Tele Columbus AG

Quarterly release for the quarter ended 30 Sept. 2018

CONSOLIDATED INTERIM REPORT

I. Consolidated Income Statement

KEUR	Reference	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Revenue	D.1	367,751	368,650
Own work capitalised		13,765	12,485
Other income	D.2	12,232	12,357
Total operating income		*393,748*	*393,492*
Cost of materials		-132,494	-121,671
Employee benefits		-57,489	-57,906
Other expenses	D.3	-61,129	-57,957
EBITDA		**142,636**	**155,958**
Depreciation and amortisation		-111,030	-117,966
EBIT		**31,606**	**37,992**
Interest and similar income	D.4	245	283
Interest and similar expenses	D.4	-59,665	-43,627
Other financial income (+) and expenses (-)	D.5	2,056	-3,474
Profit (+) / loss (-) before tax		*-25,758*	*-8,826*
Income taxes		1,349	2,486
Net loss		**-24,409**	**-6,340**
attributable to shareholders of Tele Columbus AG		-26,238	-7,318
attributable to non-controlling interests		1,829	978
Basic earnings per share in EUR		-0.21	-0.06
Diluted earnings per share in EUR		-0.21	-0.06

II. Consolidated Statement of Comprehensive Income

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Net loss	*-24,409*	*-6,340*
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)	728	-1,688
Total comprehensive income	**-23,681**	**-8,028**
of which attributable to:		
Shareholders of Tele Columbus AG	-25,510	-9,006
Non-controlling interests	1,829	978

III. Consolidated Statement of Financial Position

Assets

KEUR	Reference	30 September 2018	31 December 2017
Non-current assets			
Property, plant and equipment	D.6	642,477	609,869
Intangible assets		1,384,814	1,389,953
Investments accounted for using the equity method		416	416
Trade receivables	D.7	57	80
Other financial receivables	D.7	754	1,605
Accruals and deferrals	D.7	2,898	3,246
Deferred tax assets		1,489	2,010
Derivative financial instruments		7,006	1,521
		2,039,911	**2,008,700**
Current assets			
Inventories		14,511	10,928
Trade receivables	D.7	67,193	54,728
Receivables due from related parties		1	12
Other financial receivables	D.7	1,932	2,020
Other assets	D.7	15,167	17,485
Current tax assets		3,498	4,022
Cash and cash equivalents		30,818	31,767
Accruals and deferrals	D.7	3,671	2,917
Assets held for sale		255	607
		137,046	**124,486**
Total assets		**2,176,957**	**2,133,186**

Equity and liabilities

KEUR	Reference	30 September 2018	31 December 2017
Equity			
Share Capital		127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		-264,270	-239,165
Equity attributable to shareholders of Tele Columbus AG		*484,124*	*509,229*
Non-controlling interests		8,209	7,958
		492,333	**517,187**
Non-current liabilities			
Pensions and other long-term employee benefits		8,738	9,833
Other provisions	D.8	484	463
Liabilities to banks and from Senior Secured Notes	D.9	1,335,699	1,297,685
Trade payables	D.10	986	827
Other financial liabilities	D.10	51,921	37,615
Deferred revenue[1)]	D.10	5,663	5,285
Deferred tax liabilities		39,326	44,876
Derivative financial instruments		-	3,091
		1,442,817	**1,399,675**
Current liabilities			
Other provisions	D.8	11,244	18,626
Liabilities to banks and from Senior Secured Notes	D.9	65,188	43,393
Trade payables	D.10	91,071	94,371
Payables due to related parties		653	861
Other liabilities	D.10	33,099	27,846
Other financial liabilities	D.10	16,085	11,925
Income tax liabilities		11,304	15,572
Deferred revenue [1)]	D.10	13,163	3,730
		241,807	**216,324**
Total equity and liabilities		**2,176,957**	**2,133,186**

1) Deferred revenue includes revenue from contracts with customers (IFRS 15).

IV. Consolidated Statement of Cash Flows

KEUR	Reference	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Cash flow from operating activities			
Net loss		*-24,409*	*-6,340*
Net financial income or expense		57,364	46,818
Income taxes		-1,349	-2,486
Earnings before interest and taxes (EBIT)		*31,606*	*37,992*
Depreciation and amortisation		111,030	117,966
Equity-settled, share-based employee benefits		407	500
Loss (+) / gain (-) on sale of property, plant and equipment		-1,932	-288
Increase (-) / decrease (+) in:			
Inventories		-3,582	-6,863
Trade receivables and other assets not classified as investing or financing activities		-15,524	-8,978
Accruals and deferrals		-406	1,681
Increase (+) / decrease (-) in:			
Trade payables and other liabilities not classified as investing or financing activities		12,789	-18,978
Provisions		-7,729	-19,094
Deferred revenue		9,811	5,248
Income tax paid		-3,963	-5,704
Cash flow from operating activities		**132,507**	**103,482**
Cash flow from investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		3,424	1,508
Acquisition of property, plant, and equipment	**D.6**	-82,610	-65,602
Acquisition of intangible assets		-35,400	-17,477
Interest received		47	235
Acquisition of subsidiaries, net of cash acquired		-	-8,976
Cash flow from investing activities		**-114,539**	**-90,312**

KEUR	Reference	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Cash flow from financing activities			
Payment of financial lease liabilities		-10,651	-7,811
Dividends paid		-1,568	-2,053
Proceeds from loans, bonds, and short or long-term borrowings from banks		678,990	41,000
Repayment of borrowings [1)]		-641,146	-8,437
Interest paid		-39,437	-53,362
Acquisition of non-controlling interests		-7,013	-
Cash flow from financing activities		**-20,825**	**-30,663**
Cash and cash equivalents for the period			
Net Change in cash and cash equivalents		-2,857	-17,493
Cash and cash equivalents at the beginning of the period		31,767	55,223
Cash and cash equivalents at the end of the period		*28,910*	*37,730*
Increase (+) / decrease (-) from release of restricted cash and cash equivalents during the period		1,908	-1,217
Unrestricted cash and cash equivalents at the end of the period		**30,818**	**36,513**

1) This item includes transaction costs incurred amounting to KEUR 12,505 (comparative period 2017: KEUR 6,043) as well as the interest rate cap option premium paid out in the amount of KEUR 4,427 (comparative period 2017: KEUR -).

A. General Information

Introduction and overview

The Consolidated Interim Report of the Companies of Tele Columbus AG describes essential financial information for the reporting period from 1 January 2018 to 30 September 2018.

Following the introduction, the Consolidated Income Statement, Consolidated Statement of Financial Position, and the Consolidated Statement of Cash Flows as of 30 September 2018, are presented. Explanations of individual items, the financial position, financial performance and liquidity are also presented.

The functional currency for the Consolidated Interim 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 KEUR, there may be rounding differences. In some instances, rounded figures and percentages therefore might not add up to 100 %. Subtotals in tables may also therefore differ slightly from unrounded figures stated elsewhere within the report.

For the financial data reported in this Consolidated Interim 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 Interim Report is based on a going concern assumption.

B. Changes in Consolidated Entities

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

Change in the share quota in Netzpool Berlin GmbH, Berlin

As outlined in the contract from 7 March 2018, WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring, acquired 4.55 % of the shares held in Netzpool Berlin GmbH, Berlin. The company does not own real estate and does not hold shares in any other company that holds real estate. It is therefore a 100 % owned subsidiary within the Companies of Tele Columbus AG.

The acquisition price of the share amounts to KEUR 12 and has been fully paid in cash.

Sale of JVA Media GmbH, Magdeburg

As of 1 March 2018, MDCC Magdeburg City-Com GmbH, Magdeburg, sold its 50 % share amounting to KEUR 12.5 held in JVA Media GmbH, Magdeburg. The acquisition price amounted to KEUR 600 and has been fully paid in cash.

As of 31 December 2017, JVA Media GmbH has been classified as an asset held for sale and recognised at its book value.

There were no further significant changes in associates, joint ventures, or any other affiliated companies during the reporting period. If there were changes, none were relevant for the explanation of the figures being compared.

C. Accounting and Measurement Policies

As of 30 September 2018, the same accounting and measurement policies used in the Consolidated Financial Statements as of 31 December 2017 were applied.

No significant changes arose which were to be newly applied from IFRS 9, IFRS 15, or other accounting and measurement methods.

IFRS 15 Revenue from contracts with customers

The Companies of Tele Columbus AG apply the modified retrospective method in their Consolidated Financial Statements during the transition to IFRS 15. Consequently, the Companies of 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, which are result from the initial application of IFRS 15 are explained. The Companies of 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.

Until now, revenues from facility fees of the B2C segment are recognised 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 recorded as prepayments and recognised as revenues over the minimum contract term. This results in a deferral of revenues amounting to KEUR 506 in 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 deferral is as follows:

- Increase of revenue from additional digital services by KEUR 1,061 and from analogue by KEUR 490
- Reduction of revenue from internet / telephony by KEUR 1,520 and in rental receiver income by KEUR 536

There are no major changes in significant discretionary decisions and assumptions or to estimation uncertainties as of 30 September 2018 compared to the Consolidated Financial Statements as of 31 December 2017.

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

D.1 Revenue

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Analogue	155,158	164,971
Internet / telephony	114,755	116,020
Additional digital services	20,447	19,637
Other transmission fees and miscellaneous feed-in charges	18,282	18,077
Construction services	17,123	11,187
Network rent	13,638	13,983
Receiver rent	11,287	11,135
One-off fees for B2B customers	3,127	1,780
Hardware sales	2,989	3,643
Computing centre	2,795	3,477
Antenna / maintenance	1,577	1,299
Other	6,573	3,441
	367,751	**368,650**

The revenue of the Companies of Tele Columbus AG primarily includes monthly subscription fees and, to a lesser extent, one-off installation and connection charges for 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 users arising from cancellations during the minimum contract term are also reported as revenue.

New projects from construction services were able to generate higher revenues.

D.2 Other income

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017[1)]
Gains on disposal of non-current assets	2,838	1,338
Income from sales	1,812	2,714
Income from the de-recognition of liabilities and reversal of provisions	1,524	2,244
Income from dunning fees	915	1,594
Income from marketing subsidies	733	518
Other income from bad debt	553	1,622
Miscellaneous other income	3,857	2,327
	12,232	**12,357**

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

D.3 Other expenses

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Legal and consulting fees	-17,968	-15,129
Advertising	-7,838	-8,304
IT costs	-7,397	-5,989
Impairment of receivables	-7,103	-5,228
Occupancy costs	-6,137	-6,254
Vehicle costs	-2,240	-2,111
Communication costs	-2,225	-2,135
Maintenance	-1,485	-1,012
Travel expenses	-1,468	-1,539
Insurance, fees, and contributions	-1,415	-1,508
Office supplies and miscellaneous administrative expenses	-954	-724
Losses on disposal of non-current assets	905	-1,050
Incidental bank charges	-893	-908
Miscellaneous other expenses	-3,101	-6,066
	-61,129	**-57,957**

D.4 Interest income and expenses

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Interest income from third parties and similar income	245	283
Interest and similar income	**245**	**283**
Interest paid to third parties	-54,637	-32,786
Expenses resulting from compounding of loans and Senior Secured Notes under the effective interest rate method	-3,836	-4,074
Expenses resulting from revaluation of interest caps	-1,192	-6,767
Interest and similar expenses	**-59,665**	**-43,627**
	-59,420	**-43,344**

Interest expenses from third parties particularly relate to liabilities to banks (loans and outside capital).

For more details, please refer to Section D.9 'Liabilities to banks and from Senior Secured Notes'.

D.5 Other financial income

The increase of other financial income is largely due to the value adjustment on the embedded derivative amounting to KEUR 1,273 (2017: KEUR -3,474).

D.6 Fixed assets

The increase of property, plant and equipment compared to 31 December 2017 is mainly a result of investment projects started for assets under construction, from prepayments made, and from investments in technical equipment.

Additions to fixed assets amounting to KEUR 26,769 relate to finance leasing in Network Level 1.

D.7 Trade receivables and other assets, other receivables and prepaid expenses

The table below shows the development of bad debt write-offs of trade receivables at the consolidated level:

KEUR	30 September 2018	31 December 2017
Trade receivables - gross	80,445	65,649
Impairment losses	-13,195	-10,841
Trade receivables - net	**67,250**	**54,808**

Trade receivables mainly include subscription fees, receivables of signal delivery, transmission fees and feed-in charges, as well as receivables from construction services.

There are also trade receivables from related parties.

Other financial receivables amounting to KEUR 2,686 (2017: KEUR 3,625) primarily consist of claims of reinsurance cover for pensions that are not qualified as plan assets, as well as security deposits.

Other assets amounting to KEUR 15,167 (2017: KEUR 17,485) primarily include value added tax receivables, advance payments, and creditors with debit balances.

Deferred expenses amounting to KEUR 6,569 (2017: KEUR 6,163) mostly consist of payments relating to insurance policies, maintenance contracts, and sponsoring.

D.8 Other provisions

Other provisions as of 30 September 2018 can be broken down into short-term liabilities amounting to KEUR 11,244 (2017: KEUR 18,626) and long-term liabilities amounting to KEUR 484 (2017: KEUR 463). Other provisions mainly include provisions for claims to subsequent payments resulting from audit risks, trial risks, and restructuring.

Litigation provisions as of 30 September 2018 amount to KEUR 994. An amount of KEUR 1,260 was used as of 30 September 2018 for a settlement of disputed claims of former business partners relating to gross sales invoices.

Restructuring provisions amounting to KEUR 5,463 were used as of 30 September 2018 for severance payments made to personnel. The restructuring provision amounts to KEUR 710 as of the reporting date.

It is expected that short-term provisions will be used within one year. It is considered to be likely that the amount of the actual usage will match the amounts entered in provisions as of the reporting date.

D.9 Liabilities to banks and from Senior Secured Notes

KEUR	30 September 2018	31 December 2017
Liabilities to banks and from Senior Secured Notes - nominal values	1,361,655	1,335,767
Transaction costs	-37,803	-53,526
Accrued interest	2,091	13,342
Liabilities in connection with embedded derivatives	9,756	2,102
Long-term liabilities to banks and from Senior Secured Notes	**1,335,699**	**1,297,685**
Liabilities to banks and from Senior Secured Notes - nominal values	52,202	23,564
Accrued interest	14,130	17,961
Transaction costs	-1,144	-2,500
Liabilities in connection with outstanding premium interest rate caps [1]	-	4,368
Short-term liabilities to banks and from Senior Secured Notes	**65,188**	**43,393**
	1,400,887	**1,341,078**

[1] Liabilities relating to the outstanding option premium were settled in cash as of 31 March 2018

Long-term and short-term liabilities consist of loan facilities concluded by Tele Columbus AG under the Senior Facilities Agreement and the Senior Secured Notes amounting to KEUR 1,394,476 (2017: KEUR 1,328,373), as well as other individual loans or individual liabilities of subsidiaries amounting to KEUR 6,411 (2017: KEUR 12,705).

D.9.1 Liabilities to banks under the Senior Facilities Agreement and from Senior Secured Notes

As of the respective reporting dates, the balances including outstanding interest for the credit facilities and the Senior Secured Notes are as follows:

KEUR	30 September 2018	31 December 2017
Senior Tranche A loan (term ending on 15.10.2024)	690,779 [1]	1,284,124 [1]
Capex Facility / Facility B (reduced on 04.05.2018)	-	25,026
Senior Revolving Facility (term ending on 02.01.2021)	49,088 [2]	19,223 [2]
Senior Secured Notes (term ending on 02.05.2025)	654,609 [3]	-
	1,394,476	**1,328,373**

[1] Includes non-compounded transaction costs of the term loans amounting to KEUR -22,172 (2017: KEUR -40,184) and the embedded derivative amounting to KEUR 1,891 (2017: KEUR 2,102) which result from agreed floors and repayment options in the term loans.

[2] Includes transaction costs without addition of interest of the Revolving Facility amounting to KEUR -980 (2017: KEUR - 1,915).

[3] Includes non-compounded transaction costs from Senior Secured Notes amounting to KEUR -13,541 (2017: KEUR -) and the embedded derivative amounting to KEUR 7,865 (2017: KEUR -) which result from agreed floors and repayment options in the bond terms.

In accordance with the Share and Interest Pledge Agreement from 3 May 2018, shares in associates and joint ventures are pledged as collateral for liabilities to banks and from Senior Secured Notes. Additionally, loans of the Companies of Tele Columbus AG are secured by trade receivables.

The value of the provided collateral for the loans as of the respective reporting dates is shown below:

KEUR	30 September 2018	31 December 2017
Shares in affiliates	1,587,514	1,485,626
Trade receivables	4,852	10,380
	1,592,366	**1,496,006**

D.9.2 Other liabilities to banks

Other individual contractual loan agreements and liabilities between the subsidiaries of Tele Columbus AG and banks also exist as of the reporting date. These result in financial liabilities amounting to KEUR 6,411 (2017: KEUR 12,705). The maturities of these loan agreements and liabilities respectively range between 1 to 86 months. Fixed interest rates between 0.63 % and 4.22 % p.a. have been agreed for the loans.

D.10 Trade payables, other financial liabilities, other liabilities and deferred revenue

Trade payables amounting to KEUR 92,057 (2017: KEUR 95,198) primarily include unbilled trade payables for which services have been performed by the balance sheet date as well as signal delivery contracts.

In addition, there are liabilities to related parties.

Other financial liabilities mainly relate to leasing obligations for the use of infrastructure facilities amounting to KEUR 63,443 (2017: KEUR 45,552).

Other liabilities amounting to KEUR 33,099 (2017: KEUR 27,846) primarily include customer deposits, value added tax liabilities, personnel costs, and other accruals.

Deferred revenue amounting to KEUR 18,826 (2017: KEUR 9,015) mostly includes customer prepayments and investment allowances received.

E. Other Explanatory Notes

E.1 Leasing and other financial obligations

E.1.1 Finance leasing

The following table shows the reconciliation between future minimum lease payments and the present value of finance lease liabilities for office and operating equipment as well as infrastructure facilities:

KEUR	30 September 2018	31 December 2017
Future minimum leasing payments	72,021	53,632
Financing expense	-8,578	-8,080
	63,443	**45,552**

The future minimum lease payments for finance leasing have the following maturities:

KEUR	30 September 2018	31 December 2017
Less than one year	15,354	11,554
More than one year and up to five years	38,969	23,897
More than five years	17,698	18,181
	72,021	**53,632**

Liabilities for finance leasing have the following maturities:

KEUR	30 September 2018	31 December 2017
Less than one year	13,384	9,827
More than one year and up to five years	34,518	20,071
More than five years	15,541	15,654
	63,443	**45,552**

The residual carrying amounts of the capitalised finance lease assets are as follows:

KEUR	30 September 2018	31 December 2017
Technical plant and equipment	59,819	41,459
Operating and business equipment	1,874	1,569
	61,693	**43,028**

Regarding the repayment of liabilities for finance leasing, please refer to the disclosures in Section IV ‘Consolidated Statement of Cash Flows’.

E.1.2 Operating lease agreements and other financial obligations

The future minimum leasing payments for operating lease agreements have the following maturities:

KEUR	30 September 2018	31 December 2017
Less than one year	21,327	24,966
More than one year and up to five years	38,153	47,969
More than five years	21,397	24,335
	80,877	**97,270**

The change of minimum leasing payments under operating lease agreements as of 30 September 2018 compared to 31 December 2017 results foremost from the phase-out and expiry of contracts, in particular relating to service and rental agreements.

As of 30 September 2018, expenses amounting to KEUR 18,006 have been incurred for operating leases and other financial obligations (comparative period 2017: KEUR 17,405).

The complete future minimum leasing payments for operating and finance leases thus amount to KEUR 152,898 as of 30 September 2018 (2017: KEUR 150,902).

E.2 Financial instruments and risk management

E.2.1 Risk management of financial instruments and interest risks

There are no material changes in the risk management objectives and methods or the nature and extent of the risks arising from financial instruments as of 30 September 2018 for the Companies of Tele Columbus AG compared to the Consolidated Financial Statements as of 31 December 2017.

E.2.2 Liquidity risk

Liquidity risk represents the risk that existing liquidity reserves will not be sufficient to meet one's financial obligations on time. Liquidity risks may also arise when cash outflows are required in connection with operating business activities or investment activities. Liquidity risks may be caused by financing activity. This would be the case if short-term cash outflows are required to repay liabilities but it is not possible to generate sufficient cash inflows from operating business activities and at the same time there are no sufficient liquid funds available for the repayment.

Liquidity projections for a specific planning horizon as well as credit facilities amounting to KEUR 50,000 for general expenses maturing on 2 January 2021 available to the Companies of Tele Columbus AG are designed to ensure a continuous supply of liquidity for operating business activities.

The revolving credit line has been used as of the reporting date (KEUR 49,987) for general operative purposes.

Cash and cash equivalents as of 30 September 2018 amount to KEUR 30,818 (2017: KEUR 31,767).

The financing agreement dated 3 May 2018 contains a number of conditions where the creditor has the option to call the loan for repayment if said conditions are not fulfilled. Fulfilment of these conditions as well as the capital risk applicable to Tele Columbus AG is monitored continuously.

In the event that said conditions are not heeded, liquidity risk amounts to KEUR 1,421,412 (2017: KEUR 1,368,370). The risk of not complying with these conditions and the financing rules associated with this may have a negative impact on the availability of credit and the assumption of the continuation of the Companies of Tele Columbus AG as a going concern.

Strategic measures have been initiated so that the existing conditions and payment obligations are fulfilled in order to ensure the liquidity of the Companies of Tele Columbus AG for the long term. This is done by means such as group-wide cash pooling for all companies.

A gradual repayment of financial liabilities from the liquidity generated by the operative income of the Companies of Tele Columbus AG is planned as part of group financing.

Relevant changes in liquidity, interest, and default risk have not arisen as of 30 September 2018.

E.3 Segment reporting

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

Intercompany 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 30 Sep 2018

KEUR	TV	Internet & Telephony	Other	Group total
Revenue	202,529	114,740	50,482	367,751
Normalised EBITDA	113,052	84,431	-20,874	176,609
Non-recurring expenses (-) / income (+)	-786	29	-33,216	-33,973
EBITDA	**112,266**	**84,460**	**-54,090**	**142,636**

1 Jan to 30 Sep 2017

KEUR	TV	Internet & Telephony	Other	Group total
Revenue	210,282	116,398	41,970	368,650
Normalised EBITDA	124,536	82,080	-14,810	191,806
Non-recurring expenses (-) / income (+)	-3,084	-184	-32,580	-35,848
EBITDA	**121,452**	**81,896**	**-47,390**	**155,958**

E.4 Further information to the Consolidated Interim Report

The information regarding the Consolidated Interim Report summarised below relates to the Companies of Tele Columbus AG and represents the financial performance and financial position as of 30 September 2018.

E.4.1 Financial performance

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

KEUR	1 Jan to 30 Sep 2018	1 Jan to 30 Sep 2017
Revenue	367,751	368,650
EBITDA	**142,636**	**155,958**
Non recurring expenses (+) / income (-)	33,973	35,848
Normalised EBITDA	**176,609**	**191,806**
EBITDA	***142,636***	**155,958**
Net financial income and expenses	-57,364	-46,818
Depreciation and amortisation	-111,030	-117,966
Income taxes	1,349	2,486
Net loss	**-24,409**	**-6,340**

Revenues from the 'TV' segment decreased by 3.7 % to KEUR 202,529 (comparative period 2017: KEUR 210,282). Sales in the 'Internet & Telephony' segment decreased by 1.4 % from KEUR 116,398 to KEUR 114,740.

Compared to 2017, sales decreased by KEUR 899 to KEUR 367,751 as of 30 September 2018. This was mainly due to the 'TV' segment. This decline was partially offset by sales from construction services, which increased by 53.1 % to KEUR 17,123 compared to the previous year.

Own work capitalised increased to KEUR 13,765 as of 30 September 2018 from KEUR 12,485 compared to 2017. This increase is primarily due to higher investments.

Cost of materials as of 30 September 2018 increased by KEUR 10,823 to KEUR 132,494 compared to the same period in the previous year (comparative period 2017: KEUR 121,671). The increase results essentially from higher costs for construction and external services.

Compared to the same period in the previous year, other expenses increased by KEUR 3,172 to KEUR 61,129 (comparative period 2017: KEUR 57,957). The increase mostly results from legal and consulting fees incurred during the migration of the pepcom companies as well as further projects in the customer service segment which were started in 2017. Higher IT costs due to the migration have also contributed to the increase of other expenses.

As of 30 September 2018, the EBITDA amounted to KEUR 142,636 and decreased by KEUR 13,322 compared to 2017 (comparative period 2017: KEUR 155,958).

Normalized EBITDA decreased by 7.9 % compared to 2017 to KEUR 176,609 (comparative period 2017: KEUR 191,806).

During the reporting period, the operating margin, defined as the quotient of normalized EBITDA to revenues, fell to 48 % (comparative period 2017: 52 %).

The negative financial result has fallen further to KEUR 57,364 (comparative period 2017: KEUR 46,818). The deterioration results from the partial repayment of Facility A and the Capex Facility for which the previously deferred transaction costs were recognised with an effect on profit for the first time.

Depreciations and amortisations decreased to KEUR 111,030 (comparative period 2017: KEUR 117,966). The reduction can be explained mostly by the impairment amounting to KEUR 4,754 of the old branding of Tele Columbus AG in the previous year.

E.4.2 Financial position

As of 30 September 2018 compared to 31 December 2017

Property, plant and equipment increased compared to 31 December 2017 by KEUR 32,608 to KEUR 642,477. This is primarily due to a strong increase in assets under construction and prepayments made that are based on started investment projects and investments in plant and equipment. This increase was compensated by planned depreciations of plant and equipment.

For intangible assets and goodwill, a reduction of KEUR 5,139 to KEUR 1,384,814 was reported compared to 31 December 2017. The change is primarily a result of the scheduled amortisations of the customer bases. A counteracting effect is caused by the addition to prepayments made, which essentially relate to the new ERP/ BSS system.

Derivative financial instruments amounting to KEUR 7,006 (2017: KEUR 1,521) include two interest rate caps amounting to KEUR 387, which were acquired in February 2016, as well as the embedded derivatives in the Senior Secured Notes (call) amounting to KEUR 6,619, which were created in connection with the issued bond and have a positive fair value.

Short-term trade receivables rose by KEUR 12,465 compared to 31 December 2017 to KEUR 67,193. The increase is a result of receivables from subscription fees.

The debt of interest-bearing loans and bonds of the Companies of Tele Columbus AG amounts to KEUR 1,400,887 as of 30 September 2018 (2017: KEUR 1,341,078). This makes up 64.4 % (2017: 62.9 %) of the balance sheet total. For more details, please refer to Section E.4.3 ‘Financial position and liquidity’ and Section D.9 ‘Liabilities to banks and from Senior Secured Notes’.

The reduction of other provisions is largely due to the restructuring provision having been utilised. For more details, please refer to Section D.8 ‘Other provisions’.

Other long-term financial liabilities mainly include leasing obligations for the use of infrastructure facilities amounting to KEUR 50,059 (2017: KEUR 35,725). The change in comparison to the previous year is essentially due to the financing lease at Network Level 1.

As of 30 September 2018, other liabilities rose by KEUR 5,253 to KEUR 33,099. The rise results primarily from an increase in value added tax liabilities.

In long-term and short-term deferred revenue, an increase of KEUR 9,811 to KEUR 18,826 was reported, which is essentially due to deferred sales revenues from customers for prepaid fees and construction service fees relating to a network upgrade.

E.4.3 Financial position and liquidity

Interest-bearing Liabilities to banks and from Senior Secured Notes

Lender	Borrower	Total in KEUR as of 30 Sep 2018	Share	Total in KEUR as of 31 Dec 2017	Share
New Facility A	TC AG	690,779	49.31 %	1,284,124	95.8 %
Capex Facility	TC AG	-	-	25,026	1.9 %
Rev. Facility	TC AG	49,088	3.50 %	19,223	1.4 %
Senior Secured Notes	TC AG	654,609	46.73 %	-	-
Miscellaneous	pepcom	818	0.06 %	1,317	0.1 %
Interest- Caps	TC AG	-	-	4,368	0.3 %
Other		5,594	0.40 %	7,020	0.5 %
Total		**1,400,888**	**100.00 %**	**1,341,078**	**100.00 %**

The increase in debt liabilities as of 30 September 2018 is mainly due to the partial utilisation of the Revolving Credit Facility as well as the issuing of the Senior Secured Notes.

E.4.4 Forecast report

In the forecast report included in the Group Management Report of 2017, the Board of Management expected a growth in sales revenues in the medium single-digit percentage range and an increase of the normalised EBITDA between EUR 280 million and EUR 290 million for the financial year 2018. Capital expenditures were forecasted at approx. 30 % of sales for 2018.

On 15 May 2018, Tele Columbus AG published an ad-hoc announcement in which the forecast for 2018 was partially adjusted. The basis for the adjustment of the forecast was the final business figures for the first quarter of 2018 as well as the improved visibility of business developments, and a temporarily increased cost base resulting from investments in the network, in customer service, and in customer acquisition. In the opinion of the Board of Management, these effects will not be offset by stronger growth in the short term. In light of the ongoing integration, which negatively impacted customer service, it was decided to postpone the intensification of marketing activities. Accordingly, the sales growth forecast was adjusted to a low to mid-single-digit percentage range. Normalized EBITDA was forecast at EUR 265 million to EUR 280 million for the 2018 financial year, and investments in the amount of 27% to 30 % of sales were announced. The medium-term planning from the 2017 Group Management Report was not adjusted.

Tele Columbus AG published a further ad-hoc notice on 28 August 2018 where the forecast for the financial year 2018 was corrected.

At the end of June 2018, the migration of customer data from pepcom was completed successfully. At the beginning of September 2018, Tele Columbus AG completed the integration of the group-wide accounting platforms into one shared ERP system.

Through the finalisation of the integration project and the marketing activities intensified as of October 2018, the Board of Management expects a higher level of recurring costs, and thus a decline of the normalised EBITDA with growth materialising at a later point in time.

Based on sales revenues amounting to EUR 240 million and a normalised EBITDA amounting to EUR 118 million in the first half of 2018, the Board of Management of Tele Columbus AG has decided to adjust its forecast for the financial year 2018 as follows:

- A stable base of connected households,
- Stable sales revenues in comparison to the previous year,
- A normalised EBITDA of at least EUR 235 million,
- Capital expenditures at a maximum of EUR 150 million.

The normalised EBITDA target includes a strong increase of marketing expenses in the second half of 2018. In addition, the Board of Management expects significantly lower one-off costs in the second half of 2018 compared to 2017, which will lead to a mostly stable development of the reported EBITDA.

Together with the financial results as of 30 September 2018, the Board of Management reaffirms its full-year guidance for 2018 on all metrics.

In early 2019, the Board of Management will announce a new mid-term outlook.

E.4.5 Report of changes in risks and opportunities

Regarding the risk report of the Companies of Tele Columbus AG, please refer to the statements in Section 5 ‘Risk report’ of the Group Management Report for the financial year 2017. The risk situation changed regarding the lawsuit (see Financial Statements and Management Report 2017, paragraph 5.8). The lawsuit between Tele Columbus AG and VG Media GmbH was ended with a settlement.

Regarding the risks disclosed in the Group Management Report 2017, no significant changes have occurred in the reporting period.

In addition, we would like to point out that we perceive there to be a (latent) risk concerning the competitive situation on the German cable network provider market due to the planned merger between Vodafone Germany and Unitymedia. We believe there to be the risk in particular that lasting competitive disadvantages can arise for smaller and regional providers.

A number of opportunities will be presented to the Companies of Tele Columbus AG in the future, which result in particular from the competitive strengths of the Companies of Tele Columbus AG. In this regard, please refer to the statements in Section 6 ‘Opportunities report’ of the Group Management Report for the financial year 2017.

We point out in supplementation that, besides the aforementioned risks from the potential merger between Vodafone Germany and Unitymedia, opportunities might arise for the Companies of Tele Columbus AG if the merger is executed subject to conditions, e.g. sale of regional networks. This could result in economic and strategic advantages for the Companies of Tele Columbus AG.

E.5 Subsequent events

Resignation in the Supervisory Board of Tele Columbus AG

Frank Krause and Dr. Volker Ruloff resigned from the Supervisory Board of Tele Columbus AG upon their own request as of 3 October 2018.

Additional financing

On 19 October 2018, Tele Columbus AG entered into a loan agreement for an additional EUR 75 million with a loan fund consulted by Goldman Sachs for the further improvement of the liquidity of Tele Columbus AG. The loan has a term of five years and the margin is 425 base points plus EURIBOR.

Tele Columbus AG will appropriate these liquid funds, on the one hand, to compensate the used part of the Revolving Credit Facility and, on the other hand, to increase the financial flexibility of the Companies of Tele Columbus AG. The Revolving Credit Facility remains available in its full amount.

There were no other material subsequent events as of the reporting date.