

Tele Columbus AG

Supplement to Quarterly Statement for the quarter ending 31 March 2018



Quarterly Supplemental Report
for the quarter ended 31 March 2018

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I. Consolidated Income Statement

KEUR	Reference	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Revenue	D.1	123,431	121,013
Own work capitalised		4,278	2,033
Other income	D.2	7,978	5,259
<i>Total operating income</i>		<i>135,687</i>	<i>128,305</i>
Cost of materials		-38,539	-36,468
Employee benefits		-22,987	-19,816
Other expenses	D.3	-19,697	-15,482
EBITDA		54,464	56,539
Depreciation and amortisation		-33,028	-43,053
EBIT		21,436	13,486
Interest and similar income		2,357	24
Interest and similar expense		-12,745	-14,752
Other financial income and expenses		324	-1,174
<i>Profit (+) / loss (-) before tax</i>		<i>11,372</i>	<i>-2,416</i>
Income taxes		-1,034	-866
Net profit (+) / loss (-)		10,338	-3,282
attributable to shareholders of Tele Columbus AG		9,573	-3,946
attributable to non-controlling interests		765	664
Basic earnings per share in EUR		0.08	-0.03
Diluted earnings per share in EUR		0.08	-0.03

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II. Consolidated Statement of Comprehensive Income

KEUR	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
<i>Net profit (+) / loss (-)</i>	10,338	-3,282
Other comprehensive income		
Expenses and income that will not be reclassified to profit or loss		
Remeasurement of gains (+) / losses (-) on defined benefit plans (after deferred taxes)	2,931	-2,274
Total comprehensive income	13,269	-5,556
of which attributable to:		
Shareholders of Tele Columbus AG	12,504	-6,220
Non-controlling interests	765	664

III. Consolidated Statement of Financial Position

Assets

KEUR	Reference	31 March 2018	31 December 2017
Non-current assets			
Property, plant, and equipment	D.4	628,141	609,869
Intangible assets		1,388,411	1,389,953
Investments accounted for using the equity method		416	416
Trade receivables	D.5	63	80
Other financial receivables		1,540	1,605
Accruals and deferrals		3,098	3,246
Deferred tax assets		1,699	2,010
Derivative financial instruments		3,401	1,521
		2,026,769	2,008,700
Current assets			
Inventories		16,056	10,928
Trade receivables	D.5	65,920	54,728
Receivables due from related parties		8	12
Other financial receivables		2,179	2,020
Other assets	D.5	19,941	17,485
Current tax assets		4,361	4,022
Cash and cash equivalents		24,866	31,767
Accruals and deferrals		3,252	2,917
Assets held for sale		98	607
		136,681	124,486
Total assets		2,163,450	2,133,186

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Liabilities

KEUR	Reference	31 March 2018	31 December 2017
Equity			
Share Capital		127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		-226,662	-239,165
<i>Equity attributable to shareholders of Tele Columbus AG</i>		<i>521,732</i>	<i>509,229</i>
Non-controlling interests		8,714	7,958
		530,446	517,187
Non-current liabilities			
Pensions and other long-term employee benefits		6,802	9,833
Other provisions		459	463
Liabilities to banks	D.6	1,298,106	1,297,685
Trade payables	D.7	827	827
Other financial liabilities	D.7	57,091	37,615
Deferred revenue	D.7	5,142	5,285
Deferred tax liabilities		44,462	44,876
Derivative financial instruments		2,837	3,091
		1,415,726	1,399,675
Current liabilities			
Other provisions		17,509	18,626
Liabilities to banks	D.6	50,323	43,393
Trade payables	D.7	87,628	94,371
Payables due to related parties		1,046	861
Other liabilities	D.7	16,797	27,846
Other financial liabilities	D.7	15,476	11,925
Income tax liabilities		16,070	15,572
Deferred revenue	D.7	12,429	3,730
		217,278	216,324
Total equity and liabilities		2,163,450	2,133,186

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IV. Consolidated Statement of Cash Flows

KEUR	Reference	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Cash flow from operating activities			
Net profit (+) / loss (-)		10,338	-3,282
Net financial income or expense		10,064	15,902
Income taxes		1,034	866
<i>Earnings before interest and taxes (EBIT)</i>		<i>21,436</i>	<i>13,486</i>
Depreciation and amortisation		33,028	43,053
Loss (+) / gain (-) on sale of property, plant, and equipment		-1,877	-111
Increase (-) / decrease (+) in:			
Inventories		-5,128	-2,141
Trade receivables and other assets not classified as investing or financing activities		-15,917	3,354
Accruals and deferrals		-187	-1,923
Increase (+) / decrease (-) in:			
Trade payables and other liabilities not classified as investing or financing activities		18,133	-42,915 ³⁾ 4)
Provisions		-1,220	1,205
Deferred revenue		8,556	12,501
Income tax paid		-1,530	-1,652
Cash flow from operating activities		55,294	24,857
Cash flow from investing activities			
Proceeds from sale of property, plant, equipment, and intangible assets		632	1,189
Acquisition of property, plant, and equipment	D.4	-39,164	-15,780 ¹⁾
Acquisition of intangible assets		-11,059	-4,789
Interest received		2	1,043
Acquisition of subsidiaries, net of cash acquired		-	-6,052
Cash flow from investing activities		-49,589	-24,389

Please refer to the footnotes on the next page.

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KEUR	Reference	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Cash flow from financing activities			
Payment of financial lease liabilities		-6,498	-2,823
Proceeds from loans, bonds, and short or long-term borrowings from banks		22,000 ³⁾	17,000
Repayment of borrowings ²⁾		-6,050 ⁴⁾	-3,679
Interest paid		-22,333	-28,351
Acquisition of non-controlling interests		-12	-
Cash flow from financing activities		-12,893	-17,853
Cash and cash equivalents for the period			
Net increase (+) / decrease (-) in cash and cash equivalents		-7,188	-17,385
Cash and cash equivalents at the beginning of the period		31,767	55,223
<i>Cash and cash equivalents at the end of the period</i>		<i>24,579</i>	<i>37,838</i>
Increase (+) / decrease (-) from release of restricted cash and cash equivalents during the period		287	-1,284
Unrestricted cash and cash equivalents at the end of the period		24,866	36,554

¹⁾ This item includes non-cash investments in finance leases in the amount of KEUR 26,769.

²⁾ This item includes transaction costs incurred in the amount of KEUR 1,024 (2017: KEUR 2,602).

³⁾ For the presentation as of 31 March 2018, there is a change amounting to KEUR 22,000 in comparison to the presentation of the preliminary figures as of 15 May 2018. The change results from the identify adjustment of the classification within the finalisation of quality assurance.

⁴⁾ For the presentation as of 31 March 2018, there is a change amounting to KEUR 267 in comparison to the presentation of the preliminary figures as of 15 May 2018. The change results from the identify adjustment of the classification within the finalisation of quality assurance.

A. General Information

Introduction and overview

The present Quarterly Supplemental Report for the Companies of Tele Columbus AG describes the essential information for the period under review and thus supplements the Quarterly Report (press release) of 15 May 2018.

Following the introduction, the Consolidated Income Statement, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows as of 31 March 2018, are presented below. Additionally, there are explanations of individual items, and the asset situation, profit situation and financing structure are presented.

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

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

The Consolidated Quarterly Report was prepared based on the assumption of continued business operations ('Going concern').

B. Changes in Consolidated Entities

There are no significant changes in the scope of consolidation in the Consolidated Quarterly Report compared to the reporting date as of 31 December 2017.

C. Accounting and Measurement Policies

For the three-month period ended on 31 March 2018, predominantly the same accounting principles and calculation and valuation methods as for the Consolidated Financial Statements of 31 December 2017 were applied.

There were no significant changes due to the newly applicable IFRS 15 or accounting and valuation methods.

The Companies of the Tele Columbus AG apply the modified retrospective method in their Consolidated Financial Statements during the transition to IFRS 15. Consequently, the Companies of the Tele Columbus AG do not apply the requirements of IFRS 15 for each presented reference period. Instead, changes in the Consolidated Statement of Financial Position and the Consolidated Income Statement in the current period are explained, which result from the initial application of IFRS 15. The Companies of the Tele Columbus AG apply IFRS 15 only to contracts that have been concluded after 31 December 2017, or which have not been concluded yet as of said date.

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Until now, revenue from facility fees of the B2C segment are realised on a time-related basis. Setup fees will from now on be classified as non-refundable fees payable up-front. According to IFRS 15, these are recognised as prepayment and realised as revenues over the minimum contract term. This results in a deferral of revenues in the amount of KEUR 238 to the subsequent periods.

The standalone selling price logic introduced through IFRS 15 leads to allocation adjustments between product segments, across which revenue shares are distributed within the scope of product packages. The effect from the created revenue postponements is as follows:

- Increase of revenues from additional digital services by KEUR 342 and from analogue by KEUR 185
- Reduction of revenues from internet / telephony by KEUR 681 and in rental receiver income by KEUR 85

There are no major changes in significant discretionary decisions and assumptions or to the estimation uncertainties in the first quarter ending 31 March 2018 in comparison with the Consolidated Financial Statements as of 31 December 2017.

D. Supplementary Information on the Consolidated Income Statement and Consolidated Statement of Financial Position

D.1 Revenue

KEUR	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Analogue	53,597	54,177
Internet / telephony	38,416	37,965
Other transmission fees and miscellaneous feed-in charges	6,671	6,433
Additional digital services	6,491	6,506
Network rent	4,598	4,403
Construction services	4,000	3,523
Receiver rent	3,786	3,454
Other	5,872	4,552
	123,431	121,013

The revenue of the Companies of Tele Columbus AG primarily include monthly subscription fees and, to a lesser extent, one-off installation and connection charges for the basic analogue and digital satellite television services, as well as for additional premium services. They also include charges for access to high-speed internet and telephony. Further revenue is generated by other transmission fees and feed-in charges, which are paid to the Companies of Tele Columbus AG as consideration for the distribution of programmes. Furthermore, damage compensation claims against end customers arising from cancellations during the minimum contract term are also reported as revenue.

New projects generated higher revenues in the construction services.

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D.2 Other income

KEUR	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Gains on disposal of non-current assets	2,131	261
Other income from bad debt	1,760	967
Income from the de-recognition of liabilities and reversal of provisions	1,397	331
Income from sales	842	1,734
Income from dunning fees	331	576
Miscellaneous other income	1,517	1,390
	7,978	5,259

¹⁾ For the purpose of better comparability, unlike in the previous year's Quarterly Report, the Companies of Tele Columbus AG have shown other income from bad debt separately.

D.3 Other expenses

KEUR	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Legal and consulting fees	-6,385	-2,619
Advertising	-2,494	-3,250
Impairment on receivables	-1,750	-1,864
IT costs	-1,515	-1,421
Occupancy costs	-1,208	-2,124
Maintenance	-873	-510
Vehicle costs	-727	-673
Travel expenses	-688	-462
Communication costs	-608	-553
Insurance, fees, and contributions	-561	-408
Losses on disposal of non-current assets	-254	-150
Incidental bank charges	-196	-292
Office supplies and miscellaneous administrative expenses	-159	-370
Miscellaneous other expenses	-2,279	-786
	-19,697	-15,482

In comparison with the prior-year period, other expenses increased by KEUR 4,215. This incline results mainly from legal and consulting costs incurred due to the migration of the pepcom companies and the new refinancing as well as further customer service projects that were incurred in 2017 financial year.

D.4 Fixed assets

The operative increase of property, plant, and equipment compared to 31 December 2017 largely results from investments in technical equipment and machinery, as well as from investment projects started for assets under construction and prepayments.

Furthermore, there are additions to fixed assets in the amount of TEUR 26,769, which relate to finance leases at network-level 1.

D.5 Trade receivables and other assets

KEUR	31 March 2018	31 December 2017
Trade receivables - gross	75,460	65,649
Impairment losses	-9,477	-10,841
Trade receivables - net	65,983	54,808

Trade receivables largely comprise receivables of subscription fees as well as receivables of signal delivery, transmission fees and feed-in charges.

The increase in trade receivables is mainly due to new projects, especially for construction and customer services.

Additionally, there are trade receivables from related parties.

Other assets in the amount of KEUR 19,941 (2017: KEUR 17,485) primarily comprise advance payments, receivables from VAT and creditors with debit balances. In comparison to the previous year, the change is mainly related to the sale of assets at network-level 4.

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D.6 Liabilities to banks

KEUR	31 March 2018	31 December 2017
Liabilities to banks - nominal values	1,335,219	1,335,767
Transaction costs	-53,526	-53,526
Accrued interest	14,381	13,342
Liabilities in connection with embedded derivatives	2,032	2,102
Long-term liabilities to banks	1,298,106	1,297,685
Liabilities to banks - nominal values	45,298	23,564
Accrued interest	7,525	17,961
Transaction costs	-2,500	-2,500
Liabilities in connection with outstanding premium interest rate caps ¹⁾	-	4,368
Short-term liabilities to banks	50,323	43,393
	1,348,429	1,341,078

¹⁾ Liabilities relating to outstanding option premium were settled in cash as of 31.03.2018.

Long-term and short-term liabilities primarily consist of loan facilities concluded by Tele Columbus AG under the Senior Facilities Agreement in the amount of KEUR 1,340,911 (2017: KEUR 1,328,373) and further individual loans or individual liabilities of subsidiaries in the amount of KEUR 7,518 (2017: KEUR 12,705).

D.6.1 Liabilities to banks under the Senior Facilities Agreement

At the reporting dates, the following balances result for the loan facilities (including outstanding interest):

KEUR	31 March 2018	31 December 2017
Senior Tranche A loan (term ending on 15.10.2024)	1,274,304 ¹⁾	1,284,124 ¹⁾
Capex Facility / Facility B (term ending on 02.01.2020)	25,260	25,026
Senior Revolving Facility (term ending on 02.01.2021)	41,347 ²⁾	19,223 ²⁾
	1,340,911	1,328,373

¹⁾ Includes non-compounded transaction costs of the term loans in the amount of KEUR -39,145 (2017: KEUR -40,184) and liabilities in connection with embedded derivatives in the amount of KEUR 2,032 (2017: KEUR 2,102) that result from agreed floors and repayment options in the term loans.

²⁾ Includes transaction costs without addition of interest of the Revolving Facility in the amount of KEUR -1,767 (2017: KEUR - 1,915).

D.6.2 Other liabilities to banks

There are further individual loan agreements and liabilities under individual contracts that are concluded between subsidiaries of Tele Columbus AG and credit institutions. These result in financial liabilities of KEUR 7,518 (2017: KEUR 12,705). The maturities of these loan agreements and liabilities respectively range between nine months to eight years. The loans all bear fixed interest at interest rates between 0.63 % and 4.20 %.

D.7 Trade payables, other financial liabilities, other liabilities and deferred revenue

Trade payables in the amount of KEUR 88,455 (2017: KEUR 95,198) primarily consist of unbilled trade payables recognised up to the balance sheet date, as well as payables related to signal supply contracts and received prepayments. Compared to the previous year, the change is mainly due to reduction of payables from construction services.

Other financial liabilities mainly relate to leasing obligations resulting from the use of infrastructure facilities in the amount of KEUR 69,301 (2017: KEUR 45,552). In comparison to the previous year, the change mainly results from finance leases at network-level 1.

Other liabilities of KEUR 16,797 (2017: KEUR 27,846) primarily include customer deposits, personnel costs and other accruals. The decrease results primarily from reduced VAT liabilities and other liabilities to personnel.

As of 31 March 2018, deferred revenue increased by KEUR 8,556 to KEUR 17,571. The increase essentially results of deferred revenue from customers for prepaid annual fees and prepayments from customers for monthly hardware fees.

E. Other Supplementary Information

E.1 Risk management

There are no material changes in the Group's risk management objectives and methods or the nature and extent of the risks arising from financial instruments for the three-month period ended 31 March 2018 compared with the Consolidated Financial Statements as of 31 December 2017.

E.2 Segment reporting

The Companies of the Tele Columbus AG their report operating business in two product segments: 'TV' and 'Internet & Telephony'. Internal management reports for control are generated quarterly for these segments.

Relationships between the individual segments were eliminated.

For a detailed description of the segments, please refer to the Consolidated Financial Statements as of 31 December 2017.

The following table contains information on the individual reportable segments as well as the non-reportable segment 'Other'.

1 Jan to 31 Mar 2018

KEUR	TV	Internet & Telephony	Other	Group total
Revenue	70,253	38,862	14,316	123,431
Normalised EBITDA	44,490	29,461	-8,575	65,376
Non-recurring expenses (-) / income (+)	-314	-57	-10,541	-10,912
EBITDA	44,176	29,404	-19,116	54,464

1 Jan to 31 Mar 2017

KEUR	TV	Internet & Telephony	Other	Group total
Revenue	69,434	38,631	12,948	121,013
Normalised EBITDA	39,124	27,850	-5,885	61,089
Non-recurring expenses (-) / income (+)	-983	-47	-3,520	-4,550
EBITDA	38,141	27,803	-9,405	56,539

E.3 Further information to the Consolidated Quarterly Supplemental Report

The further information regarding the Consolidated Quarterly Report summarised below relates to the Companies of the Tele Columbus as of 31 March 2018 and represents the profit situation and financing structure for the first quarter of 2018.

E.3.1 Profit situation

The table below provides an overview of the development of the earnings:

KEUR	1 Jan to 31 Mar 2018	1 Jan to 31 Mar 2017
Revenue	123,431	121,013
EBITDA	54,464	56,539
Non recurring expenses (+) / income (-)	10,912	4,550
Normalised EBITDA	65,376	61,089
EBITDA	54,464	56,539
Net financial income and expenses	-10,064	-15,902
Depreciation and amortisation	-33,028	-43,053
Income taxes	-1,034	-866
Net profit (+) / loss (-)	10,338	-3,282

Revenue from the segment 'TV' increased by 1.2 % to KEUR 70,253 (comparison period 2017: KEUR 69,434). Revenue in the segment 'Internet & Telephony' increased slightly by 0.6 % from KEUR 38,631 to KEUR 38,862.

Revenue in the first quarter 2018 increased by KEUR 2,418 to KEUR 123,431 compared to the first quarter of 2017.

Cost of materials in the first quarter 2018 increased by KEUR 2,071 to KEUR 38,539 compared with the corresponding prior period (comparison period 2017: KEUR 36,468).

In the first quarter of 2018, the EBITDA amounted to KEUR 54,464 and decreased by KEUR 2,075 compared with the corresponding quarter of the previous year (comparison period 2017: KEUR 56,539).

The 'normalised EBITDA' was improved by 7.0 % to KEUR 65,376 compared with the previous year (comparison period 2017: KEUR 61,089).

In the reporting period, the operating margin, which is defined as the ratio of 'normalised EBITDA' to revenue, thus increased to 53.0 % (comparison period 2017: 50.5 %).

The negative financial result decreased by KEUR 5,838 to KEUR 10,064 compared with the corresponding prior period, mainly due to the successful amendment of the interest rate in 2017 as well as income from revaluation of interest rate caps.

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E.3.2 Financing structure

Lender	Borrower	Total in KEUR as of 31 March 2018	Share	Total in KEUR as of 31 Dec 2017	Share
New Facility A	TC AG	1,274,304	94.50%	1,284,124	95.75%
Capex Facility	TC AG	25,260	1.87%	25,026	1.87%
Rev. Facility	TC AG	41,347	3.07%	19,223	1.43%
Diverse	pepcom	1,004	0.07%	1,317	0.10%
Interest- Caps	TC AG	-	0.00%	4,368	0.33%
Other		6,514	0.48%	7,020	0.52%
Total		1,348,429	100.00%	1,341,078	100.00%

The increase of the loan balance in the first three months of 2018 is mainly due to the partly utilised of the Revolving Facility credit line.

E.3.3 Forecast report

The forecasts made in the Consolidated Financial Statements ending 31 December 2017 for the financial year 2018 have been partly adjusted by press release of 15 May 2018.

This adjustment is so-called 'triggering event' for an impairment test according to IAS 36. Therefore, a preliminary impairment test was performed for the Quarterly Report as of 31 March 2018, which did not result in any impairment of goodwill.

E.4 Subsequent events

Change in the Board of Management of Tele Columbus AG

By notice of 12 April 2018, it was informed that the CFO of Tele Columbus AG, Frank Posnanski, will resign from the company for personal reasons as of 15 July 2018.

On that date, he will be succeeded by Eike Walters, who has acted thus far as the Director of Controlling and who will become the new CFO as well as a member of the Board of Management.

Refinancing

On 4 May 2018, Tele Columbus AG placed a senior secured bond in the total amount of EUR 650 million with final maturity in 2025 at the issue price of 99.243 % and an interest coupon of 3.875 % p.a.

The proceeds from the issuance of the bond were used, together with available cash, for the partial repayment of senior secured loans of the company and for the coverage of transaction costs.

The company thereby improves the maturities profile of its financing and secures for itself a long-term financing at the current, attractive interest rate level. At the same time, it can thereby diversify its capital structure and expand the investor basis.

There were no other material events after the balance sheet date.