c HGB can be found on page 157.

Details on the business model and vertical integration

Tele Columbus AG regards itself as a network operator that provides telecommunications services for residential and business customers. A large part of its business activities stem from its collaboration with the housing industry, on behalf of which we ensure that properties receive cable-based radio and television services. In addition, telephone and Internet access is also available in increasing numbers of return channel-capable networks. Above and beyond the telephony and Internet services, we provide business customers with capacity in highly secure data centres, fast exchange of data between branches on the basis of our own fibre-optic cables, solution development and IP-based media services. Details on our business model can be found in the Group management report on page **40**.

CSR strategy of Tele Columbus AG

Tele Columbus AG acknowledges its responsibility for the consequences of business activities across the entire value chain. Our employees take into account the impacts of their decisions on social and environmental aspects of sustainability. In the context of our corporate responsibility, the effects of our business operations should be reconciled with the expectations and requirements of our customers, partners and investors. We have summarised the main requirements for sustainable orientation of our business activities in our CSR mission statement.

The concerns of our stakeholder groups have been ascertained in a materiality analysis and subjected to regular examination in the context of continuous dialogue. In the context of this materiality analysis, potentially relevant topics were identified, taking into account external frameworks and benchmarking, and were assessed in terms of their business relevance and with regard to impacts on the business activities of Tele Columbus in line with the requirements in the CSR Directive Implementation Act (CSR-RUG). The analysis results and allocation to the legally required non-financial topics can be found in the index below.

Key topics

Non-financial topic as per 289c HGB

Key issues for Tele Columbus

The topic “Preventing human rights abuses” was rated as non-material as per Section 289c HGB in the context of the performed analysis. Regardless of this, the Group has decided to pay closer attention to this issue and is currently developing commensurate preventive measures in the form of a code of conduct on human rights and environmental aspects, which will be part of our General Conditions of Purchase. Further information on ensuring secure working conditions in the upstream value chain is set out in the Compliance chapter.

Guiding principles

To give our corporate social responsibility measures a holistic and strategic dimension, the Management Board and Supervisory Board of Tele Columbus AG have adopted a sustainability strategy that contains binding targets for each area of activity identified as material. With our sustainability strategy, we acknowledge our social responsibility and are working closely with our key stakeholders to meet this commitment.

The company pursues a business strategy that enables the Tele Columbus Group to reliably achieve its medium and long-term corporate goals. These corporate objectives have given rise to specific projects whose implementation is monitored and controlled by the management team and the Management Board. This project plan contains programmes that have a direct influence on the social impacts of our business activities. These include assessment of investment plans, innovation management to promote digitalisation in the housing industry, improvement of the customer experience and building up the workforce through targeted support and jointly developed fundamental values for in-house collaboration.

Our strategic corporate goals are:

- Becoming market leader in product quality and customer satisfaction
- Process optimisations for us and our customers
- Advancing innovation and digitalisation
- Building up the workforce so that we can rely on a strong team
- Growth in all divisions

One obvious example of how the strategic corporate goals intersect with sustainability issues is the constant modernisation of existing networks and the creation of new ones.

Guiding principle

We take responsibility for our partners

For our partners in the housing industry, our broadband networks ensure value retention of properties, make homes better places to live and allow residents to engage in social discourse.

We take responsibility for our customers

We provide high-performance and clearly structured products for our end customers. Our commitment here is to communicate transparently and on an equal footing with the users of our services at all times.

We take responsibility for our employees

Family-friendly working arrangements, occupational health and safety and support of employees through training opportunities matter to us. As a modern employer, we take our diversity and gender equality obligations seriously. We also promote humane working conditions in our supply chain.

We take responsibility for the environment and society

As a company, we invest in sustainable, and therefore future-proof, technologies and are increasingly gearing all our activities towards sparing use of natural resources.

To ensure that our networks are future-proof for our customers and investors, the Tele Columbus Group channels most of its investment into fibre-optic technology. The more fibre-optic our networks become, the less energy it takes to operate them. Furthermore, the technical availability and performance of the networks increases in relation to the attainable bandwidths, thus boosting customer satisfaction.

Organisation and control

Major strategic decisions relating to social responsibility and sustainability are taken directly by the Management Board and the management team.

The management team is responsible for managing sustainability projects and reports directly to the Management Board of Tele Columbus AG. The responsible specialist departments have full operational involvement in the development of social and environmental measures. The status of target attainment is monitored by a CSR steering committee made up of representatives of these specialist departments. Key performance indicators (KPI) are applied to all projects.

Our areas of activity

ENVIRONMENT

Reduction of greenhouse gases, refurbishment, recycling

→ *We will massively reduce our CO_2 emissions and minimise landfill waste. Our commitment to fibre-optic technology allows us to use the opportunities of the gigabit age.*

CUSTOMER CONCERNS

Customer satisfaction

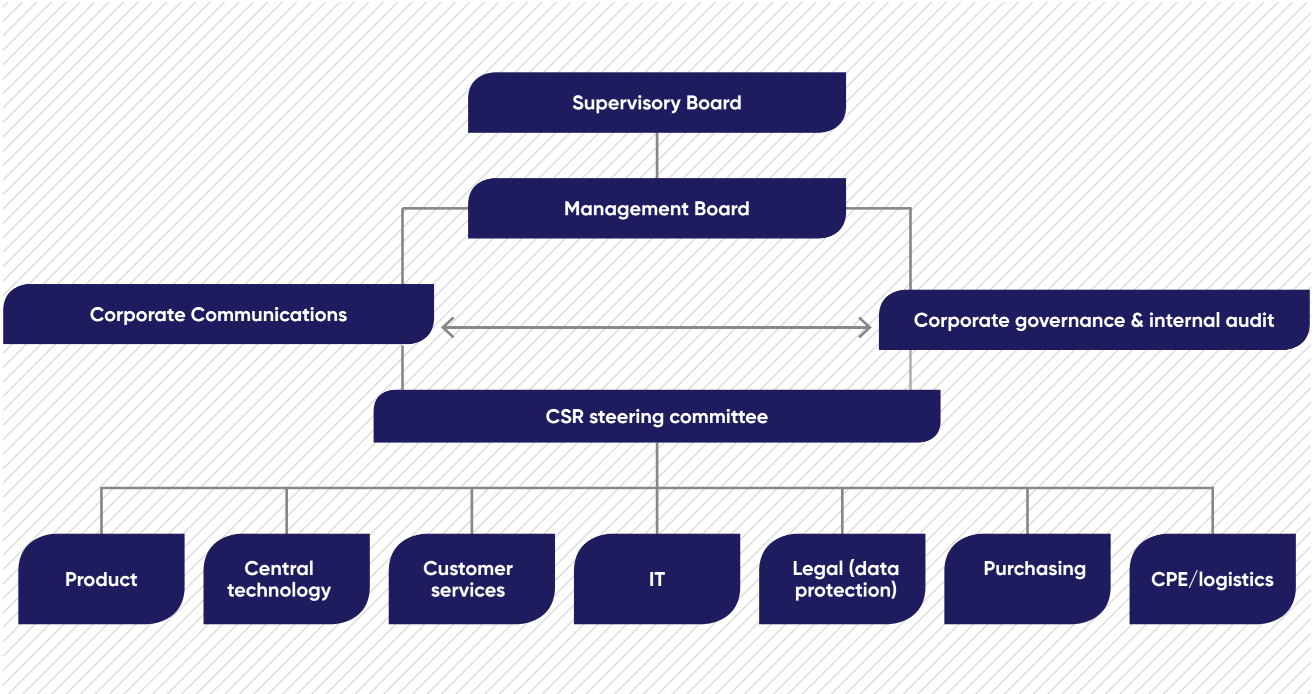
→ *We aim to significantly increase customer satisfaction through enhanced quality of customer service, high-performance networks and requirement-oriented products.*

EMPLOYEE CONCERNS

Diversity, training and occupational health and safety

→ *We are creating a motivating, discrimination-free working environment, and we provide opportunities for training and promotion so that we have a powerful employee organisation at all times.*

Control of measures



COMPLIANCE

Protection of information, protection against corruption, good governance, monitoring of suppliers and supply chains

→ *Responsible handling of business information, effective protection against corruption, monitoring of supply chains to ensure humane working conditions, and environmental protection are meant to increase trust in transparent, ethical business operations.*

DATA PROTECTION

Organisational and technical data protection

→ *Optimum protection of personal data is a top priority in order to justify the trust of our partners, customers and investors.*

Our sustainability targets up to 2024

1. CO_2-free network operation

We aim to achieve climate-neutral operation of all our networks by 2024 at the latest.

2. Offsetting the environmental impact of flights

We aim to fully offset the greenhouse gas emissions of unavoidable flights.

3. Vehicle fleet: Reduction of greenhouse gas emissions by 30% per kilometre

We aim to reduce CO_2 emissions of company car journeys by 30 percent compared with 2018.

4. Best customer service in the industry

We aim to provide our customers with the best customer service in the industry.

5. Creating a positive employer brand

Tele Columbus aims to be perceived positively as a recommended employer with the PŸUR brand by 2024.

6. Preventing work-related accidents with an accident rate below the industry average

We aim to reduce our work-related accident rate to well below the industry average and minimise work-related illness.

7. Preventing notifiable compliance breaches and monitoring supply chains

We aim to further reduce the risk of compliance incidents by 2024 at the latest through further optimisations to our compliance management system. In addition, supply chains

The United Nation's 17 sustainable development goals and Tele Columbus' contribution.

are to be examined by means of commensurate measures, and humane working conditions are to be agreed with our suppliers through a Code of Conduct. The Code of Conduct is based on the core standards of the International Labour Organisation (ILO).

8. Achieving greater quality and transparency on data protection matters and increasing security in IT architecture
We will have increased the protection level for personal data beyond the legally required level and have situation-appropriate processes in place to address data protection-related enquiries by 2024.

Non-financial risks

Tele Columbus has a Group-wide risk management system in place to identify risks at an early stage and handle them.

The aim here is to ensure systematic recording and assessment and therefore deal with risks and opportunities conscientiously. Risk management allows Tele Columbus to identify adverse developments at an early stage so that countermeasures can be taken promptly and monitored.

Potential non-financial risks relating to the impacts of the company's business activities were assessed, as were the impacts arising in connection with the company's business activities, for instance in the upstream and downstream value chains.

Following the measures implemented by Tele Columbus, no notifiable non-financial risks were identified with regard to probability of occurrence or severity of impact.

Further information on the risk management system at Tele Columbus can be found in the "Risk report" chapter in the Group management report starting on page 53.

Involvement of stakeholder groups

Tele Columbus engages closely with all stakeholder groups.

We are in regular discussion with all our stakeholders through various means. Our sustainability management constantly reflects our stakeholders' concerns.

External Stakeholder/Overview

Partners
- Housing industry
- Advisory panel on the housing industry
- Upstream signal suppliers
- Project partners in infrastructure development
- Broadband initiatives

Suppliers
- Lessors of properties and shops
- Strategic service providers
- Suppliers and service providers
- Third party cable providers
- Strategic hardware and software suppliers

Associations
- Chambers of commerce
- Housing industry associations
- Associations of the telecommunications sector
- Shareholder associations

Regulators
- Mayors and local authorities
- Ministries of trade and industry
- Consumer protection organisations
- Parliamentary committees
- Federal Network Agency
- Federal Office for Information Security
- State media authorities

Financial market
- Federal Financial Supervisory Authority
- Financial analysts
- Institutional investors

Customers
- Shops
- Mailings & website
- Customer surveys
- Sponsoring of local events

Investors
- Annual general meeting
- Annual report
- Roadshows
- Capital markets day

Customers and products

Digital inclusion

Modern fibre networks allow us to provide high-performance connections for businesses in addition to fast Internet, telephone lines and high-resolution TV for home customers. The Tele Columbus Group's approach here is based on customised expansion that, as well as reflecting current requirements, takes future growth in demand for bandwidth into account. At Tele Columbus, existing fibre/coaxial technology is combined with the latest technological standards, thus opening the door to the gigabit age. Optimum capacity provision is made with the favoured fibre-optic expansion stages in which the fibre cables are installed as far as into building or even as far as into apartments.

With its own networks, Tele Columbus is one of the leading fibre cable network operators in Germany. In network level 3 – this refers to the distance between the signal headend and the buildings to be supplied – the ongoing expansion projects are generally based on fibre technology: the huge data transmission capacity of the fibre-optic cables forms the basis for high reserve capacity, which is crucial to provision of broadband Internet.

To this end, networks designed for TV transmission only must be strengthened for Internet operation, a process called return channel capability. As at 31 December 2019, 69.6 percent of households connected by Tele Columbus were upgraded for Internet capability.

Our network is being expanded and modernised with fibre technology both in conurbations and in small and medium-sized towns. For example, we built new fibre-based networks and expanded existing networks in Bernau, Delitzsch, Sangerhausen, Lenzkirch and Saig in 2019. In the context of infrastructural projects, brand-new municipal network segments went into operation in the Lörrach district and in Heidelberg, where Internet access was previously inadequate Our continued aim is to keep on bringing fibre cables to more regions where broadband provision is poor. At the same time, we are putting in place the conditions that enable the regions to benefit from the development of the digital society while also safeguarding against high vacancy rates, outward migration and an ageing population. By providing powerful connections to the digital world, we are helping to ensure that small towns remain hugely attractive places to live for families. A local fibre-based, high-performance infrastructure is a key location factor for business districts and, consequently, for job creation outside conurbations. Our enterprise solutions division, PŸUR Business, delivers wholly fibre turnkey development concepts for municipalities and businesses.

In addition, our networks ensure the basic TV provision for receipt of all must-carry services. Through supply of ARD-Dritte programmes from neighbouring federal states and additional local TV stations, our distribution networks are strengthening local and regional diversity of opinions and thus creating socially important communication forums, even across state and national borders.

Therefore, the networks of Tele Columbus are meeting a key function for engagement in social discourse across all layers of the population and are part of future-critical broadband provision in Germany.

Data protection

The Tele Columbus Group maintains licence agreements with the housing industry and user agreements with the end customers of its products. The use of telephony and Internet services also involves access data and sensitive connection data that must be protected against unauthorised access. In view of possible software vulnerabilities and targeted cyber-attacks, it is clear why Tele Columbus works hard to protect personal data when securing participating IT systems.

Our data protection efforts at the Tele Columbus Group are aimed at meeting the statutory requirements for storage and management of sensitive data at all times, notifying the responsible regulatory authorities immediately in the event of incidents relating to data protection and informing affected customers and advising them on how best to limit any damage.

Data protection issues are to be handled under the leadership of the Legal department. An external Data Protection Officer is on hand for the Tele Columbus Group for matters relating to data protection. The PŸUR Business division (HLkomm GmbH), with its own data centres, has a further external Data Protection Officer. IT baseline protection as per ISO 27001 and quality management as per ISO 9001 are ensured at PŸUR Business. Annual re-audits are conducted, with assistance from the Quality and Security Management department.

In view of the processing of personal data and the ever-growing complexity of IT systems, data protection is a hugely important topic for the Tele Columbus Group. To ensure state-of-the-art security of our IT systems, identify vulnerabilities and close security gaps quickly, the IT Operations department has created the post of security officer.

Along with measures to integrate the organisation and responsibilities relating to the notification obligation as per the GDPR, compulsory online training on handling company information and data protection was carried out throughout the Group in 2019. Learning outcomes were monitored, and over 800 employees successfully completed the training. 2019 saw the start of a revision of the existing data protection guidelines in which implementation of the data protection requirements as well as the associated structures and processes will be defined. With this revision, the guidelines will be adapted to the practical issues of implementation of the data protection requirements.

The information measures via the Data Protection Officer and the tasks of the Compliance department have demonstrably led to a significant increase in awareness among employees. In an employee survey in November 2019, 83 percent of respondents agreed with the statement: “I feel adequately informed about who I can go to in the company in the event of data protection breaches.” This is 26 percentage points more than in the previous year.

Despite its best efforts, the Tele Columbus Group reported one incident in the reporting period, involving incorrect linking of details from the customer portal. The Federal Commissioner for Data Protection and Freedom of Information was notified. In coordination with the responsible state data protection authority, the resultant risk was rated as low. Consequently, the potentially affected customers were not informed. No data protection incidents were apparent in the PŸUR Business.

Sustainability target no. 8:

Achieving greater quality and transparency on data protection matters and increasing security in IT architecture

We will have increased the protection level for personal data beyond the legally required level and have situation-appropriate processes in place to address data protection-related enquiries by 2024. Target attainment can be documented via the ratio of notifiable incidents, via external audits of protective measures or via certifications.

Customer satisfaction and service quality

To give its customers an outstanding customer experience, Tele Columbus AG has paid increased attention to customer service work and customer satisfaction. Our customers are the users of our network connections as well as customers in the housing industry with whom the requisite operating and supply agreements have been concluded.

A holistic concept to improve the customer experience is intended to achieve tangible improvements in quality at all points of contact. Tele Columbus aims to become the industry leader in service quality and customer satisfaction and has taken numerous measures to achieve this ambitious goal in the operating area.

The corporate strategy defines customer service as a key action area. The plan contains initiatives for more-effective technical management of services as well as elements to tailor products precisely to customer requirements.

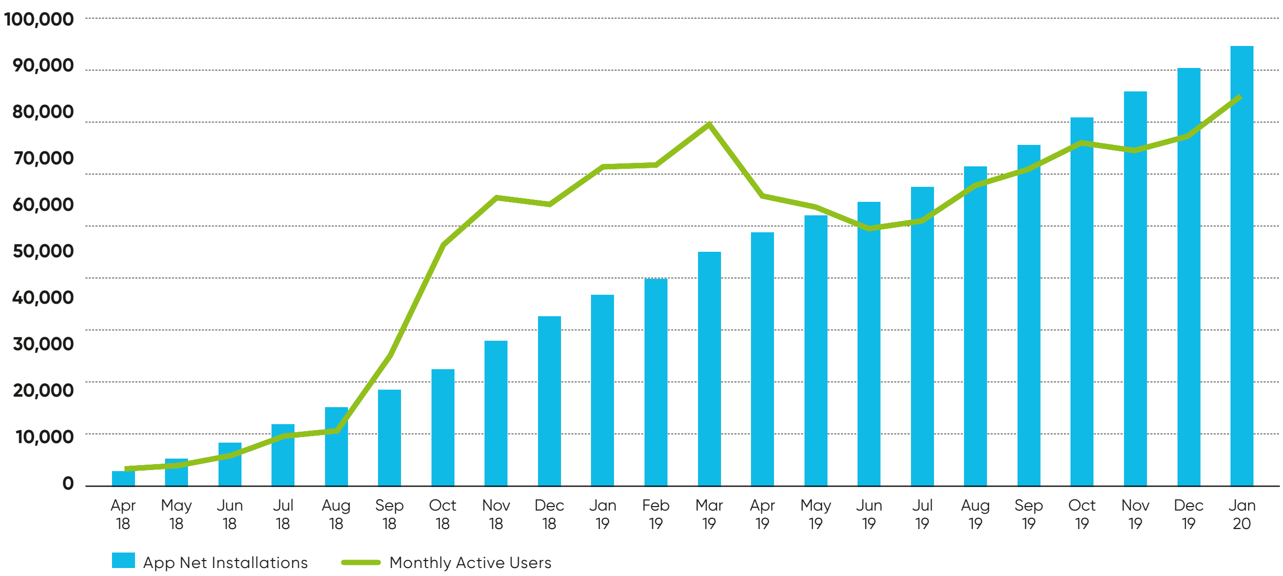
The "My PŸUR" app: Information on the contract, invoice control and existing faults in one application.

For instance, all contact channels and reasons for customers to get in touch with us were checked for resilience and consistency in 2019. To identify weak points, after service contact, customers are routinely asked about their experience. The measures taken benefit end customers and our partners in the housing industry alike. Outstanding customer service justifies the bond of trust with the provider and strengthens demand, which also prospectively benefits our investors.

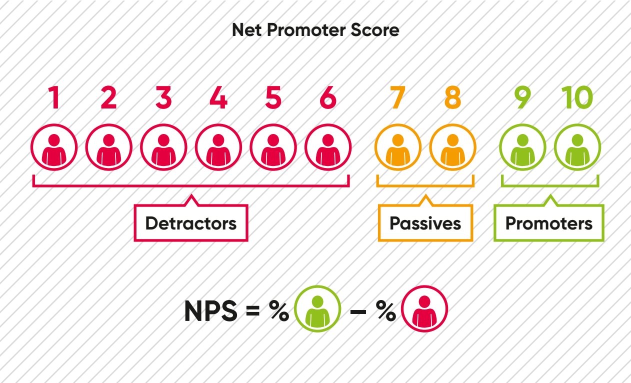
A comprehensive fault assistant that evaluates customer and product data with technical network parameters and modem information as required has been added to the "My PŸUR" customer app. In this way, our customers receive help on rectifying problems with their Internet or telephone connection in real time and in a highly targeted way via short texts, photos, graphics or instructions. The "My PŸUR" app is a success with around 90,000 active installations so far. In total, the online customer portal and the "My PŸUR" app register just under 80,000 users per month, more than 30 percent of whom access via the app. In December 2019, some 17.6 percent of all customer concerns reached us via our digital contact channels.

To measure the success of the measures taken to date, customers are asked about their experience following service interactions. The results are routinely gathered, analysed each day and shared with employees. The measurement method "Net Promoter Score", or NPS for short, has now been extended to customers in the housing industry. Along with NPS, further data on availability and troubleshooting

The app is growing in popularity and had already been installed 90,000 times by the end of 2019.



capability is gathered. Aspects such as the attractiveness of the product range are measured by the number of revenue-generating units (RGU). The results of all measurements are directly incorporated into project management.



Improving service processes and product quality is the focal point of our measures here. To increase their information and troubleshooting capabilities, customer service employees receive automated tools so that they can pinpoint described problems as precisely as possible and instigate the correct follow-up measures to resolve them.

Sustainability target no. 4:

Best customer service in the industry. We will significantly increase customer satisfaction through enhanced quality of customer service, high-performance and reliable networks and requirement-oriented products.

Our level of target attainment is ascertained through routine customer surveys and calculation of the Net Promoter Score via the method commonly applied in the industry. In addition, we gather details regarding the availability and troubleshooting skills of our employees. To gain a comprehensive picture of customer satisfaction, the contact volume, product booking behaviour and the cancellation rate are also calculated. To determine our position compared with our competitors on the market, surveys are also conducted in households that are situated in our network supply area but have not booked any services from us.

Responsibility for the project to improve customer experience lies with the Customer Experience Management department and is assigned to the portfolio of the Chief Operations Officer.

Products and innovation

Humanity, simplicity and efficiency are the benchmarks for our day-to-day work and our actions. These three core brand values are intended to create a holistic awareness among employees that a product or a service is more than the mere consideration of price and performance.

Our packages and products are structured transparently and can be booked individually and flexibly.

In 2019, we applied further price advantages to the conventional user contracts with a term of 24 months. At the same time, the rates for contracts with a short, three-month minimum term were extended to tripleplay services that combine Internet, telephone and TV provision in HD quality.

Wireless Internet use at home is now commonplace. Good Wi-Fi signal quality is the essential condition for trouble-free use of the Internet connection. To meet this requirement, a new version of the standard modem we supply free of charge featuring improvements to Wi-Fi provision has been rolled out. In addition, the popular FRITZ!Box 6490 is alternatively available on request in DOCSIS cable networks. Depending on the current package, the monthly additional charge has been reduced to EUR 2 to 3. In some of the Group's sub-networks, the SIP signalling standard has been added to the telephony platform in order to make problem-free use of the customer's own cable router even easier.

Booking behaviour and routine customer surveys align the range of products and services with our customers' needs.

Communication and transparency

The PŸUR brand values of humanity, simplicity and efficiency present a particular challenge for internal and external communication. That is why we always try to convey our information appropriately, comprehensibly and clearly. Our websites www.pyur.com and www.telecolumbus.com, our letters to customers, the publications on our intranet for employees and our information releases to the press and the capital markets are written in line with this aim.

According to our partners in the housing industry, communication on the switch-off of analogue TV and radio signal as a result of digitalisation in the cable networks was successful. Following the digital switchovers, which also affected conventional VHF radio reception via cable, we successfully showed that digital radio reception via cable is vastly superior to the previous VHS reception in its range of 96 channels.

In addition, in the first half of 2019, the Press department drew attention to the rapid expansion of technical transmission capacity in the local press and accompanied the gigabit expansion of our Berlin networks, first announced in February 2019, through to commencement in August 2019.

In investor relations, four ad-hoc releases were published in 2019 in addition to regular communication through quarterly reports and the annual financial statements. The subjects covered were changes to the Supervisory Board, comment on media speculation, the concluded wholesale agreement with Telefónica Deutschland and the announcement that Management Board Chairman and CEO Timm Degenhardt would be leaving the company.

The Corporate Communications department is responsible for Tele Columbus's external and internal communication. The Brand & Marketing Communication department is responsible for end customer communication. Online campaigns and websites are managed by the eCommerce department. Communication with the capital markets is handled by the Investor Relations department.

Environmental issues

Environmental responsibility is a key part of sustainability management for Tele Columbus. Electricity consumption is the top priority for the company in terms of reducing greenhouse gas emissions. Technical operation of networks and data centres accounts for 98 percent of the electrical energy we use. Mobility is another major influencing factor in our CO_2 emissions. Most of the mileage covered by car is attributable to sales activities and service work on the network or on customer premises. Compared with these two areas, the influence of dispatch logistics and heating energy is of lesser importance and is not assessed in further detail below.

Resources

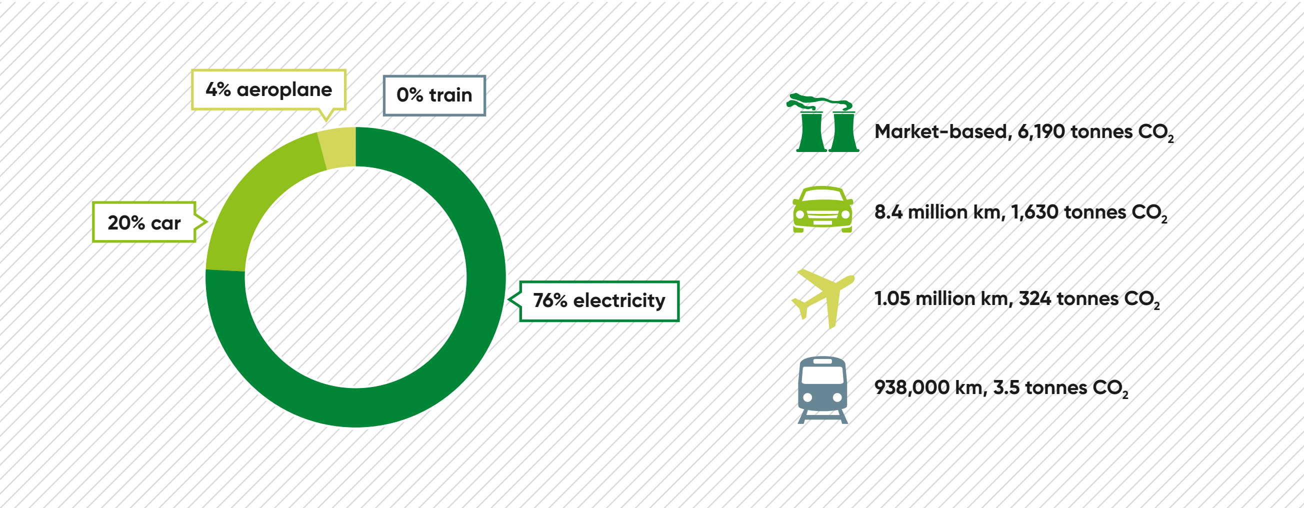
Our end customers use hardware such as modems and digital cable TV receivers (set-top boxes) to access our services. Tele Columbus mainly rents out the requisite hardware. When the contract expires, the rented items are returned to us. As a result of this, we benefit from the opportunities of professional reprocessing. This has given rise to a recycling process that helps to reduce electronic waste. The aim is to use resources as efficiently as possible, thus reducing our negative impacts on the environment. The hardware packaging of our rented items is made of natural brown cardboard. Wherever possible, the boxes should be retained in case of return.

Logistics and purchasing are handled by the Logistics & Procurement department, which reports to the Management Board on these matters.

Electricity consumption

Within the Tele Columbus Group, operation of the networks and data centres accounts for a large amount of the electrical energy used. The electricity consumption of buildings for administration and services is comparatively low and is not recorded explicitly.

Our CO_2 Footprint



Electricity reductions in our networks stem from network construction projects that involve energy-efficient fibre technology from the outset. Modernisation of existing networks in the context of licence agreements with the housing industry is another major influencing factor. Tele Columbus is always working towards greater use of fibre technology here.

The Technology division is in charge of the design of network construction and modernisation. In our network investment, we combine the goals of improved performance and increased energy efficiency.

In many places, the switchover of our TV and radio signal sources to digital-only transmission, completed in 2019, has introduced simplified, modern signal processing to the cable headends from which the channels are routed into the local cable networks. The removal of analogue processing for the previously operated parallel analogue transmission of the TV signals and the simultaneous modernisation of signal processing are significantly reducing the energy consumption of our technical systems in the transmission of TV and radio signals. The savings started to take effect only in the second half of 2019. Even so, we have reduced energy consumption in the cable networks by 8.7 percent to 23,183 MWh. In the previous year, the reduction in network operation was just 1.6 percent. The effect of the analogue switch-off already seems to be apparent here.

With regard to the development of greenhouse gas emissions, a significant reduction in CO_2 can already be reported. In addition to the above-mentioned decrease in energy consumption, a much higher proportion of renewable energies in the energy mix of our main suppliers is another factor. With a green electricity share of 55.6 percent, CO_2 emissions per kilowatt hour are down from 379 to 267 grammes.

A look at our in cable headend in Wilhelmshaven

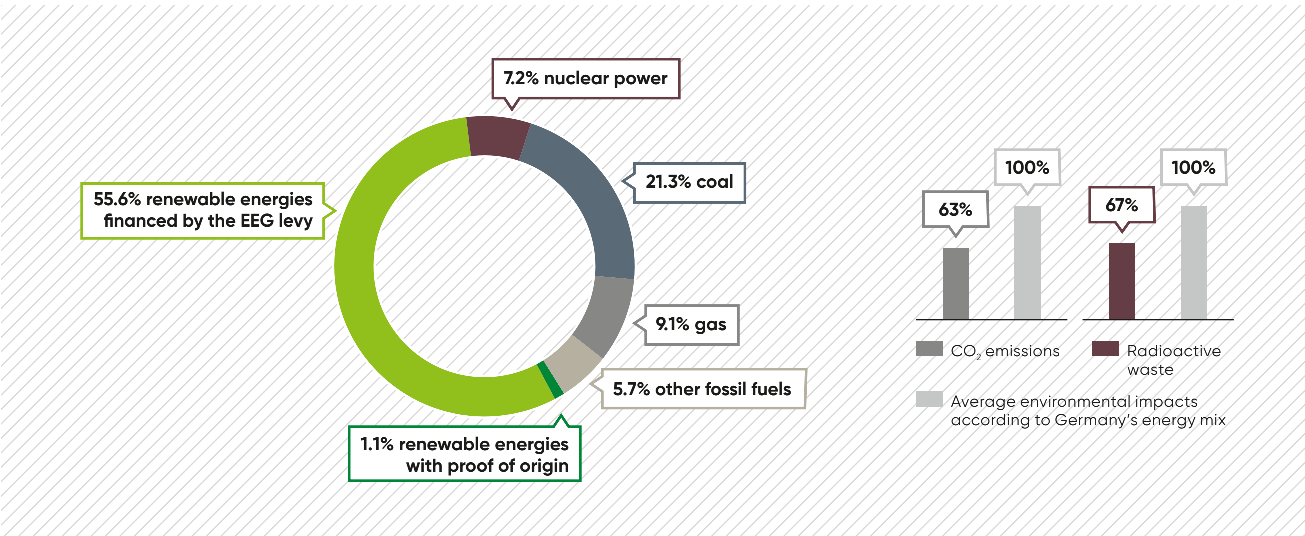
In the business customer division PŸUR Business (HLkomm GmbH), a Leipzig-based Tele Columbus Group company specialising in IP services, the operation of fibre networks and data centres is entirely based on a zero-emissions strategy. The electricity supply was entirely converted to renewable energies in 2019. Consequently, the share of renewable energies in HLkomm electricity procurement rose from 92 percent to 100 percent. Energy consumption rose slightly by 1.5 percent year-on-year to 7,342 MWh.

A new addition to reporting is the energy consumption of ANTEC Servicepool GmbH in Hanover, whose distribution system contributed 13 MWh, although this too stems entirely from renewable sources. The electricity consumption of the network systems of PrimaCom and pepcom that were still reported last year was combined with Tele Columbus as part of the completed business integration.

This results in CO_2 emissions of approx. 6,190 tonnes[1)] for the Group's technical operations, down 34 percent on the previous year's figure of 9,375 tonnes of CO_2.

The additional positive effects of falling energy consumption through network modernisation with fibre are partly countered by an overall rise in the share of Internet-capable networks. The share of Internet-capable networks of Tele Columbus AG, which are operated on the company's own Internet backbone infrastructure, increased to 69.6 percent. According to studies by the VATM, the average monthly data volume of landline Internet connections increased by 26 percent to 137 gigabytes per month between 2018 and 2019. This means that the transferred data volume has almost doubled again within three years. As network capacity utilisation increases, so does energy consumption.

Energy mix of MVV Energie AG



[1)] With reference to the Scope 2 Guidance of the Greenhouse Gas Protocol, the quantity of 6,190 t CO_2 is a market-based calculation. Location-based CO_2 emissions are approx. 14,469 t.

The breakdown of our electricity consumption for network operation and data centres is as follows [2]:

	Network operation	Data centres	Total
Tele Columbus Group	23,183 MWh	0	**23,183 MWh**
HLkomm GmbH	85 MWh	7,257 MWh	**7,342 MWh**
ANTEC Servicepool GmbH	13 MWh	0	**13 MWh**
Total	23,281 MWh	7,257 MWh	**30,538 MWh**

Note: The electricity consumption of the network systems of PrimaCom and pepcom that were still reported last year was combined with Tele Columbus as part of the completed business integration.
[2] The electricity consumption of shops and office buildings accounts for less than 2% of total electricity consumption and is not reported separately.

CO_2 calculation for electricity

Company	Energy consumption in kWh	Electricity supplier	Market-based emissions in CO_2 g/kWh (Source: energy supplier)	Total market-based emissions (in t CO_2)	Location-based emissions in CO_2 g/kWh (source: German Environment Agency) [1]	Total location-based emissions (in t CO_2)
Tele Columbus	23,183,000	MVV	267	6,189.86	474	10,988.74
HLkomm	7,342,000	Leipzig public utilties (100% green electricity)	0	0.00	474	3,480.11
ANTEC Servicepool GmbH	13,000	Green electricity (cf. text)	0	0.00	474	6.16
Total	**30,538,000**			**6,189.86**		**14,468.85**

[1] At the time of writing, the location data for 2019 was not yet available from the German Environment Agency. The comparative figure stems from 2018.

Sustainability target no. 1:

CO_2-free network operation.

Tele Columbus AG will operate its networks on a CO_2-neutral basis by 2024. The first major step will be the switch to 100 percent renewable energy for all bought-in electricity. Despite these steps towards CO_2 neutrality, reduction in consumption always goes before compensation, which is both environmentally and commercially sound.

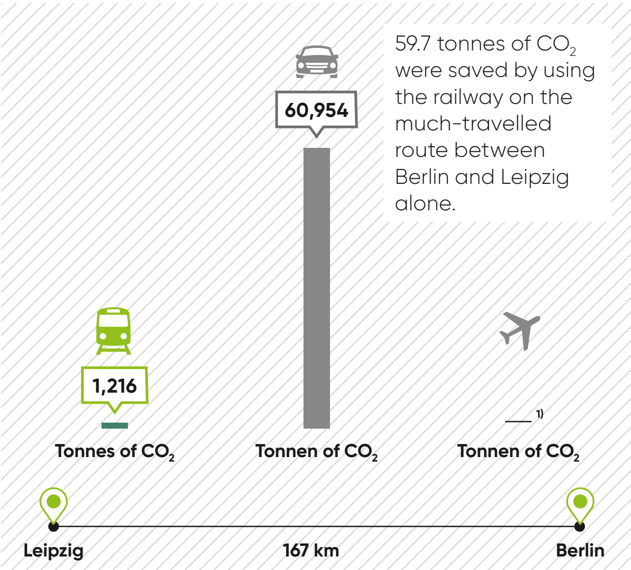
To achieve our targets, we constantly measure our energy consumption and conduct energy audits to determine savings potential. The Central Technics, Corporate Purchasing and Corporate Communications departments are responsible for this.

Mobility

Much of the mileage covered by car is due to customer service and customer contact. Some are the journeys are unforeseeable, and not all destinations can be easily reached by public transport. Also, cars are essential for technical field staff. Line routes are covered by the vans for troubleshooting, and tools and spare parts also have to be taken, of course.

Furthermore, many employees have to travel between the two biggest company locations, Berlin and Leipzig. Employees whose jobs involve travel are issued with a business railcard to encourage the use of trains as much as possible. 938,500 kilometres were covered by rail in 2019. Of this total, 864,500 kilometres were travelled on Deutsche Bahn's national network, which generates no CO_2 emissions at all thanks to green electricity. In addition, 74,000 kilometres were covered on Deutsche Bahn's local network, with the release of 3.5 tonnes of CO_2.

Leipzig–Berlin, 2,246 journeys counted



[1] No useful air route was found.
Source: DB Vertrieb GmbH, environmental assessment

The mileage covered by car fell by 140,000 kilometres compared with 2018 to 8.41 million kilometres. Mileage includes all service vehicles as well as logistics consignments undertaken by us. This resulted in CO_2 emissions of 1,630 tonnes. Down from just under 2,000 tonnes in the previous year, CO_2 emissions thus fell more sharply than mileage. This is because of the ongoing vehicle fleet consolidation that is impacting on the average fuel consumption of the vehicle fleet.

2,194 business flights were taken in 2019. The distance covered amounted to 1.05 million kilometres, up by 85,000 kilometres on 2018. CO_2 emissions totalled 324 tonnes. The distances covered are ascertained and settled via an external service provider.

Sustainability target no. 3:

Fully offsetting flights: If business flights are unavoidable, the resultant CO_2 emissions are offset by buying climate certificates.

Hardware recycling

The supplied customer hardware is returned to us after the contract expires. To make full use of the expected service life and thus reduce electronic waste as much as possible, the used hardware is examined, cleaned and returned to customer circulation. The quantity of reprocessed customer hardware continued to grow in 2019; and the reconditioning rate is unchanged from the previous year at around 70 percent.

Along with customer modems and DVB-C receivers, items such as smartcard modules, CI cards, remote controls, mains adapters, hard drives and connecting cables were reconditioned. For instance, just under 64,000 modems and 42,000 DVB-C receivers were reconditioned in 2019. Down to the last cable, over half a million components gained a new lease of life in this way.

Sustainability target no. 2:

Reduction of greenhouse gas emissions by 30% per kilometre

Tele Columbus AG aims to reduce CO_2 emissions from company car use by 30 percent per kilometre compared with 2018 by 2024. The first measure was the creation of a fleet concept with new company car regulations that is designed to cover plug-in hybrid vehicles, too. Furthermore, the Group is exploring the installation of charging facilities for these vehicles at its main business locations.

The benchmark for attainment of the 30% target is the average of 191 g/km calculated for 2018. Consequently, the target value is 134 g/km by 2024 at the latest.

Target attainment is monitored via cyclic retrieval of mileages and tank levels. Further measures can be arranged as required. To this end, further initiatives for more electric mobility in the fleet are under consideration. The Purchasing department is responsible for this.

Devices that no longer qualify for use in customer households are preferably sold to secondary users. Some 380,000 devices and technical components entered secondary use in 2019. Only a small proportion of the returning hardware is cleared for scrapping by our external logistics companies, with due consideration of relevant environmental regulations. The Logistics & Procurement CPE department is responsible for this.

ANTEC Servicepool GmbH in Hanover also operates in the customer hardware reconditioning sector: for 2019, it reported a reutilisation rate of 80 percent from a total of around 1,000 device returns.

High reconditioning rates cannot be attained with the technical components in our distribution networks. Defective components are repaired by the manufacturer within the warranty periods and go back into use as spare parts. Otherwise, the service lives of the technical equipment calculated by the manufacturers are fully utilised wherever possible. In the interest of maximum supply reliability, no reconditioned hardware is purchased.

Water and wastewater

No water is used in the sense of production-related consumption. Instead, it is limited to ordinary water consumption of offices. No hazardous waste is generated either.

Employees

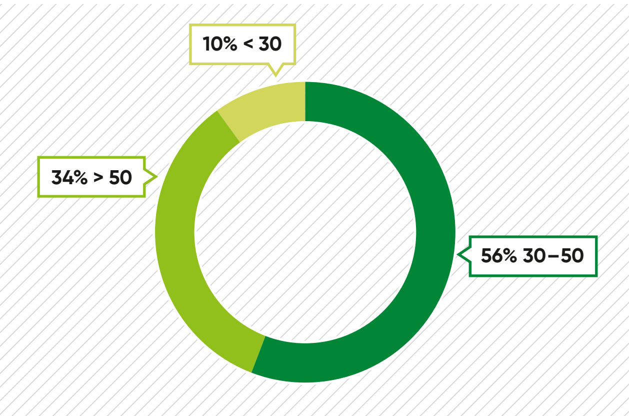
The attractiveness of Tele Columbus as an employer is a key success factor for our company. The aim is to gain suitable employees for the Tele Columbus Group and retain them long-term by means of a positive company environment and good working conditions. Collaboration with the works councils and the Safety and Health Management team is another fundamental element that regulates Tele Columbus' dealings with its employees.

The main employers within the Tele Columbus AG stable are Tele Columbus Betriebs GmbH, Tele Columbus Vertriebs GmbH, Radio-, Fernsehen- und Computertechnik GmbH (hereinafter abbreviated to RFC), HLkomm Telekommunikations GmbH and pepcom GmbH. An overview of the scope of consolidation of all associated companies and subsidiaries can be found in the notes to the consolidated financial statements on page 90.

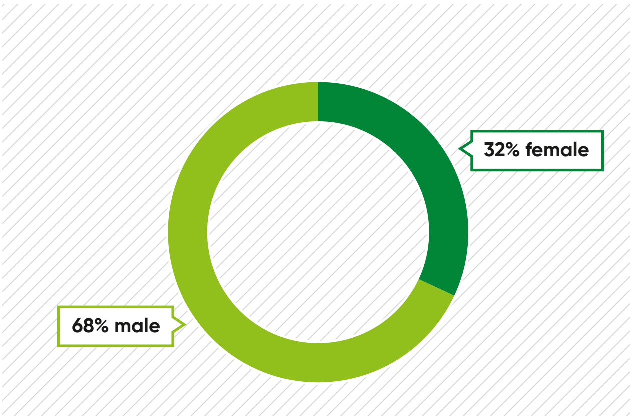
Tele Columbus as an employer

In the course of the year, the average workforce at Tele Columbus was 1,150 full-time equivalents, divided between an average of 1,222 people. All employee issues are managed at Group level by the Human Resources department, which reports directly to the Management Board.

Age structure of employees as of 31.12.2019



Gender ratio as of 31.12.2019



As a modern employer, we allow our employees flexibility in structuring their own working hours. Wherever possible, there is the option in all departments for self-determination of work start and end times, within agreed time corridors. Work equipment is largely designed so that it can also be used in mobile operation, and spells of working from home are also possible by arrangement with the management.

Employer attractiveness

A full survey of job satisfaction was conducted for the first time in 2018. The results were incorporated in the content of a strategic programme. The derived measures primarily covered capability, talent and people management. The focal points are improving the quality of the onboarding process for new employees and measures to promote employee retention. The aim of the programme is to reduce employee fluctuation. The project element is managed by the Human Resources department, which reports its results directly to the Chief Executive Officer.

147 employees left our company in 2019 (previous year: 247), and 173 new employees arrived (previous year: 203). When assessing the changes compared with the previous year, it must be noted that in 2018, agreements on the reconciliation of interests and severance schemes arising from the merger of the various companies were still in place, accounting for 85 departures. These effects no longer applied in 2019. Compared with the rate from 2018, adjusted for the above-mentioned agreements, staff fluctuation fell from 14.7 percent to 12.25 percent in 2019, a good figure in absolute terms and in the context of the industry. The expansion of the mentorships for new employees (buddy programme), the enhancement of the onboarding events (welcome days), the extension and cross-location simplification of employer fringe benefits and technical and organisational adjustments for more efficient work are bearing initial fruit here and will be continued in 2020. In addition, the PŸUR Culture programme has generated positive impetus for the formation of a corporate culture with shared understanding of values as a basis for collaboration.

To build on this positive development, assessment of leadership quality was introduced on the basis of the corporate values of simplicity, efficiency and humanity as a bonus component for directors and the management team, also incorporating the approach of 360-degree feedback. In practice, this means that evaluation of employees by their managers is no longer a one-way street. Conversely, managers must also receive the verdict of their employees and be measured by it.

To measure the success of measures to form an efficient employee organisation, the Employee Net Promoter Score (eNPS) is measured each year. This value was calculated for the first time in the context of the 2018 employee survey ("baseline measurement"). Since then, progress has been documented in surveys. For instance, the eNPS score for the recommendation rate, which expresses whether someone would recommend the Tele Columbus Group as an employer to a friend or acquaintance, has improved by five points. The total score across all questions (eNPS index) also improved by five points between 2018 and 2019. However, the result is still below expectations, meaning that further efforts are required with regard to employee criticism.

HR development

The oft-mentioned shortage of specialist staff is also apparent in some divisions of Tele Columbus. For this reason, HR development is increasingly important in order to present employees with attractive employment and development prospects through targeted training.

All Tele Columbus employees attend annual performance reviews in which target agreements are also made. In the context of the annual target agreements, individual training measures are part of the discussions between employees and their supervisors.

A total of 110 training events were approved in 2019, with a combined total of 3,728 participants. The PŸUR Academy trained 172 employees in 27 different courses. There is a wide range of subjects, spanning from use of Excel, time management and stress management to preparation for assuming managerial responsibility. 171 employees attended 79 events at external training providers. In addition, there were four online training modules with monitoring of learning outcomes on the subjects of compliance, protection against corruption, the basic principles of data protection and handling of information. On average, 846.25 employees successfully completed these courses, proving the high level of training among the workforce. In online training, the gender breakdown reflects the composition of the workforce. At the PŸUR Academy, 58.7 percent of participants were female, and in the external training courses, the picture was reversed; male participants had the edge here at 59 percent.

Sustainability target no. 5:

Tele Columbus AG is to be perceived as an attractive employee with its PŸUR brand by 2024.

This target is to be achieved through a bundle of individual measures that incorporate the annual results of the employee survey. The currently planned measures include improving in-house support of new employees, gradually rectifying inequalities in working conditions and fringe benefits that have arisen over time within the company, and establishing an employer brand in job portals and relevant social media channels. The level of target attainment is made visible by the Employee Net Promoter Score, the fluctuation rate and further indicators currently under discussion relating to filling job vacancies and online reviews of corresponding platforms. The Human Resources department is responsible for this.

Occupational health and safety

Preserving health, preventing work-related illness and creating safe working conditions are the aims of the safety and health management system implemented under the control of the Human Resources department.

At all requisite locations, in-house safety officers, fire safety assistants and first aiders are designated and trained in order to ensure safety in the workplace in the interest of optimum accident prevention and reduce potential consequences of fires and accidents. An Occupational Safety Committee as per Section 11 (1) of the German Occupational Safety Act (ASiG) is in place at all main company locations.

Occupational health care is provided by external service providers for health protection and occupational safety. All workers, including those who are not employees, are entitled to occupational medical care. These include consultants, self-employed people and freelancers whose work and workplace are influenced by Tele Columbus.

The Tele Columbus Group recorded 17 reportable work-related accidents in 2019[1]. Seven of these accidents occurred at RFC GmbH, where activities in field service, network maintenance and assembly are subject to particular risks due to the assignment sites and the nature of the activities.

Work-related accidents in 2019

	Quantity
RFC GmbH	7 (including 1 accident while travelling)
Tele Columbus Betriebs GmbH	3 (including 3 accidents while travelling)
Tele Columbus Vertriebs GmbH	3 (including 2 accidents while travelling)
Tele Columbus AG	0
HLkomm (PŸUR Business)	4 (including 1 accident while travelling)

[1] Central recording of work-related accidents of all staff-managing subsidiaries that are subject to instructions from Tele Columbus AG, including accidents while travelling.

In the course of their assignments, RFC employees encounter live cables, work with and repair cables and fibre cables in construction areas and proceed to traffic-bearing areas at assignment locations. Personal protective equipment of employees includes safety boots, work gloves, high-visibility vests, safety goggles and hearing protection. This protective equipment is checked by employees on a daily basis. Fall arresters, measuring devices, ladders and stepladders are subject to annual checks by expert testers.

Accident categories

	Quantity
Accidents while travelling	7
Other	2
Sporting accidents (in-house sport)	2
Falls	2
Work with tools	2
Getting in and out of vehicles	2

In terms of the number of work-related accidents per 1,000 employees[1)], the rate fell from 14.3 to 8.7 reports, a typical figure within the industry. This is largely attributable to a halving of reportable accidents at RFC. Taking into account all reportable accidents, including those while travelling, the rate stood at 14.8 reports per 1,000 employees.

Prevention of health incidents includes annual occupational safety training (Section 12 of the German Occupational Safety Act) of all employees as well as provision of an eye test in the context of occupational healthcare. In combination with safety inspections and ergonomic workplace design, damage to health should therefore be limited.

[1)] Inactive contracts (e.g. on account of maternity leave, parental leave, sabbaticals or long-term incapacity) are not taken into account in the calculation of the work-related accident rate.

When contracts are awarded to external service providers, particularly for assembly and civil engineering work, the corresponding work contracts contain the obligation to comply with the relevant German accident prevention regulations and the German Posted Workers Act and a separate agreement on adherence to the German Minimum Wage Act.

Sustainability target no. 6:

Reducing the work-related accident rate to below the industry average and minimising work-related illnesses

To this end, we will increase the staffing and specialisms of the Occupational Health and Safety department in order to ensure seamless and prompt occupational safety management and to increase the focus on accident and safety hazards within the workforce.

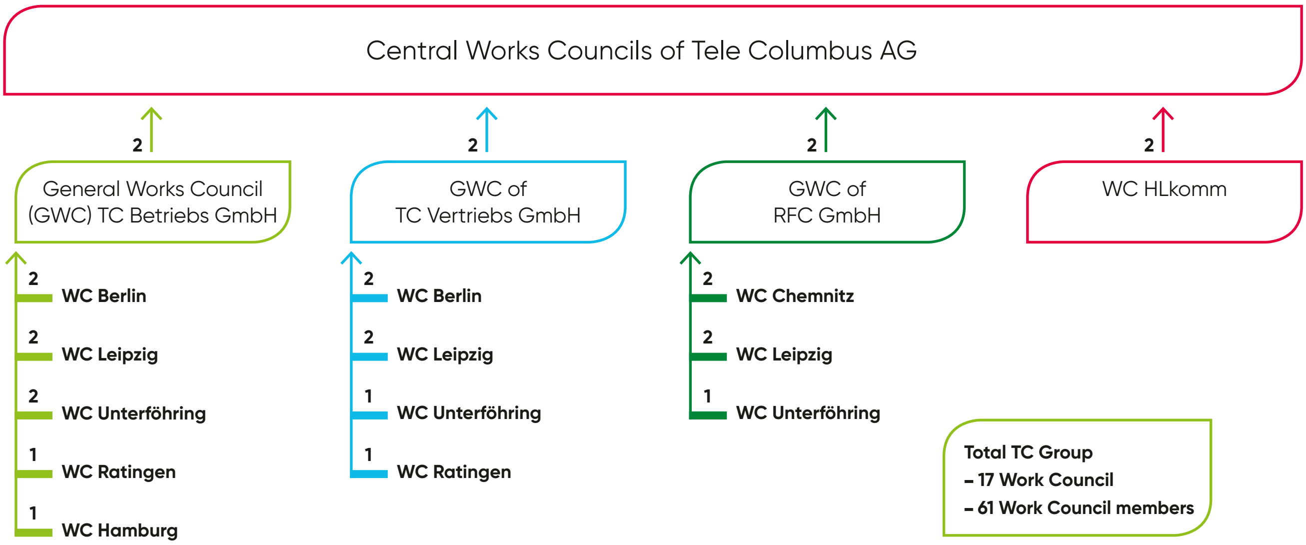
As a benchmark for assessing target attainment, we draw comparisons with the work-related accident rates of our competitors and the employers' liability insurers responsible for us, the employers' liability insurance association for the administrative sector and the employer's liability insurance association for the energy, textiles, electrical and media outlets industries, which is responsible for RFC GmbH. The Human Resources department is responsible for this.

Collaboration with employee representatives

Numerous companies and locations of Tele Columbus AG have their own works councils, and a Group works council is also in place.

The relevant regulations for occupational safety, here for instance the German Workplace Ordinance (ArbStättV) and the German Working Hours Act (ArbZG), are intended to ensure safety and a minimum standard of working conditions for all employees. The Tele Columbus companies are committed to these rights. Further regulations are agreed with the responsible employee representatives by means of works agreements and semi-formal works agreements. Tele Columbus respects employees' rights to organise themselves freely and negotiate collectively.

Structure of Work Council as of 31 January 2019



The works councils of Tele Columbus actively used their co-determination rights in 2019. This included negotiations on Group-wide granting of fringe benefits, approval of the works agreement on corporate integration management, the Group works agreement on compliance and agreements on ascertaining NPS satisfaction figures in the technical customer service. Furthermore, the works council ensures critical support of software roll-outs.

Diversity and equal opportunities

Tele Columbus regards itself as a diverse and cosmopolitan company. Discrimination on the grounds of age, disability, origin, religion, ideology, gender or sexual orientation has no place at Tele Columbus. The Group guarantees non-discriminatory behaviour at all workplaces and supports diversity in the entire company organisation.

Instances of discrimination and personal attacks can be reported to the Head of the Human Resources department; affected employees can talk in person to the staff of the Human Resources department. No instances of discrimination were reported in 2019. In the context of the 2019 employee survey, the statement that nobody in our company must fear disadvantages on account of their origin, religious belief or sexual identity was emphatically endorsed with the highest approval rate of all 79 questions.

No raised risk of discrimination was detected in the assessment of the upstream value chain. Consequently, Tele Columbus has not submitted an anti-discrimination concept regarding this.

Work/life balance is important to Tele Columbus. In 2019, 51 employees took parental leave (previous year: 54). 38 employees returned from parental leave in 2019 (previous year: 27). Bearing in mind that four employees were on parental leave for the whole of 2019, the return rate is currently 74.5 percent (previous year: 81.8%). One pleasing factor here is that all employees who returned from parental leave in 2018 were also still working for one of our companies twelve months after coming back.

Most employment relationships are based on full-time permanent employment contracts. As at 31 December 2019, the companies had a total of 103 part-time agreements in place (previous year: 95), predominantly with female employees with a share of around 80 percent. There were 1,222 productive employees as at the reporting date, corresponding to 1,153 full-time equivalents. Only four percent of employment relationships were based on temporary contracts, the majority of which were held by men at just under 70 percent.

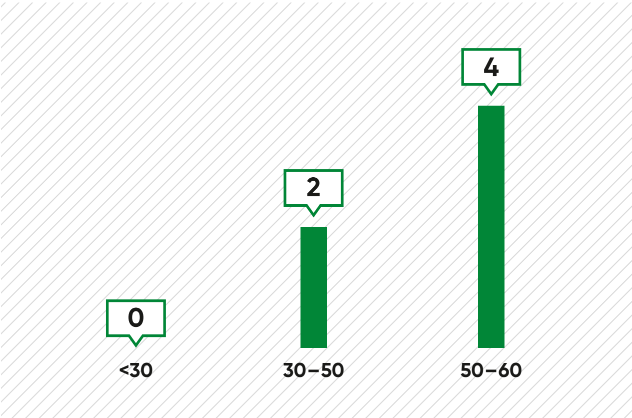
As at the reporting date, the Group had 53 employees in a managerial role (previous year: 58). This figure includes the Management Board (CEO -0), the Managing Directors (CEO -1) and the Heads of Department with supervisory responsibility (CEO -2). In Group companies, the number of trainees rose from 18 in 2018 to 27. Tele Columbus had 43 employees with disabilities in the reporting year (previous year: 38).

Tele Columbus aims to standardise the salary structure including with regard to gender. The evolved remuneration structures arising from the companies that have been combined within the Tele Columbus AG stable for historical reasons as a result of multiple mergers are increasingly being aligned with each other. In addition, the fact that more women are being appointed to managerial posts shows that salary differences between men and women in comparable positions will not be permanently accepted.

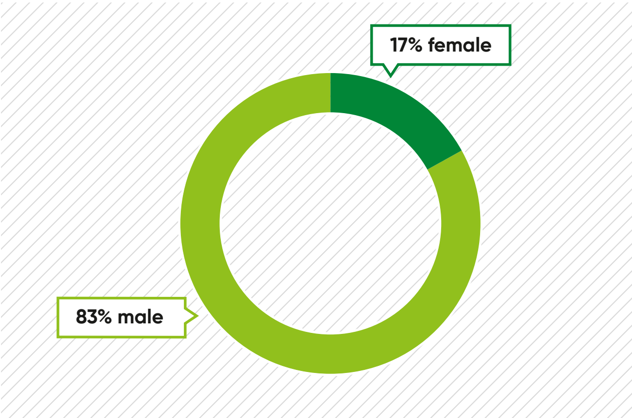
As the best-paid person at the company, the Chairman of the Management Board of Tele Columbus AG earns 16.7 times the average salary of all other employees in the Group.

In the 2019 financial year, the proportion of women on the Supervisory Board was 33.33 percent as at 1 April 2019. After Frank Donck stepped down, it was 40 percent from 2 April 2019. With the appointment of a new Supervisory Board after the last Annual General Meeting on 29 August 2019, the proportion of women fell to the current level of 16.66 percent due to the departure of Catherine Mühlemann and the change to a six-person Supervisory Board. Further information on the participation of women in managerial posts can be found in the corporate governance statement on Section 289f HGB on page 26.

Supervisory board – age distribution as a diagram



Supervisory board – gender relation as of 31.12.2019



Compliance

Tele Columbus pursues the aim of complying with applicable laws and regulations in order to prevent fraud and corruption effectively.

The Compliance team is part of the Corporate Governance department, which puts in place the legal and practical organisational framework for management and monitoring of the company to the benefit of all relevant stakeholder groups. Corporate Governance involves compliance with laws and rules, implementation of management and control structures and responsible, qualified and transparent organisation management geared towards long-term success.

The Compliance Officer ensure compliance with statutory regulations, regulatory standards and in-house guidelines. The Compliance Officer regularly reports to the Management Board and to the Chairman of the Audit Committee.

Tele Columbus has introduced various tools and measures such as the Compliance Manual, training courses and panel discussions. In addition, the Compliance Officer is on hand as a contact for legally secure preparation of events and invitations Furthermore, eight local Compliance Coordinators were trained in 2019 in order to provide local contacts at the respective company locations.

The Compliance Manual is available on the intranet as a Group-wide set of rules. It informs employees and managers of rules of conduct in line with applicable laws and guidelines In addition, training courses tailored to the individual departments are an important measure for raising awareness of potential compliance risks and instilling the right conduct in delicate situations. A compulsory online training course for all employees on general compliance regulations, protection against corruption, handling information and the principles of data protection was introduced in 2019.

To date, our compliance measures have been mainly focused on our own employees. An extension of these measures to the upstream and downstream value chains is currently in the development phase.

Compliance breaches can be reported to the Compliance Officer or an external ombudsman. For whistleblowers who wish to conceal their identity, an anonymous whistleblower system has been set up in order to send information and documents to the ombudsman.

In 2019, our employees were actively informed about our compliance regulations by the Compliance Officer so that they behave appropriately towards service providers and suppliers. Most enquiries related to invitations to events.

A further element of the compliance management system is the Compliance Committee established in 2018, which is tasked with identifying compliance risks and examining already-instigated measures in order to reduce the respective risk and their effectiveness. In addition to the Compliance Officer, the Compliance Committee consists of the director level of the Human Resources, Legal, Accounting & Tax departments as well as the IT Security Officer, the Data Protection Officer and the Chairman of the Group Works Council.

Employee awareness successfully raised

Ongoing information measures regarding the tasks of the Compliance department have demonstrably led to a significant increase in awareness among employees. In the employee survey in November 2019, 86 percent of respondents declared that they knew who they can go to in the event of questions on compliance regulations (e.g. presents and invitations).

Compliance cases in 2019

One suspicious case was reported to the Compliance Officer in 2019. In addition, a case already reported in 2018 was investigated until February 2019. In both cases, breaches of internal regulations by in-house employees were established. There were no criminal breaches. Disciplinary action was taken against the employees involved. In addition, processes have been improved, and employees have been trained in order to prevent similar misconduct in future.

Furthermore, an anonymous tip-off was given to the external ombudsman. Internal Audit investigated the details provided. Ultimately, no misconduct was established here.

Note on political influence

Tele Columbus is involved in consultation processes of the legislature by invitation. We maintain memberships of interest groups and industry associations. These include ANGA – Association of German Cable Operators, BUGLAS – German Association for Fibre Access, Breko – German Broadband Association, VATM – German Association of Telecommunications and Multimedia Providers, and further housing industry associations. No donations are made to political parties or party-related foundations.

Sustainability target no. 7:

No compliance cases and increased monitoring of supply chains

We aim to achieve years with no compliance incidents through an increasingly sophisticated compliance management system, training and growing levels of awareness within the company. In the supply chains, we will develop a Suppliers' Code of Conduct, which will be part of our General Conditions of Purchase. In doing so, we will gradually put all supplier contracts on a footing that precludes inhumane working conditions, respects the social standards of the International Labour Organisation and penalises any breaches of our Code of Conduct.

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