FINANCIAL STATEMENT AND MANAGEMENT REPORT 2016

TELE COLUMBUS GROUP

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TELE COLUMBUS AG, BERLIN

Combined Management Report for the fiscal year 2016

Consolidated Financial Statements

for the fiscal year ended 31 December 2016

TELE COLUMBUS AG, BERLIN

Combined management report for the financial year 2016

Introduction

The following combined management report within the meaning of section 315 (3) German Commercial Code (HGB) refers to the Tele Columbus Group (hereinafter also referred to as Tele Columbus, Tele Columbus Group or Group) and Tele Columbus AG as of 31 December 2016, and represents the net assets, financial position and results of operations for the 2016 financial year. The prospective development of Tele Columbus AG with its opportunities and risks is inextricably linked with those of the Tele Columbus Group.

In this context, we refer to further explanations in the notes to the consolidated financial statements of Tele Columbus AG. In order to achieve the comparability of the Tele Columbus Group against the previous year, unaudited pro forma figures for financial year 2015 are made in connection with the acquisitions made in the previous year.

1. Fundamentals of the company

1.1. Business model of the Group

1.1.1. General Information

As of the balance sheet date, Tele Columbus AG, headquartered in Berlin, has 53 direct or indirectly active subsidiaries, which are fully consolidated in the consolidated financial statements, as well as three other associated companies and two joint ventures. The company has been listed on the Frankfurt Stock Exchange (Prime Standard) since 23 January 2015.

Tele Columbus AG is the parent company of the Tele Columbus Group and essentially operates as a holding company for the Tele Columbus Group companies. As a result, the Company's earnings performance in the individual financial statements are strongly influenced by the results of the subsidiaries. This is reflected in the investment income and the income or expenses from the concluded profit and loss transfer agreements. Furthermore, Tele Columbus AG carries out central tasks in the areas of controlling, financial planning, sales, engineering, customer service, accounting and general administrative tasks.

The Tele Columbus Group is one of the leading cable operators in Germany and therefore one of the most important service partners for end users, homeowners and the housing industry. As a cable network operator, the Tele Columbus Group is primarily active in the East German federal states. Approx. 37 % of the holdings are held in the rest of the Federal Republic of Germany. In total, the Group supplies almost 10 % of all German households via existing networks.

The Tele Columbus Group offers its customers modern and efficient access to TV offers, telephone (fixed line and mobile) and fast Internet. The offer includes the service, the maintenance, as well as the provision of the abovementioned products and services, the support of the connected customers and the collection of payments. In addition to this core business, the offer also includes a construction business related to the telephony and internet business as well as individual solutions for major customers.

1.1.2 Structure of the Group

The corporate structure of the Tele Columbus Group was not subject to any material changes during the past financial year.

The operating activities of the Group are mainly carried out by Tele Columbus Ost GmbH, Tele Columbus Multimedia GmbH, Tele Columbus Kabel Service GmbH, Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Tele Columbus Sachsen-Thüringen GmbH, MDCC Magdeburg-City-Com GmbH, primacom Berlin GmbH, pepcom Nord GmbH, pepcom Mitteldeutschland GmbH, pepcom West GmbH, pepcom Süd GmbH and HL komm Telekommunikations GmbH, Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft, Cabletech Kabel- und Antennentechnik GmbH as well as WTC Wohnen & TeleCommunication GmbH & Co. KG. primacom Berlin GmbH is attributable to the primacom Group and the latter companies to the pepcom Group. In addition, the management and control of the companies of the primacom and pepcom Group include primacom Holding GmbH and pepcom GmbH from Tele Columbus AG.

Tele Columbus AG acts as a Group holding company and is the supreme management and holding company of the Group, which is responsible for managing the entire Group. As a result, Tele Columbus AG undertakes both the strategic development of the Group and the provision of services and financing for affiliated companies. Since the acquisition of the primacom and pepcom Group, the Group has been involved in an integration phase, according to which the economic and corporate structure will change in the coming months and years.

The goal is to create a convergent telecommunications and cable network operator.

1.1.3 Company acquisitions

There were no significant changes during the financial year. Information on minor acquisitions can be found in the notes in section B.2 “Changes in the scope of consolidation”.

1.1.4 Main market and core business

As measured by the number of customers, the Tele Columbus Group is the third-largest cable network operator in Germany and has a regional market leadership in many parts of the East German federal states. The offer is limited exclusively to the Federal Republic of Germany and primarily to the federal states of Berlin, Brandenburg, Saxony, Saxony-Anhalt, Thuringia, Bavaria, Baden-Württemberg, Mecklenburg-Vorpommern, Hamburg and Rhineland- Westphalia and Hesse.

In the 2016 financial year, the Group had offices in Berlin, Hannover, Chemnitz, Dresden, Magdeburg, Ratingen, Jena, Leipzig, Munich and Frankfurt am Main.

The Tele Columbus Group primarily operates cable networks of network levels 3 and 4. Network level 3, also known as NE3, level 3 or L3, is a cable network that transmits signals from regional distribution networks to the point of transmission outside the customer's residential unit. Network level 4, also known as NE4, Level 4 or L4, is a cable network within a residential complex that distributes signals from the transmission point outside the residential complex to the socket in the customer's residential unit. As an integrated network operator for both networks, the Group is specialised in the provision of high-quality and integrated end-user services from a single source. In locations where the Group cannot access its own network, appropriate network services are purchased. In addition to the operation of cable networks, the Tele Columbus Group is also active in the B2B and construction services business. The B2B-business includes products for supplying companies with bandwidth services and business customer networks, products for the supply of business customers with Internet and telephony as well as network monitoring and marketing of data centers. The construction work includes, among other things, the construction of fibre-optic city networks or the connection of residential areas to its own backbone as well as the expansion or upgrading of the coaxial and fiber infrastructure of residential buildings (NE4).

Tele Columbus customers are offered numerous services in the areas of television and telecommunication - in particular a basic offer on cable television channels (CATV), premium TV packages (premium TV) as well as Internet and telephone services in the fixed network and also a mobile voice and data service. As at 31 December 2016, Tele Columbus had a portfolio of approximately 3.6 million residential units (connected residential units). Approximately 2.4 million households owned at least one of the products offered.

The Tele Columbus Group generates its revenues mainly from connection fees paid by customers for the purchase of a CATV product. Approximately 94 % of the final customers are tenants in multifamily properties, which are part of the holdings of companies or cooperatives in the housing industry or are managed externally by them. The Group has entered into permanent concession and signaling agreements with these companies, which ensures a sustainable revenue base. The majority of the housing companies will transfer the amount for the supply of the CATV connections to their tenants through the operating costs account. As of 31 December 2016, this amounted to about 64 % of our CATV end customers. In approximately 36 % of the CATV end customers, the signal delivery was carried out based on individual contracts in which a direct customer relationship exists based on a license agreement.

1.1.5 Operating Segments

Tele Columbus products and services are divided into the two operating segments “TV” and “Internet and Telephony”.

1.1.5.1 Segment “TV”

In the “TV” segment, the Group offers both basic and premium programs. Basic programs include analogue and digital TV and radio services. The offered premium TV packages contain up to 75 additional digital TV programs, of which up to 38 channels are transmitted in HD quality.

In the “TV” segment, the Group generates revenues from cable access fees and recurring charges for service options as well as proceeds from the conclusion of new contracts and the corresponding installation services. Furthermore, the Group receives so-called feed-in tariffs from the broadcasters for the distribution of various programs via the cable network.

The TV business generated revenues of KEUR 287,541 (previous year: KEUR 191,281) in financial year 2016, which accounted for approximately 60.3 % of the total turnover in 2016 (previous year: 68.1 %).

1.1.5.2 Segment “Internet and Telephony”

In the “Internet and telephony” segment, the Group combines Internet and telephony services. In addition to the fixed line services, the product portfolio also includes mobile services. Revenues consist of proceeds from the conclusion of new contracts and installation services as well as the monthly contract and service charges.

Likewise, the Tele Columbus Group was able to increase the number of existing Internet contracts from approx. 462,000 to approx. 520,000 due to the further expansion of the network and through smaller acquisitions. Last but not least, this development is due to the consequent expansion of the network by DOCSIS 3.0 and an associated increase in the Internet download speed of up to 400 Mbps.

In financial year 2016, the “Internet and telephony” segment generated revenues of KEUR 145,262 (previous year: KEUR 79,385), which accounted for 30.5 % of total revenues in 2016 (previous year: 28.3 %).

1.1.5.3 “Other”

Under “Other”, business activities are shown that are not directly assigned to the two segments reported. These include, in particular, the B2B- and construction services business with sales revenues amounting to KEUR 43,947, which are primarily attributable to the pepcom Group. This segment also includes general administrative expenses and personnel costs in the amount of KEUR 54,553. The "Other" segment thus amounts to 9.2 % (previous year: 3.6 %) of the total turnover in 2016.

1.2 Management System

The Tele Columbus Group is managed by the Management Board of Tele Columbus AG. It is responsible for operational business and oversees the above-described segments “TV”, “Internet and Telephony”. The Management Board receives and reviews internal management reports for these segments. Furthermore, internal management reports of the non-reportable segment “Other” are provided to the Management Board.

Within the scope of this monthly reporting, the “Normalised EBITDA” is the central control variable reported separately for each operating segment. This figure, which is defined by the management of Tele Columbus AG, is the result before the financial result (income from investments accounted for using the equity method, interest income, interest expense and other financial results), income taxes, depreciation and impairment on intangible assets and goodwill. In addition, it is adjusted for "one-off effects". These are defined by the Management Board as rare or extraordinary events which are not expected to occur in the following two financial years and have not already occurred in the previous two financial years. In addition, expenses and income from specific business transactions are adjusted, which bear no direct relation - as defined by the Management Board - to the provision of services. This relates, among others, to gains and losses from the disposal of property, plant and equipment. Any incurring expenses and income associated with these effects are deducted from "Normalised EBITDA".

The Management Board also uses a number of financial and non-financial key performance indicators (KPIs), such as RGUs (Revenue Generating Units), the normalised coverage contribution, the ARPU (Average Revenue per User), and the percentage of residential units connected to its own signal feed and feedback channel-enabled networks in order to monitor the financial performance of the business.

Key financial KPIs

RGUs (Revenue Generating Units)

At the centre of the internal control is the development of the RGUs per end customer. The RGUs designate the revenue-generating units - that is, all individual services that an end customer receives; any subscribed service (e.g. cable television, Internet, telephony) is counted as RGU. The Management Board monitors the RGUs for each individual service of the segments - both for CATV and premium TV services, as well as for Internet and telephony services.

ARPU (Average Revenue per User)

The calculation of the ARPU (average turnover per end customer) involves three different calculation approaches:

- The monthly ARPU - also **annual** average ARPU - is calculated as the revenue from connection fees for the year (including discounts, credits and installation fees) divided by the total monthly customer / RGUs during the year.
- The **annual** ARPU Is calculated as the revenue from connection fees in December (including discounts, credits and installation fees) divided by customers / RGUs in December.
- The **quarterly** ARPU Is calculated as the revenue from connection fees for the relevant quarter (including rebates, credits and installation fees) divided by the sum of the monthly total number of customers / RGUs during the relevant quarter.

Main non - financial KPIs

Proportion of the residential units which are connected to its own signal supply and are feedback channel-enabled

This percentage refers to the share of residential units that are connected to their own NE3 / NE4 integrated and feedback channel-enabled upgraded networks, thus enabling the marketing of telephone and Internet services, based on the total number of connected households.

Other control variables

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

In the case of personnel, particular emphasis is placed on the qualifications and the necessary expertise of the employees in order to achieve the set goals in the operational and administrative areas. Personnel costs are always taken into account and are based on the industry standard salary level.

In the case of network investments, Tele Columbus is restricted to carefully targeted, economically attractive projects, which are the most appropriate to contribute sustainably to the company's target achievement and increase in value through careful analysis of the various potentials on the market.

Another non-financial performance indicator is customer satisfaction. For this reason, Tele Columbus regularly measures customer satisfaction with the Tele Columbus satisfaction index using the NPS (Net Promoter Score). This remained at a stable level during the course of the 2016 financial year.

1.3 Objectives and strategies

The strategy of Tele Columbus AG is aimed at sustainable and profitable growth. Fixed targets during the period under review, as described in section 2.2 “Business performance”, were achieved.

At the centre of this objective are the following three key figures:

1. The RGUs (revenue generating units) per end customer,
2. The ARPU (Average Revenue per User) per month as well as
3. The percentage of residential units connected to their own NE3 / NE4 integrated and feedback channel-enabled upgraded networks.

The RGUs provide information on the number of services sold. If a customer not only receives cable television via the Tele Columbus network but also other services, such as an Internet access, each service is counted as RGU. The Tele Columbus Group is aiming to achieve 1.8 RGUs per end customer in the medium term – whereas Tele Columbus defines medium term as a period of 3 to 5 years. During the 2016 financial year, the Group was able to obtain a RGU per end customer of 1.61 as of 31 December 2016, (previous year: 1.55).

The average revenue per customer (ARPU) per month from all services is to grow in the medium term to EUR 18 per month. At the end of financial year 2016, this amounted to EUR 16.40; at the end of the 2015 financial year, the figure was still EUR 14.92.

The share of housing units connected to the own signal supply and feedback channel-enabled housing units is to be increased to 71 % of the total stock in the medium term. At the end of the 2016 financial year, the Group achieved 63 %, while the figure for the financial year 2015 was still 61 %.

The targets are also monitored and controlled based on the segments and by using the appropriate control variables such as RGU and ARPU. This also applies to the newly acquired companies to which the control and KPI definitions have been transferred.

The three objectives described above are to be achieved by means of the following strategic measures:

- Special offerings to existing cable television customers for the Internet, telephone and premium TV should further increase the sales of additional and higher-quality services per television customer (cross-selling and up-selling).
- In addition to the company's already established and proven successful broadband services, AdvanceTV is a new initiative and comprehensive multimedia service, which is intended to help position the company as a technology leader through an innovative concept and customer terminal hardware to further enhance the attractiveness of the product portfolio.
- Permanent and continuous expansion of the cable networks and further development of the NE3 / NE4 network infrastructure. Tele Columbus considers it particularly useful in this context to integrate the households that have not yet been connected to their own network in order to achieve savings in the area of signaling fees as well as to generate additional revenues from the existing range of additional services. For this expansion of its own network level 3, Tele Columbus plans to continue to invest extensively (CAPEX) in the future.
- Expansion of market-leading positioning as a technology leader in terms of Internet speed thanks to the nationwide expansion to 400 or 500 Mbps.
- Continuous work on operational improvements with a focus on high-quality services and clear customer orientation.
- Defense and expansion of regional dominance in the market of the NE4 operators in the signal transmission within the land and buildings (on the "last mile" to the customer) by close partnership with the housing enterprises.
- Establishment and implementation of a new brand presence with disruptive product positioning on the market.

We take account of our goals and strategies with our control system and the monitoring of key indicators.

2. Economic Report

2.1 Macroeconomic and industry conditions

Consumption supports the German economy

According to the German Federal Ministry for Economic Affairs and Energy, the German economy was in very good shape in 2016. Germany and the euro currency area continued to experience an economic upturn. The economic situation in 2016 was characterised by solid and steady economic growth. For the year as a whole, gross domestic product (GDP) rose 1.9 %, a slight increase over the previous year, with GDP up by 1.7 %.

Thus, the German economy maintained itself in a difficult global economic environment, which was characterised in particular by ongoing conflicts in the Middle East, lower demand for commodities, the further slowing of the growth of the Chinese economy, the European debt problem, political uncertainty as a result of the Brexit vote and the American presidential election, as well as the aftermath of the refugee crisis.

In the year under review, Germany's economy benefited above all from strong domestic demand. Private consumer spending rose by 2.0 %, while state consumption expenditure increased by 4.2 %. The number of employed persons according to the resident concept (defined as employed persons with a place of residence in Germany) stood at 43.5 million - around 429,000 persons or 1.0 % more than in the previous year - in 2016, reaching a new peak. The disposable income of private households increased by 2.8 % in 2016 compared to the previous year.

The general consumerism also has an impact on consumer behavior in relation to the products offered by Tele Columbus AG. While 74 % of Germans aged 14 or over now use a smartphone, 40 % of companies have already invested in new products or services as a result of digitization. Particularly through trending developments such as cloud computing, streaming services, smart homes and virtual reality, stable and, above all, fast Internet connections are gaining in importance.

Industry-specific conditions

While the cable network in Germany was mainly used to transport radio signals and receive cable television and radio, today it also allows the provision of telephone and Internet connections. The business of the Tele Columbus Group as a cable network operator therefore depends, on the one hand, on the contracts concluded with housing companies for the cable connections provided and, on the other, on the demand of German customers for television, Internet and telephony services.

The German telecommunications and media market is increasingly characterised by convergence, i.e. the convergence of different services and content. The broadband cable provides the entire spectrum of customer-requested multimedia applications from a single source: cable customers can now not only watch TV in a variety of ways, but also use their cable connection in upgraded cable networks thanks to high bandwidths for Internet and telephone services. More and more customers prefer to purchase all services from a single provider at an attractive price-performance ratio. In response, vendors market single or multiple bundles of services that include digital television, broadband Internet access, and telephony.

Various policy developments in 2016 will make the use of bundled services even more attractive. With the introduction of DVB-T2 as a successor standard to DVB-T it is now possible for the first time to receive HD television via a terrestrial platform, so that users of this transmission method will have access to a greater diversity of programming as well as better quality content. The simultaneous elimination of interferences for WLAN hotspots can create an incentive to opt for combined products consisting of TV and Internet. Traders are no longer responsible for the content accessed by their customers, making it more interesting for many industries to build a stable and powerful Internet connection for a variety of users, with or without the simultaneous use of cable television. Since cable network operators can already offer more than 100 Mbps today, there are great opportunities for the industry.

A further side effect is that the following standard DVB-T2 requires less transmission spectrum so that freed radio frequencies can be used for expanding the mobile Internet. In this way, broadband development in rural areas is to be promoted, which many government programs also subsidize.

Germany is the largest cable market in Europe with 17.5 million cable TV households; the number of cable TV households supplied has been stable since 2014. The second important transmission route for TV services is satellite reception. In the year under review, more than 17.7 million households used it. In addition, as of this year 46.5 % receive satellite service and 45.9 % subscribe to cable networks, which means that TV households in Germany are almost equally split between these transmission mediums. In the course of the transition to DVB-T2, there will be more core regions that will be covered in the future, and thus a larger part of the population will be able to receive private and public programming via antenna. The current share of terrestrial transmission is 9.0 %, which is a slight decline compared with 2015. The share of TV transmission over IP-TV amounted to 6.2 %, which represents a growing trend.

The structure of the German cable market has developed on the basis of a historical split in the early 1980s into NE3 network operators and NE4 network operators. While the development of the NE3 infrastructure was taken over by the Deutsche Bundespost, the development of the NE4 household networks was left to private providers from the trade, small and medium-sized businesses and industry.

After the privatization of the German Federal Post Office and the German Telecommunications Act of 1996, Deutsche Telekom AG (DTAG) was obliged to open up the NE3 cable network, which was taken over by the Federal Post Office, to competitors and sell it to competitors. After numerous transactions, the majority of the regional NE3 networks are now owned by the two major cable operators Kabel Deutschland Holding AG (KD, after the acquisition by the Vodafone Group Vodafone / KD) and Unitymedia, which also supply their own NE4 inventories via these networks.

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

Due to the concentration in the cable market that has taken place in the past, only a few suppliers are now facing a large number of buyers. In the regions of the Tele Columbus Group, two other larger integrated network operators are now active: Vodafone / KD and Unitymedia.

In the competition of the cable network operators, Tele Columbus strengthened its strong market position in the East German federal states by the takeover of the primacom Group as well as the pepcom Group and extended to the federal states of Bavaria, Baden-Wuerttemberg, Mecklenburg-Vorpommern, Hamburg and Rhineland-Palatinate.

In the competition among the cable network operators, Tele Columbus has a strong market position in the East German federal states. In Berlin, around 48 % of the cable households were supplied by Tele Columbus in 2016, 68 % in Brandenburg, 63 % in Saxony, 19 % in Mecklenburg-Vorpommern and 46 % in Thuringia. In Saxony-Anhalt, we still have a market share of around 99 %. The total market share of Tele Columbus in the cable households in these regions was therefore around 56 % in 2016. In selected East-German regions, such as the metropolitan cities of Leipzig, Erfurt or Halle, Tele Columbus has a clear regional market leadership and strong regional identity. In the west of Germany, the company focuses on individual regions, especially in the federal states of Bavaria, North Rhine-Westphalia, and Hesse. For example, the company supplies many cable households in Munich and Nuremberg and currently has a market share of 19 % in Bavaria, 13 % in Hessen and 13 % in North Rhine-Westphalia.

This market will provide future growth potential through increasing digitization.

Approximately 14.4 million cable households - this corresponds to 82.1 % of all households with cable connections - used the digital TV offers of the broadband cable in summer 2016. Compared with the previous year, this represents an increase of around 1.4 million cable households. Drivers for the transition to digital offerings are, above all, HDTV, 3D-TV, video-on-demand as well as time-delayed television and in the future new digital offers like Ultra HD and TV Everywhere. Around 8.0 million cable households already have an HDTV and an HD receiver and can thus receive their programs in high-definition quality. In the spring of 2017, unitymedia announced its intention to discontinue analogue TV distribution in June 2017. Thus, the starting signal has been given for the full-digitization of the TV landscape.

Another important trend in the German TV market is also the increasing distribution of pay TV, i.e. digital TV services, which can be acquired in addition to existing cable or satellite television.

In addition to the analogue and digital TV offer, the Internet and telephone services are also in demand via the cable connection. Currently, some 6.6 million households already use their cable connection for Internet access and telephone. Both attractive product launches and marketing activities - especially new bundle offers - support the future growth opportunities in this area.

A total of approximately 31.6 million broadband lines were in operation at the end of 2016 (previous year: 30.6 million), with the connection technology dominating here still being DSL with a share of approximately 77 % (Credit Suisse European Telecoms Factsheet).

The German Internet market is characterised on the one hand by a growing demand for higher bandwidth, and on the other by a change from DSL to cable offers. The cable segment is the fastest growing Internet access opportunity with approximately 21.5 % and is increasingly gaining market shares on the DSL segment. In addition, the German Federal Government is pursuing the goal of providing a broadband Internet access network with a bandwidth of at least 50 Mbps by 2018 for almost the entire population. The European Commission is even aiming at a 100 Mbps / s range for 50 % of the EU population by 2020. There are various state subsidy programs in certain parts of Germany for the expansion of the infrastructure.

The German market is characterised by a clear trend towards higher bandwidths. Currently, the broadband cable network already provides numerous German households with high-speed Internet. There is thus a trend towards higher bandwidths. More than 60 % of all cable customers already have Internet bandwidths of more than 30 Mbps. On the basis of their powerful infrastructure, cable network operators today offer their customers connections with 200 Mbps and more: these bandwidths cover more than 30 % of German cable households. In some cities in Germany, a bandwidth of up to 400 Mbps is already possible. The next transmission standard DOCSIS 3.1 is already on the market, so that on the basis of the existing cable infrastructure of fibre optic and coaxial cables it is foreseeable that speeds in the gigabit range will become available.

In 2016, the Tele Columbus Group increased its share of households, which are connected to Tele Columbus's own signal supply and feedback channel-enabled, i.e., the marketing of telephone and internet services, thanks to targeted network investments, especially in network level 3, from 61 % to 63 %.

In the case of fixed line telephony, too, growth in Germany is increasingly dependent on high-quality broadband services, since telephony services are increasingly bundled with broadband services and are provided on the basis of Internet protocol technology (Voice-Over-IP). The fixed line telephone sector has experienced a considerable price decline due to the increasing supply of flat rate products. The competition in the fixed line segment has changed due to the emergence of resellers, alternative operators, declining mobile phone charges (and the resulting substitution by the mobile radio) as well as alternative access technologies and providers of other services such as Skype. The decision to abolish roaming charges is also making mobile telephony more attractive in the future.

Even under these market conditions, the market share of cable network operators in the fixed line market has grown steadily and is above 18 % with 6.7 million users respectively. The Tele Columbus Group was able to better position itself in this market through the acquisition of primacom and pepcom in 2015, as well as the introduction of attractive, modern and technically sound products and bundle offerings, and increased the market share at the end of 2015 by approximately 1.5 % to approximately 1.7 % at the end of 2016.

2.2 Business Performance

In the financial year 2016, Tele Columbus AG successfully continued its growth strategy and achieved the targets projected for the 2016 financial year.

The financial year 2016 was decisively influenced by integration initiatives, which required a high level of resources that will continue to be demanded during the following year. Within the scope of the integration initiative a project was initiated to establish and extend a uniform ERP structure at the Tele Columbus Group and the primacom and pepcom Group, which was acquired during the previous year. This is planned to be implemented by the middle of 2018.

The turnover and the EBITDA could be significantly increased. The normalised EBITDA margin amounts to 52.3 %. Similarly, the RGUs per end customer and the ARPU have increased for all services as projected.

With 32.7 % of sales, the investments made in 2016 are slightly below the projected investment (35 – 38 % of sales in 2016). The slight drop below the forecast is mainly due to investments in network infrastructure. In this case there was a postponement of some upgrade projects (especially due to the integration of the group divisions).

The basis for this success is, in particular, the efficient network infrastructure. Thus, the number of connected residential units that are upgraded to feedback channel capability and connected to its own network level 3, increased by about 90,000 to approximately 2,282,000 residential units. Overall, this share of connected residential units increased by about 2 percentage points to 63 % of total assets. The slight drop below the projected value of a 3 percentage point increase is, as was explained above, due to the postponement of some upgrade projects. In addition, at the end of the year under review, approximately 96 % of the feedback channel-enabled networks and those connected to its own signal supply with a hybrid fibre optic structure were upgraded to the Internet transmission standard DOCSIS 3.0, which allows transmission rates of up to 1.0 Gigabit / s. The number of residential units connected to the Group's cable network amounted to around 3.6 million at the end of 2016 and thus remained stable compared to the previous year (2015: 3.6 million). The strongest organic growth driver was the successful sale of new products to existing customers. The potential that the existing customer base of the Group offers for up-selling and cross-selling additional products - such as premium TV, Internet and telephony - beyond the traditional cable connection was successfully used during the reporting year.

In addition, new product launches have helped to increase the sales of additional services to cable connection customers. New contract deals, in combination with expanding the availability of up to 400 Mbps to about 1 million households and continuing attractive triple play packages for new customers, have led to an increase in the number of Internet customer subscriptions and thus contributed to the strong growth of the Group.

Customer base / RGUs

	2016	2015
Customer base subscribers in millions	2.42	2.44
RGUs in millions	3.88	3.77
RGUs Internet and Telephony segment in millions	1.02	0.89
RGUs TV Segment in millions	2.86	2.88
RGUs Cable TV in millions	2.43	2.45
RGUs Premium TV in millions	0.43	0.43
RGUs per customer x	1.61	1.55

The customer base of Tele Columbus remained almost stable with 2.42 million subscribers compared to the end of 2015.

The sum of the revenue-generating units (RGUs) rose by 0.11 million to 3.88 million (previous year: 3.77 million) for all services in the reporting year. The growth achieved mainly results from the increasing penetration of the customer base with additional products beyond the classical cable television.

In particular, business with Internet and telephony connections developed very dynamically. The RGUs for Internet services increased by around 13 % to about 520,000 (2015: 462,000). Telephony services recorded a rise of 16 % to about 495,000 RGUs (2015: 427,000).

The RGUs for cable TV fell slightly too approximately 2.43 million (2015: 2.45 million). The RGUs for premium TV services were stable: they were around 430,000 units (2015: 430,000).

The average number of products (RGUs) per customer across all segments developed positively in the financial year. The value increased to 1.61 at the end of 2016, after being at 1.55 at the end of 2015. That corresponded to the development of RGUs per end customer and the strategic objective of Tele Columbus AG and also the value projected for the 2016 financial year.

ARPU in EUR	2016	2015
Blended ARPU	16.40	14.92
Blended ARPU TV (by TV end customer)	9.20	9.55
Blended ARPU Internet and Telephony (by Internet RGU)	22.93	22.87

The average revenue per customer and month from all services - the monthly “Average Revenue per User” (ARPU) or “Yearly average ARPU” - amounted to EUR 16.40 in 2016, an increase of 9.9 % compared to the previous year (2015: EUR 14.92). This development also reflected the forecast and strategic objectives of Tele Columbus AG and was driven by a growing customer base and acquisitions, as well as a redesign of Internet and telephony contracts, as well as a growing trend in the conclusion of new contracts with a higher bandwidth. As a result, the monthly ARPU for bundled internet and telephone services rose to approx. EUR 22.93 (2015: EUR 22.87).

On the other hand, the Blended TV ARPU for the Group as at 31 December 2016 fell slightly to EUR 9.20 against the previous year at EUR 9.55. This is due to the fact of individual contractual conversions from single to collective collection.

Another key figure, which is at the heart of strategic growth - the share of housing units connected to the company's own signal supply and feedback channel-enabled - could already be increased to 63 % at the end of the 2016 financial year, which is only slightly below the projected increase of around 3 %. At the end of the 2015 financial year, the ratio was still 61 %.

2.3 Situation

2.3.1 Income situation

The table below provides an overview of the development of the earnings position.

KEUR	2016	2015 adjusted[1)]
Revenue	476,751	***280,681***
Own work capitalised	18,350	13,156
Other income	28,197	25,575
Total operating income	**523,298**	**319,412**
Cost of materials	-146,224	-93,137
Employee benefits	-84,065	-53,226
Other expenses	-76,667	-99,720
EBITDA	**216,342**	**73,329**
Non recurring expenses (+)/ income (-)	32,922	68,092
Normalised EBITDA	**249,264**	**141,421**
EBITDA	**216,342**	**73,329**
Financial result	-72,240	-62,556
Depreciations	-154,653	-74,762
Income tax	-208	-1,119
Net loss	**-10,759**	**-65,108**

[1)] For the adjustments to the income statement of the previous year and the other tables marked with "adjusted", please refer to the notes to the consolidated financial statements in section A.4 “Description of changes 2015".

Sales for the 2016 financial year increased by 69.9 % compared to the previous year to KEUR 476,751. The increase is mainly due to the acquisition of the primacom and pepcom Group in 2015 (the first consolidation of primacom took place on 1 August 2015, pepcom on 1 December 2015). Compared to financial year 2015, based on unaudited pro forma figures, sales rose by 3.5 %. The forecast (sales growth in the mid single-digit range) was achieved.

Revenue from the “TV” segment rose by 50.3 % to KEUR 287,541 (previous year: KEUR 191,281). Of this amount, KEUR 28,135 resulted from the Premium TV segment. This segment rose by 53.3 % (previous year: KEUR 18.358). Sales in the Internet and Telephony segment increased significantly by 83.0 % from KEUR 79,385 to KEUR 145,262.

Own work capitalised increased in the financial year from KEUR 13,156 to KEUR 18,350. The increase is mainly attributable to the increased capital expenditures in the 2016 financial year as a whole.

Other income was up 10.3 % to KEUR 28,197. The increase is mainly due to the fact that higher releases of provisions were recorded (+ KEUR 5,629), which is mainly due to restructuring provisions and provisions for onerous contracts. Similarly, the income from the sale of various materials increased by KEUR 1,970, mainly resulting from the pepcom Group, as well as income from the disposal of fixed assets by KEUR 831. The decline in income from the reallocation of costs in connection with the IPO of the then parent company Tele Columbus Management S.à r.l., which was included in the previous year in the amount of KEUR 4,395, had a countervailing effect.

The overall performance, defined as the sum of sales revenues, other income and own work capitalised, rose by 63.8 % to KEUR 523,298 in the reporting period.

In the financial year 2016, the cost of materials increased by KEUR 53,087 to KEUR 146,224. The increase is mainly due to the acquisition of the primacom Group and the pepcom Group.

Employee benefits rose by KEUR 30,839 to KEUR 84,065. The increase is mainly due to the personnel expenses of the primacom Group and the pepcom Group. Based on the unaudited pro-forma personnel expenses for financial year 2015 amounting to KEUR 91,514, personnel expenses in 2016 decreased by KEUR 7,449. The average number of employees in the Tele Columbus Group increased by 462 to 1,424 in the 2016 financial year (previous year: 962).

The other expenses amounted to KEUR 76,667 in financial year 2016 (previous year: KEUR 99,720). The decrease of KEUR 23,053 mainly resulted from lower legal and advisory costs (KEUR - 17,047), which were still recorded in the previous year in connection with the preparation of the IPO, the acquisition of new equity interests and the capital increase procedure. In addition, the restructuring expenses decreased by KEUR 16,210 to KEUR 6,632, and the additional costs of money transfer decreased from KEUR 4,452 to KEUR 1,224, which was also significantly influenced by bank fees in connection with the IPO in the previous year. In contrast, other operating expenses were predominantly slightly higher, mainly due to the acquisition of the primacom and pepcom Group.

EBITDA amounted to KEUR 216,342 in financial year 2016 due to the factors described above and the growth achieved by primacom and pepcom in financial year 2016, and rose by KEUR 143,013 compared to the previous year. Based on the unaudited pro-forma EBITDA for the financial year 2015 in the amount of KEUR 152,305, EBTIDA rose by 42.0 %.

As a result of the Group's operating performance and activities, the “Normalised EBITDA” was improved by 76.3 % compared with the previous year to KEUR 249,264. The unaudited pro-forma “Normalised EBITDA” for financial year 2015 amounted to KEUR 233,798, the adjusted increase was 6.6 %.

Results in KEUR	2016	2015 adjusted
Normalised EBITDA	**249,264**	**141,421**
Restructuring and further integration measures	-28,411	-56,615
Financial restructuring	-1,127	-5,213
Other	-3,384	-6,263
Non-recurring expenses (-)/Income (+)	**-32,922**	**-68,092**
EBITDA	**216,342**	**73,329**

In the financial year 2016 expenses for restructuring and further integration measures amounted to KEUR 28,411 (2015: KEUR 56,615). These include wages and salaries in the amount of KEUR 14,151 relating to the restructuring measures of the pepcom group - in particular the settlement of interests and social compensation plan - which were accrued (KEUR 7,627). In addition, these expenses comprise salaries, rewards and bonuses associated in connection with the restructuring as well as salaries of released staff in the amount of KEUR 6,524. The item also comprises legal and advisory fees (KEUR 8,224) and expenses incurred for the standardisation of the product portfolio (KEUR 4,100).

Restructuring and further integration measures in KEUR	2016	2015
Profit and loss account	**-28,411**	**-56,615**
Other income	6,181	50
Cost of materials	-2,963	-
Employee benefits	-11,013	-8,716
Other expenses	-20,615	-47,949

The expenses for financial restructuring decreased by KEUR 4,086 to KEUR 1,127 in the financial year 2016. These mainly contain legal and advisory fees incurred in connection with the repayment and renegotiation of loan agreements, which are not accounted for in accordance with IAS 39.

Financial restructuring in KEUR	2016	2015
Profit and loss account	**-1,127**	**-5,213**
Other income	-	4,694
Cost of materials	-	-5
Other expenses	-1,127	-9,902

Other “one-off items” in the amount of KEUR 3,384 (2015: KEUR 6,263) comprise among others gains and losses from the disposal of property, plant and equipment as well as advisory fees for other one-time events.

Other in KEUR	2016	2015
Profit and loss account	**-3,384**	**-6,263**
Other income	5,290	4,041
Change in inventories	-354	-
Cost of materials	-2,119	-5,142
Other expenses	-6,201	-5,163

In the period under review the operating margin, defined as the ratio of "Normalised EBITDA" to sales revenues, increased to 52.3 % (previous year: 50.4 %).

The negative financial result increased by KEUR 9,684 to KEUR 72,240 compared to the previous year. The result mainly includes the interest expenses to third parties of KEUR 64,365, which increased by KEUR 21,810 as a result of the new borrowing of loans during the past financial year.

The other financial result amounted to KEUR 2,852 (previous year: KEUR -18,405). The other financial result is derived from the revaluation of derivatives embedded in loans. The prior-year figure also included transaction costs resulting from refinancing in the first quarter of 2015.

Depreciation and amortisation rose to KEUR 154,653 (previous year: KEUR 74,762). The increase was mainly due to the addition of primacom and pepcom.

In the financial year 2016, taxes on income amounted to KEUR 208 (previous year: KEUR 1,119). Current income tax expenses increased by KEUR 10,494 to KEUR 13,665, while deferred tax income increased by KEUR 11,405 to KEUR 13,457 (previous year's deferred tax income: KEUR 2,052).

The financial year 2016 was concluded with a net loss in the amount of KEUR 10,759 (previous year: a net loss of KEUR 65,108).

2.3.2 Earnings position by segment information

The operating business is divided into two segments. The following table provides an overview of the sales revenues in financial years 2016 and 2015 as of December 31:

Revenue segments in KEUR	2016	2015 adjusted
Revenue TV segment	287,541	191,281
Revenue Internet and Telephony	145,262	79,385
Total revenues (excluding segment „Other")	**432,803**	**270,666**

Revenues from the "TV" segment increased by 50.3 % compared with the previous year to KEUR 287,541. Of this amount, KEUR 28,135 resulted from the Premium TV segment. This segment rose by 53.3 % (previous year: KEUR 18,358). The increase is mainly due to the acquisitions of primacom and pepcom. Compared to financial year

2015, based on the unaudited pro forma figures, there were declines in the cable TV-RGU by approx. 24,000, as well as a falling cable TV-ARPU by EUR 0.29.

Sales in the "Internet and Telephony" segment increased significantly by 83.0 % from KEUR 79,385 to KEUR 145,262. Compared to financial year 2015, based on the unaudited pro forma figures, the Internet and telephone RGUs increased by approximately 127,000 with a simultaneous increase in the ARPU by EUR 0.90.

Normalised expenses of the segments in KEUR	2016	2015 adjusted
Material Costs		
TV Segment	-97,022	-73,709
Internet and Telephony segment	-27,141	-13,513
Employee benefits		
TV Segment	-27,554	-14,913
Internet and Telephony segment	-17,009	-8,999
Other expenses		
TV Segment	-12,739	-8,858
Internet and Telephony segment	-10,170	-10,007

The increase in normalised expenses is mainly due to the acquisition of primacom and pepcom.

Result in KEUR	2016	2015 adjusted
Normalised EBITDA		
TV Segment	167,051	107,635
Internet and Telephony segment	102,198	52,486
Non-recurring expenses (-)/Income (+)		
TV Segment	988	-7,769
Internet and Telephony segment	-2,893	-3,049
EBITDA		
TV Segment	168,040	99,866
Internet and Telephony segment	99,305	49,437

For the development of the results, please refer to the notes to the consolidated financial statements, section F.6.

The segment "Other" which mainly consists of the B2B- and the construction services of the subsidiary HLkomm as well as general administrative and personnel costs of Tele Columbus Group, contributes an EBITDA in the amount of KEUR -51,003 (previous year: KEUR -75,973) to the consolidated result of the financial year 2016. The improvement compared to the previous year is primarily due to reduced legal and advisory fees. Segment revenues increased from KEUR 10,015 to KEUR 43,947 as a result of the acquisition of the pepcom group. The normalised EBITDA decreased slightly from KEUR -18,699 to KEUR -19,985.

2.3.3 Financial position and liquidity

Cash Flow

As at 31 December 2016, the balance of cash and cash equivalents amounted to KEUR 55,223 (previous year: KEUR 85,178). This represents a reduction in stock of KEUR 29,955 compared to the previous year.

The positive cash inflow from the cash flow from operating activities minus cash flow from investing activities of KEUR 67,846 was used to reduce the borrowed funds of credit institutions. Cash flow from financing activities amounted to KEUR - 100,341 in the financial year.

In the course of the refinancing carried out in the 2016 financial year, the Tele Columbus Group was able to further improve its creditworthiness. In 2016, the Tele Columbus Group was able to meet its payment obligations at any time. Based on the optimisation of the financing structure, the Tele Columbus Group was able to further expand its operating business and the associated market reach.

The financial resources required for investments in network expansion, the acquisition of additional companies as well as the distribution and marketing of the new telephone and internet services were financed from the operating business and from cash liquidity. The interest payments to be made on the company's bank borrowings were paid from cash. The available credit line of KEUR 125,000 has not been utilised.

The Tele Columbus Group is currently funded mainly through a long-term loan. Effective as of 31 October 2016, the maturities of the long-term tranches A, C, Incremental I & II were extended by a total of EUR 1.255 billion by two years to January 2023, while the credit margin was reduced by 50 basis points to EURIBOR plus 400 basis points. The existing tranches were combined in a new tranche A. The existing investment credit line and the revolving credit line for a total of KEUR 125,000 remain unchanged.

The combined cash flow of the Tele Columbus Group for the financial year 2016 and 2015 is as follows:

KEUR	2016	2015 adjusted
Cash flows from operating activities	198,631	88,975
Cash flows from investing activities	-130,785	-726,920
Cash flows from financing activities	-100,341	693,453
Net increase/decrease in cash and cash equivalents	**-32,495**	**55,508**
Cash and cash equivalents at the beginning of the reporting period	85,178	24,441
Cash and cash equivalents at the end of the reporting period	**52,683**	**79,949**
Plus release of restricted cash and cash equivalents in the financial year	2,540	5,229
Free cash and cash equivalents at the end of the period	**55,223**	**85,178**

Cash flow from operating activities

In the financial year ended 31 December 2016, the net cash flow from operating activities amounted to KEUR 198,631. This was therefore significantly higher than the previous year's figure of KEUR 88,975. The increase is mainly due to the acquisitions of primacom and pepcom.

The percentage increase compared to the previous year also exceeds the increase in EBITDA. This increased by 295.0 % to KEUR 216,342 in the financial year (previous year: KEUR 73,329).

Income tax payments rose by KEUR 170 to KEUR -10,871 (previous year: KEUR -10,701).

Cash flow from investment activities

The cash flow from investing activities amounting to KEUR -130,785 (previous year: KEUR -726.920) mainly results from investments in property, plant and equipment and intangible assets. These increased by 62.1 % year-on-year to KEUR 140,576 (previous year: KEUR 86,744).

The main focus of the investments is the consistent continuation of the migration strategy, i.e. replacement of external signal suppliers by supplying the Tele Columbus inventories with their own signal as well as the expansion of the existing HFC networks for the marketing of IP services with a high transmission rate to meet the growing demand for fast Internet connections. Investments for the expansion of existing residential property acquisitions in the context of new acquisitions and contract expeditions took place mainly in the regions of Berlin/Potsdam, Dresden and other locations in Saxony. In financial year 2016, the Group invested a total of KEUR 113,591 in technical facilities and facilities under construction.

The investment commitments entered into in financial year 2016, which lead to cash outflows in the amount of KEUR 35,923 (previous year: KEUR 16,200) in the following reporting periods, are financed from the existing cash holdings.

Cash flow from financing activities

The negative cash flow from financing activities in the amount of KEUR -100,341 (previous year: KEUR -693.453) includes, among other things, transaction costs for the refinancing of term loans in the amount of KEUR 6,131, and an early repayment fee for the removal of the second lien of KEUR 2,350. In addition, repayments of short-term and long-term borrowings in the amount of KEUR 173,495 were made in the 2016 financial year. Within the framework of new financing, long-term liabilities amounting to KEUR 129,500 were recorded.

While interest paid for bank borrowings in the amount of KEUR 29,262 paid in the previous year's period, interest payments increased in 2016 to KEUR 45,427. The interest rates for the main financing were paid in January, April and July of the financial year.

In addition, the Tele Columbus Group has concluded various lease agreements on infrastructure facilities to supply customers. These were classified as finance leases in accordance with IAS 17. In the year 2016 payments of KEUR 9,545 resulted from finance leasing (previous year: KEUR 6,735).

The company's management reviews the liquidity situation at least once a month and, if necessary, initiates appropriate measures to prevent any liquidity bottlenecks in good time (refer to the explanations in section 6).

Financing Structure

Finacing Structure in KEUR

Lender	Borrower	Outstanding interests paid on 30.01.2017	Total as at 31.12.2016	Share	Total as at 31.12.2015	Share
New Facility A	TC AG	-	1,230,671	97.62%	-	0.00%
IPO Facility A	TC AG	4,222	-	0.33%	370,987	29.19%
Senior Tranche C	TC AG	5,076	-	0.40%	423,907	33.36%
Senior Incremental	TC AG	3,737	-	0.30%	311,783	24.53%
Second Incremental	TC AG	1,469	14,504	0.12%	-	0.00%
Rev. Facility / IPO Facility B&C[1)]	TC AG	-	305	0.02%	278	0.02%
Second Lien	TC AG	-	-	-	111,963	8.81%
Interest-Caps	TC AG	-	4,140	0.33%	-	-
DB Lux / Other	Pepcom	-	1,432	0.11%	43,198	3.40%
Other		-	9,606	0.76%	8,671	0.68%
Total		-	**1,260,658**	**100%**	**1,270,787**	**100%**

[1)]Disclosure on liabilities for committment fees for credit facility not utilised

In October 2016, Tele Columbus replaced the existing term loans and renegotiated loan terms. In addition to extending the maturities as of 2 January 2023, interest margins were reduced. The existing investment credit line and the revolving credit line have been maintained in the same amount and under the same conditions. The revolving credit line was extended prematurely by one year until 2 January 2021.

The credit volume of the Financing Agreement of 14 October 2016, comprised KEUR 1,380,000 and is divided into Facility A (Term Loan) of KEUR 1,255,000 and in two credit lines B of KEUR 75,000 which have not yet been utilised for investments in fixed assets (Capex Facility) and C of KEUR 50,000 for general costs (Revolving Facility).

The term of the Facility A is six years, Facility B is three years, and the Revolving Facility is four years. The current margin amounts to 4.0 % plus EURIBOR for Facility A and 3.75 % for B & Revolving Facility. The provision fee for the Facilities B & Revolving Facility is calculated at 35 % of the margin of the two credit lines and is due quarterly.

For the terms of the credit agreements, please refer to the explanations in section E.20 “Liabilities to banks” in the notes to the consolidated financial statements.

Pursuant to the P & L and Share Pledge Agreements, the interests of affiliates and are used to collateralize liabilities to banks. In addition, loans from the Tele Columbus Group are collateralised with trade receivables.

2.3.4 Asset Status

As of 31 December 2015, the balance sheet total decreased by KEUR 40,137 to KEUR 2,147,128. On the assets side, the reduction is mainly reflected in a sharp decline in current assets, in particular, cash and cash equivalents, as well as in intangible assets, while equity, deferred tax liabilities and other provisions declined significantly on the liabilities side.

Property, plant and equipment increased by KEUR 3,442 compared to 31 December 2015 to KEUR 604,690. This is mainly due to a significant increase in assets under construction and advance payments by KEUR 25,417 to KEUR 52,719 due to the initiation of investment projects. The increase was offset by scheduled depreciations. Investments in plant and equipment amounted to KEUR 73,213 in the financial year 2016.

Intangible assets and goodwill fell by KEUR 19,645 from KEUR 1,421,779 to KEUR 1,402,134 as of 31 December 2016. While advance payments due to ongoing investment projects increased by KEUR 14,703, the customer base experienced a sharp decline of KEUR 31,774 due to scheduled amortization of the customer bases that were capitalised in the previous year in the opening balance of primacom and pepcom.

Non-current other financial receivables increased by KEUR 1,749 to KEUR 2,046 due to higher deposits and guarantees.

The non-current derivative financial instruments amounting to KEUR 3,630 consist exclusively of the two interest rate caps acquired in February 2016 by Tele Columbus AG.

In the case of current assets, cash and cash equivalents of KEUR 85,178 in the previous year declined by KEUR 29,955 to KEUR 55,223. With regard to the development of the balance of payments, reference is made to the explanations in section 0 "*2.3.3 Financial position and* liquidity".

Current trade receivables increased by KEUR 8,808 to KEUR 48,251. This increase corresponds to the adjusted sales increase.

Receivables from related parties relate to receivables from APROSTYLE AG, while the receivables from the previous year essentially included receivables from Deutsche Netzmarketing GmbH, which is no longer a related company as of 31 December 2016.

Current other financial receivables decreased by KEUR 8,855 to KEUR 4,230. This mainly results from lower receivables from money transit.

As of 31 December 2016, the consolidated equity of the Tele Columbus Group amounted to KEUR 535,182 (previous year: KEUR 546,954). The decrease is mainly due to the deficit in the financial year 2016 of KEUR 10,759. For a detailed overview of the development, please refer to the consolidated statement of changes in equity in the notes to the consolidated financial statements.

Non-current other provisions decreased by KEUR 15,523 and amounted to KEUR 4,061 as of 31 December 2016. This item mainly includes provisions for onerous contracts and restructuring costs. The decline is due to the reclassification of the long-term portion of the restructuring and onerous contract provision in the previous year to other current provisions.

Non-current liabilities to banks increased from KEUR 1,220,879 to KEUR 1,234,702. With effect from 1 November 2016, the Tele Columbus Group has replaced all term loans existing until this date by taking out a new Facility A over a nominal EUR 1.25 billion.

The debt of the Group from interest-bearing loans amounted to KEUR 1,260,657 as of 31 December 2016 (previous year: KEUR 1,270,788). This corresponds to a share of 58.7 % (previous year: 58.1 %) of the balance sheet total.

Non-current other financial liabilities amounted to KEUR 88,387 (previous year: KEUR 94,739). The item mainly comprises long-term lease liabilities for the use of infrastructure facilities in the amount of KEUR 36,488 (previous year: KEUR 38,241) as well as liabilities of the pepcom Group to non-controlling interests in the amount of KEUR 51,324 (previous year: KEUR 54,583).

Deferred tax liabilities of KEUR 66,120 were reported as of 31 December 2016 (previous year: KEUR 77,014). These mainly result from the customer bases capitalised at initial consolidation of primacom and pepcom Group and have declined due to scheduled amortization of the customer base.

Current liabilities to banks amounted to KEUR 25,955 (previous year: KEUR 49,909). The previous year's value mainly included liabilities of the pepcom Group in the amount of KEUR 41,190, which were repaid in the past financial year.

2.3.5 Overall statement

The income, financial and asset position is the situation of the Tele Columbus Group of the year 2016. The opening balances of the subgroups primacom and pepcom acquired in 2015 have been finalised and the subsequent accounting has been adjusted so that the uncertainties resulting from the past year are eliminated. Tele Columbus has sufficient liquidity and is solidly financed. As a result of the acquisitions and the investments made in the cable network, the planned growth strategy was successfully implemented. The company is in an excellent position to further expand the market position in the coming years and successfully continue to implement the strategy that is geared to growth.

3. Tele Columbus AG – condensed version according to HGB

In addition to the Group's reporting, we will also explain separately the development of the parent company Tele Columbus AG.

Tele Columbus AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB) and the German Stock Corporation Act (AktG).

As a result of the initial application of the provisions of the German Accounting Law Reform Act (BilRuG), necessary changes were made to the presentation of the income statement of Tele Columbus AG. The previous year was adjusted accordingly for comparative purposes. Please refer to the notes in the German Commercial Code (HGB) Appendix of Tele Columbus AG.

Tele Columbus AG acts essentially as a holding company for the entities of the Tele Columbus Group and is consequently dependent on the economic situation and the business performance of its subsidiaries. The earnings situation is aside from financing expenses mainly affected by income from investments of subsidiaries, in particular the expenses and income from profit-and-loss transfer agreements, as well as by income charged to the group entities for the provision of central services in the areas of controlling, financial planning, accounting, sales, technology, customer services and general administrative tasks.

<u>Analysis of annual accounts</u>

The revenues generated by Tele Columbus AG for financial year 2016 of KEUR 78,878 (2015: KEUR 73,584) mainly result from income from services and sales to affiliated companies.

Operating expenses are particularly related to the management and financing functions of the company. Accordingly, the result of ordinary business activities is significantly influenced by general administrative expenses, other operating income and financial income.

Own work capitalised amounting to KEUR 1,140 (previous year KEUR -) are associated with the implementation of the new ERP-system and the multimedia service AdvanceTV.

Other operating income in the amount of KEUR 42,806 was slightly above the amount of the previous year (KEUR 42,965). While the income from costs passed to affiliated companies of KEUR 34,652 was almost at the level of the previous year (KEUR 35,017), the income from the reversal of provisions increased significantly by KEUR 4,826 to KEUR 6,583, which was mainly due to the reversal of a provision for an onerous contract in connection with the signing of a signal supply agreement as well as severance payment provisions. In the previous year, however, income from reimbursable costs of the IPO amounting to KEUR 4,395 was included.

The cost of materials includes the change in inventory for modems and receivers, which were resold by the Tele Columbus AG Group, and it decreased slightly compared to the previous year due to lower sales.

Personnel expenses decreased slightly from KEUR 31,471 to KEUR 29,487, which can mainly be attributed to lower expenses related to severance payments.

Other operating expenses have significantly decreased by KEUR 64,411 to KEUR 83,775. The decrease is primarily due to the fact that during the previous year legal and advisroy expenses in the amount of KEUR 42,858 (2016: KEUR 11,373) were incurred in connection with the preparations for the purchase of investments (e.g., primacom, pepcom and other companies) as well as the IPO and the share capital increase procedure. In addition, restructuring costs in the amount of KEUR 22,497 (2016: KEUR 1,028) were included in the other operating expenses for the previous year. In addition, incidental bank charges declined from KEUR 7,737 to KEUR 49, which included bank charges that were incurred in connection with the IPO during the previous year. The expenses for affiliated companies, which were also reduced by KEUR 365 to KEUR 34,652, were charged at the same amount and reported under other operating income.

The negative financial result from the previous year improved from KEUR -87,544 to KEUR -21,861. During the previous year, the financial result was mainly impacted by write-downs on the shares in Tele Columbus Netze Berlin GmbH amounting to KEUR 27,400. During the financial year 2016 write-downs in the amount of KEUR 4,389 were recorded for Tele Columbus Netze Berlin GmbH. Income from loans from financial assets increased by KEUR 27,600 to KEUR 36,096. They include primarily income from long-term loans to the subsidiaries primacom and pepcom.

Income from profit transfers summed up to KEUR 22,950. The increase of EUR 15,903 compared to the previous year is primarily due to the substantially higher net profit recorded by Tele Columbus Multimedia, which increased by KEUR 15,687.

During the past financial year, no taxes on income and earnings were incurred due to tax losses. In prior year, taxes on income only included income from the reversal of provisions from 2015 amounting to KEUR 1,241.

Tele Columbus AG closes out the financial year with a net loss of KEUR 20,214. The loss is carried forward.

The balance sheet total is EUR 1.96 billion, which is virtually unchanged compared to 31 December 2015 (EUR 1.95 billion).

On the assets side, the increase was mainly due to higher advance payments on intangible assets and receivables from affiliated companies, and on the liabilities side the increase was in particular attributable to increased liabilities to credit institutions and affiliates.

Advance payments on intangible assets include in particular expenses related to the transition to a new group-wide ERP system as well as the multimedia service AdvanceTV.

Financial assets have decreased by KEUR 15,345 compared to 31 December 2015. This is due to decreased lending to the subsidiaries primacom and pepcom because of repayments and the impairment of shares in Tele Columbus Netze Berlin GmbH (KEUR 4,389).

Receivables from affiliated companies increased from KEUR 43,515 to KEUR 64,814, which largely is the result of the higher receivables from profit transfer.

Cash and cash equivalents decreased by KEUR 5,302 to KEUR 15,481.

Tele Columbus AG's equity amounts to KEUR 560,718 as of 31 December 2016. The decrease compared to the previous financial year is due exclusively to the net loss recorded in 2016. The equity capital ratio was 28.6 % (previous year: 29.8 %).

The other provisions significantly decreased from KEUR 52,172 to KEUR 29,348. This reduction is mainly due to lower provisions for outstanding invoices (KEUR -10,538) as well as for restructuring (KEUR -6,768).

Liabilities to credit institutions increased by KEUR 29,444, which is essentially due to the accumulated interest liabilities.

An increase of KEUR 46,414 to KEUR 64,758 was recorded for liabilities to affiliated companies. This is due to loan liabilities to pepcom in the amount of KEUR 6,219, which had not yet been incurred in the previous year, as well as to higher liabilities to Tele Columbus Multimedia GmbH from the group-internal cash pooling.

The financial position of Tele Columbus AG is dependent on the financial needs of the Group companies and the Group's own funds to refinance this need. As a result of the capital measures taken in debt finance in the financial year, the financial situation was stabilised.

Tele Columbus AG has entered into a general guarantee agreement with PrimaCom Holding GmbH and PrimaCom Berlin GmbH that is valid until 31 December 2017 to secure the company's continued existence in the coming years. However, Tele Columbus AG does not assume that the letters of comfort will be used. In this context, intercompany loans have also been issued.

4. Supplementary Report

Please refer to the notes to the consolidated financial statements concerning the events of particular importance that have occurred since the end of the reporting period.

5. Report on expected developments

Purchasing power in Germany continues to grow

In the opinion of the Kiel Institute for World Economy (IfW), economic output in Germany is expected to rise by 1.7 % in 2017 (2016: 2.0 %). The driving force is no longer just consumption that loses momentum but also exports and investment. The reason for consumption no longer growing so strongly is amongst other things the increase in energy prices, which costs purchasing power. On the other hand, due to the continuing recovery in the euro area, a buoyant economy in the United States and the emerging markets will significantly increase exports in 2017 and 2018. Investments are also expected to pick up again. Overall, construction investment in particular is growing strongly.

Industry forecast

According to Tele Columbus AG, the cable market remains on track for success. The company is based on industry developments over the past few years, the Federal Government's attention to the achievement of broadband targets and the resulting initiatives, as well as the expectations of the German and European competitors, which are expressed in the respective publications and, ultimately, by the analysts. Digitization is the main driver for progress, growth and social participation in modern societies. The demand for high bandwidths is already significantly higher today and will increase strongly in the future. According to the industry association ANGA, more than 60 % of the cable internet customers currently are 30 Mbps or more, 30 % even at least 100 Mbps. Applications such as Ultra HD Television or Virtual Reality will drive up bandwidth requirements. Furthermore, a recent study by the IfW Cologne, showed that an increase in the average speed of the broadband connections by 1 % increases the gross domestic product by 0.07 %, therefore by around EUR 2 billion in Germany. As a result, investment in broadband networks is worthwhile from an economic point of view. According to the industry association ANGA, the German cable network operators are technically well equipped for the increasing demand for broadband connections and offer up to 400 Mbps more than the consumers are currently asking. From 2017, the cable network operators will also introduce the new DOCSIS 3.1 transmission standard, which will provide gigabit access for large parts of the population

With regard to TV services, the number of customers is expected to decline overall, but the ARPU is also expected to increase for these services. The main reason for this development is the expected rise in premium income from premium TV services - also as a result of a growing number of premium TV customers. The new business segments, such as the B2B or mobile communications business, are also increasingly contributing to growth.

Expected development of the Group and key figures

Tele Columbus AG works with annual, medium and long-term planning as well as intra-year forecast models. The planning approach is standardised and was carried out for the first time in 2017 based on the top-down method under the strategic premises of the company management. Subsequently, the planning was passed on to the departments for validation and the final budget was calculated in an iterative but shortened process. The annual planning is finalised by the Management Board and the Supervisory Board. The planning for the financial year 2017 was presented to the committees in December and approved by this committee. The medium term planning until 2021 was approved by the Management Board. The forecast period described is one year and is supplemented by medium-term forecasts.

The planning is carried out in detail on the basis of separate product lines, e.g. Basic TV, Premium TV, Internet, Telephony, and are consolidated into segments after completion of internal planning. The committees receive financial and operational key figures as detailed information in order to approve planning based on these key figures.

In order to better understand and assess the plans, the Management Board and the Supervisory Board receive historical key figures, on the basis of which the forecast characteristics and business development become clear.

After the eventful year 2015, after which the company had a completely new face by exchanging and acquiring the two next-largest competitors, primacom Holding GmbH and pepcom GmbH, the year 2016 was characterised by the integration. According to the leitmotif “best of three worlds”, the goal is to form a company that can successfully operate in the dynamic environment with an integrated and efficient network, optimised processes and structures, an efficient cost structure and a new brand appearance as well as financial flexibility. The guiding motto is that the strengths of the individual companies are initially built up and these are expanded throughout the company.

The acquisition of competitors and the resulting increased customer base have resulted in a significantly better market position. This stronger market position has led to a stabilisation in the number of connected residential units (hereinafter referred to as Homes Connected). In the medium term, a stable base of about 3.6 million households is forecast.

In addition to the operative business, the main focus was on integration and the achievement of the goals set. The objectives were to increase the synergies, e.g. personnel synergies and renegotiation of contracts, and the standardization of the operating business. For this, in some cases pre-investment was necessary, which is reflected in the CAPEX. In addition, the company continued to invest in infrastructure and customer growth. In addition to the integration initiatives, the strategic projects Upgrade and AdvanceTV were also intensified in 2016. Both provide the breeding ground for further customer growth and a significant increase in strategic margins.

The share of connected residential units, which is supplied via its own NE3 network, is to continue to rise. This will reduce the signal charges due to the independence of third-party suppliers, which will have a positive effect on earnings and margins. The group will open up additional households, i.e. marketable for Internet and telephony services. Excluding the value at the end of financial year 2016 of 63.3 % (previous year: 61 %), this rate is expected to rise by approximately 5 percentage points by the end of the new financial year. The Group maintains the objective of having a 71 % stake in residential units in the medium term.

Supported by new product launches in the TV area with the new AdvanceTV platform in January 2017, the group aims to develop a digital entertainment company. In addition, the introduction of new services as well as new customer terminals will support growth. At the same time, the broadband core business is to be continued with continued high investments in network infrastructure. The attractive and unified product portfolio across all three companies supports the goal of increasing the RGU, the sold products and services per end customer, to around 1.7 per year. The medium-term objective of Tele Columbus is an aimed RGU of 1.8 per end customer. The increasing penetration of the Internet and telephony services portfolio and the resulting improvement in the product portfolio with a higher proportion of high-margin products are expected to have a positive impact on sales and earnings growth.

In order to continue as an innovation leader, Tele Columbus is expanding its networks in a hybrid fibreoptic structure as needed, and will be using the most modern Internet transmission standard DOCSIS 3.1 from the second half of 2017 onwards. This will enable successive Gigabit connections in selected regions of Germany to be made available. Currently, DOCSIS 3.0 provides Internet connections with up to 400 Mbps. From analogue, digital and high-definition television to high-speed Internet and telephony, to telemetry services, tenant portals and interactive services, all innovative media applications can be represented over the broadband cable. At the same time, Tele Columbus is not restricted to the simple transmission of signals, but actively operates through its own product platform to expand the range of programs and the development of additional services. As a carrier, Tele Columbus also provides high performance connections and networks for business customers via the company HLkomm.

The expansion of the offer in other cities supplied by Tele Columbus in 2017 will strengthen the competitive position and also have a positive influence on the brand's recognition. The brand name and the positive radiation effects on customer acquisition are also determined by the size of the company and supported by the national importance after the acquisitions. Tailwind is expected by the introduction of the new brand. This had to be postponed due to other priorities in 2016 and will stimulate brand awareness and sales from mid-2017. The Group will continue to invest in its cable network to create the conditions for profitable and sustainable growth. In the medium term, this will lead to a significant increase in strategic margins.

According to strategy, a monthly ARPU from all services of slightly more than EUR 17 (previous year: EUR 16) is expected for the coming year. The monthly ARPU from all services shall increase in the medium-term to EUR 18. This is mainly driven by the marketing of high bandwidths. The Company pursues this strategy consistently and successfully. Against this backdrop, the Group expects a growth in sales in the mid single-digit percentage range for the 2017 financial year. In this context, the operating key figures should develop slightly above the figures for the 2016 financial year. For the financial year 2017, the Management Board of Tele Columbus AG expects an increase in the "normalised" EBITDA of approximately 10 % compared to the previous year.

The integration initiatives will continue to have a significant influence in the 2017 financial year. Implementation is progressing and requires high resources and the attention of all stakeholders. The integration initiatives will influence many company numbers. This will include the investment volume. The merger of the networks and the efficient use of the network will initially require more project-based investments. In the investment-intensive financial year 2017, these are expected to generate about 35 % of sales. Sales accounted for a share of 32.7 %, which is slightly below the last expected investment rate of 35.0 %. After a further peak in 2017, investments are expected to approach the level of the usual market level in Germany in the medium term.

The Group continually examines opportunities for selective acquisitions in order to expand the existing customer base or to attract new customer groups. These are not included in the annual and medium-term planning and therefore offer opportunities for a potentially better business development.

In the following, the development of the workforce as a function of the integration measures will be discussed. The reduction in the number of management functions and the partial abandonment of double posts in the specialist divisions led to the first savings in personnel costs in 2016. The Hanover site will be relocated in mid-2017, and the functions will move to Berlin and Leipzig as a result. Due to delays in the settlement negotiations, the target organization will not be reached as planned at the end of the 2017 financial year, but only in spring 2018. The full synergies in human resources are therefore to be raised in the second quarter of 2018. The successful migration of the ERP and BSS systems is essential for successful implementation. The target organization is aimed at a personnel structure that is oriented towards the industry and the competitors.

In addition to the strategic and qualitative advantages of integration, this will above all bring economic advantages in the form of synergies. In this context, expenses were incurred that are not attributable to operating activities and are therefore reported as non-recurring costs. These expenses are based on detailed planning, which was calculated in project teams. Until the completion of all integration measures and the realization of all synergy potentials in the medium term planning, costs of a factor of approx. 1.0 of the targeted synergies are expected. In respect of the capital market, synergies totaling EUR 35 million were expected with the announcement of the acquisitions of pepcom and primacom. According to current internal estimates, which were only concluded after the completion of the planning for the 2016 financial year, the company currently assumes synergies of almost 15 %, so that after the full integration approx. EUR 40 million from financial year 2018 are forecasted. Approximately EUR 6 million of this is invested in Capex and the remainder in operating costs. The greatest savings are expected in the personnel synergies, the costs of running the network infrastructure and the personnel-dependent costs. After initially assuming synergies totaling EUR 35 million, the potential was already raised in the spring of 2016 to EUR 40 million after intensive and detailed examination of the potential on the capital market. This amount (EUR 40 million) does not consider any effects from measures to increase sales.

Overall statement

The 2016 financial year was marked by the integration initiatives following the successful takeover of the competitors primacom and pepcom, at the end of the 2015 financial year. As a listed company and the only large, independent company in the market, the Group was able to expand its growth potential. The competitive position is stronger than in the past, which has had a positive effect on the customer base. The “new” Tele Columbus Group now has a company size that allows efficient use of structures, scaling effects on the cost side, and thereby a strong placement in the competition for customers. The positioning in the market will be supported in particular by the introduction of the new end customer brand and the corresponding brand communication in the second half year 2017. This measure was postponed to the following year in 2016 due to other priorities.

Under the premise of a successful integration in 2017, Tele Columbus will continue to focus on a strong growth in the future. Despite the potential risk factors related to the integration plans mentioned in section 0, the group is confident to meet the forecasted targets. The positive development and result in 2016 confirmed that the right strategic objectives are being pursued. Organic growth, expansion of the B2B business, the acquisition of additional networks and the raising of synergies from the integration process are being consistently advanced.

6. Risk Disclosure Report

6.1 Risk Management System

Basic classification

The early identification, analysis and management of potential risks is an elementary part of the company's strategy for Tele Columbus, resulting from the recognition that, if the principles of a functioning risk management system are consistently applied, the possibility of recognizing and exploiting opportunities also arises. In order to identify risks and opportunities at an early stage and to work consistently, the Tele Columbus Group implements a risk management system that also includes the system for early detection according to § 91 (2) German Stock Corporation Act. The risk management system regulates the identification, recording, assessment, documentation and reporting of risks. The overall risk assessment is always kept within a tolerable framework. There are currently no identifiable risks to the company's success.

The basic design of the risk management system is based on the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission). In this context, the Tele Columbus Group pursues a holistic, integrative approach that combines risk management systems, an internal control system and a compliance management system in a management approach (governance, risk & compliance approach). The structure of the risk management system and internal control system in accordance with the COSO Enterprise Risk Management framework ensures that control and monitoring activities are aligned with the company's objectives and their inherent risks, and ensures comprehensive coverage of possible risk areas; opportunities are not covered.

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

Further presentations on the internal control system and the compliance management system are listed in the company management statement in accordance with § 289a HGB, which is contained in the Corporate Governance Report and on the Internet pages of Tele Columbus AG at the Internet address www.ir.telecolumbus.com in the “Corporate Governance” section.

The Management Board is responsible for the 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 includes regulations for identification, recording, evaluation, documentation and reporting, which are implemented uniformly throughout the Group.

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

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

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

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

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

Status of risk management

Following the acquisition of the primacom Group and the pepcom Group in the 2nd half of 2015, the restructuring and reorganisation of the Tele Columbus Group started with a fundamental revision and redefinition of the Group's risk management during 2016. The risk management system was adapted to the changed framework conditions in 2016, so that a central control of the risks of the newly acquired companies is fundamentally in place.

Other key measures to improve risk management will be, in particular, the expansion of the risk-taking facility, including an increased involvement of personnel, compliance and project risks in the ongoing years, as well as the associated creation of a deeper granularity of the identified risks. Additionally, a further strengthening of the measure- and control description of identified risks is to be carried out and the monitoring of the implementation of defined measures for risk-mitigation is to be further improved. The starting and connection point are the requirements for risk management systems for capital-market-oriented companies. The ongoing updating and further development of risk management is an ongoing, high-priority management task.

The target for risk management is a strong interlinking of the governance components of risk management, internal control systems and compliance management, which will be supplemented by supportive auditing activities of the internal auditors from 2018 onwards.

6.2 Key features of the accounting internal control and risk management system

The overall objective of the accounting internal control and risk management system is to ensure the regularity of financial reporting in the sense of ensuring that consolidated fiscal statements and the group management report comply with all relevant regulations.

As described in section 6.1, the ERM approach is based on the globally accepted Enterprise Risk Management - Integrated Framework, which was developed by COSO. Since one of the objectives of this framework is to ensure the reliability of fiscal reporting, it is also a regulatory function in this area. Identified risks and gaps revealed by the control system, are closed by implementing and monitoring new controls.

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

The group-wide uniform accounting policies as well as the chart of accounts, which are provided by the Finance Department and must be consistently implemented by all Group companies, constitute the essential conceptual framework for the preparation of the consolidated financial statements. New laws, accounting standards and other official pronouncements are continually analysed with regard to their relevance and impact on the company's consolidated financial statements and combined management report. If necessary, our accounting policies and chart of accounts can be adjusted accordingly. The conceptual and deadline requirements as well as the monitoring of their compliance are intended to reduce the risk of Tele Columbus that consolidated financial statements are not properly prepared or disclosed by the required deadlines.

The information basis for the preparation of the consolidated financial statements is the financial information reported by Tele Columbus and its subsidiaries, which are based on the bookings recorded by the companies. Tele Columbus provides services to individual subsidiaries. In the area of accounting, this organization provides, inter alia, services for the preparation of financial statements, the general ledger, accounts receivable, accounts payable, asset accounting as well as wage and salary accounting. Most affiliates of the former Tele Columbus Group make use of these services. In addition, we provide services in areas that require specialised knowledge, such as the valuation of pension obligations or share-based compensation, and the support of external service providers.

The consolidated financial statements are prepared in the consolidation system on the basis of the reported financial information. The consolidation processes as well as the monitoring of compliance with the conceptual and deadline requirements are carried out by employees with corresponding responsibilities in the consolidation departments at the levels of the individual subsidiaries as well as at the corporate level.

All steps that are taken to prepare the consolidated financial statements are manually scrutinised at all levels as well as subjected to technical controls. During this process, the disclosed financial-statement disclosures are automatically checked for accounting-sensitive relationships and consistency.

Employees who are involved in the financial reporting process are checked for their professional qualifications at the time of appointment and then regularly trained. The "four-eyes principle" is applied as a basic standard at all levels. In addition, financial-statement disclosures must pass through certain approval processes at every level. Other control mechanisms include variance analyses and analyses of the content composition and changes in the individual items in the financial statement disclosures reported by group units as well as the consolidated financial statements.

Access permissions are configured on IT systems that are used for accounting so as to ensure that accounting-related data is protected against unauthorised access, use, and tampering. Each company included in the consolidated financial statements must comply with the centrally prescribed rules for information security. This is to ensure that the users of such systems only have access to the information and systems that they need in order to carry out their assigned tasks.

The Supervisory Board is also integrated into the control system through the Audit Committee. In particular, the Audit Committee monitors the accounting process, the effectiveness of the control system, the risk management system, and the final audit. In addition, it is responsible for examining the individual financial statements of Tele Columbus AG and the consolidated financial statements and for discussing the individual financial statements of Tele Columbus AG, the consolidated financial statements and the combined management report on these financial statements with the Management Board and the Auditor.

6.3 Risks

The risks described in the context of risk porting are summarised below and are presented in accordance with the abovementioned risk reports. Relevant are, in principle, all material risks that could occur currently or in the next two years.

The risks described above, alone or together with other risks and uncertainties that are currently unknown to the Tele Columbus Group or which it may currently consider insignificant, could significantly impair the Group's financial position and results of operations.

The existing risks are divided into three risk classes:

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

The risks identified in the company are classified according to the following matrix, based on the likelihood of occurrence as well as the amount of damage of the related net risk, which considers appropriate countermeasures.

Net risk exposure

Likelihood of occurence	very low < 100 KEUR	low 100-999 KEUR	intermediate 1.000-6.999 KEUR	significant > 7.000 KEUR
81 - 100%	5	4	**0**	**0**
51% - 80%	**0**	13	7	**0**
11% - 50%	**12**	**28**	4	2
≤ 10%	**26**	**10**	**6**	3

Extent of damage

The Group analysed 120 risks in detail. Fifteen additional risks were classified as non-critical and therefore not analysed.

Based on these risk categorisations, all risks described below are, according to their net evaluation and taking into account corresponding countermeasures, in risk classes B and C. Thus, risks are currently neither regarded as critical nor estimated to be significant. Moreover, the majority of the risks have a low or intermediate likelihood of occurrence.

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

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

6.4 Industry-specific risks

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

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

The Group is subject to strong competitive pressures, especially in the areas of price, marketing, product quality, network coverage, service portfolio as well as customer support. Therefore, the group sees a risk in the acquisition of new customers, the loss of customers through account terminations, and the conclusion of new economically attractive contracts.

New providers that push into the market could act more quickly and more flexibly and adapt faster to changed market conditions as the result of new technologies, for example.

The Group's key competitors are more broadly based, have easier access to financing, greater market penetration, a larger number of employees, and greater brand recognition. In addition, they have long established relationships with regulators and customers.

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

These price developments could continue. Continuous price reductions coupled with possible significantly rising marketing costs could greatly reduce the margin. Should the Group fail to introduce new or improved products and services, it could be difficult to counteract the decline in ARPU. If the Group fails to successfully compete with current and future competitors, this could have a lasting adverse effect on business operations, the operating result, and the financial position.

The main competitors of Tele Columbus are Vodafone Kabel Deutschland ("Vodafone / KD"), Unitymedia ("Unitymedia"), and some other smaller providers of NE4 networks that operate in smaller regions and cities. In addition, the Group competes with city carriers such as willy.tel, NetCologne Gesellschaft für Telekommunikation mbH or M-net Telekommunikations GmbH as well as DSL providers and their resellers, such as Deutsche Telekom ("DTAG"), Telefónica Deutschland ("Telefónica") and 1&1 Internet SE

("1&1"). In addition, competitors also include wireless TV and broadband providers, which range from DVB-T digital TV services that work through antenna reception (Media Broadcast) to satellite TV services (Astra) and satellite and mobile radio Internet service providers.

In the B2B business sector the Group mainly competes with DTAG, Vodafone, Versatel as a subsidiary of United Internet, Level 3 Communications and Colt Telekom, as well as regional B2B carriers, such as, for example, M-net GmbH or NetCologne GmbH. As a consequence, the Group is faced with a constant competition with the aforementioned market participants in terms of expanding network levels and negotiating attractive contracts with respective housing companies. In particular, in the housing industry, trends to new business models can be revealed, which include the acquisition of network levels. In accordance with an appropriate set-up, this can be a profitable long-term marketing opportunity for products of the Group.

There are further risks in the area of the integration of acquired companies. It could not succeed, or only with delay, to successfully integrate acquired companies into the Tele Columbus Group, thereby achieving the prognosticated synergies. Tele Columbus counteracts this risk with structured integration planning.

In summary 24 individual risks are categorised as industry-specific risks, thereof two risks are assigned to risk class B and 22 risks to risk class C. The likelihood of occurrence of the risks is in the low to medium range.

6.5 Legal and regulatory changes

The Tele Columbus Group is exposed to general risks arising from changes in the regulatory environment or from other regulations. Such regulations concern, in particular, the telecommunications law, the state media laws, as well as general labor, consumer or tax law. As a result of the restriction of business activity to Germany, any changes in the legal environment are not to be expected as a surprise, so that a sufficient response time is ensured.

The telecommunications market is a regulated market in which the Federal Network Agency intervenes strongly. Individual regulatory decisions may be prohibitive. This could lead, among other things, to declining termination charges for fixed line connections to declining sales. There is in principle uncertainty as to how future regulatory decisions will be made. In addition, government subsidies and other regulations could favour competitors and affect our own competitive position.

In addition, the Tele Columbus Group is subject to transfer obligations with regard to the provision and distribution of prescribed radio programs, which in principle require resource planning. Furthermore, consumer contracts are subject to control by consumer protection organizations.

In summary eight individual risks are categorised as risks from legal and regulatory changes, thereof three risks are assigned to risk class B and five risks to risk class C. The likelihood of occurrence of the risks is in the low to medium range.

6.6 Operational risks

Personnel risks

In order to realize its strategic and operational objectives, the Tele Columbus Group is dependent on qualified specialists and executives. With regard to the acquisition and retention of qualified employees, the Group must measure itself against the competitiveness of the market. The ongoing updating and further development of risk management is an ongoing, high-priority management task.

Risks from IT / NT network operations Germany

Continuous expansion and ongoing optimization of existing cable networks must continue in the future in order to remain competitive in the long term. Outdated networks, the failure or disruption of the services, or insufficient network structure capacity could otherwise result in reduced sales due to customer losses or claims for damages.

IT risks

In the course of its business operations, the Tele Columbus Group uses a considerable amount of IT systems whose impairment could lead to disruptions or interruptions in the operating sequence. With regard to the availability, reliability and efficiency of the IT systems, Tele Columbus Group limits the ongoing monitoring and maintenance of the IT landscape, the use of a stand-alone network, and the timely backup and reproducibility of data relevant to the business by the use of current firewall and anti-virus programs.

By harmonizing the IT systems within the framework of the integration measures of the primacom and pepcom Group, project risks arise from different historical business processes, which must be harmonised on the IT side. There could be a risk that the projects could not be completed in time or that not all the technical requirements for the systems could be taken into account, which could result in a higher cost or lower revenue. The risk is mitigated, in particular, by the involvement of external consultants and structured project management.

In summary 70 individual risks which also include the risks from planned integration measures are categorized as operational risks, thereof 28 risks are assigned to risk class B and 42 risks to risk class C. The likelihood of occurrence of the risks is in the low to medium range.

6.7 Brand, communication and reputation

The subject of corporate social responsibility plays an increasingly greater role for company reputation. As of the 2017 financial year, reporting on corporate social responsibility forms an integral part of the annual report. Tele Columbus has a dedicated investor relations department, which monitors possible risks and initiates countermeasures in a timely manner. Negative reports about the company’s character would harm the company’s reputation on the capital market and set the company back through higher refinancing costs.

In summary two individual risks are categorised as risks in connection with the brand, communication and reputation and are assigned to risk class C.

6.8 Legal proceedings, antitrust and consumer protection procedures

The Tele Columbus Group is subject to risks arising from legal proceedings or arbitration proceedings with authorities, competitors and other parties. This concerns, in particular, disputes concerning patent infringement proceedings and claims brought forth by sales representative. Corresponding competencies to assess and react appropriately to such risks exist internally within the legal department of the Tele Columbus Group. In judicial disputes, external law firms are also included.

In summary nine individual risks are categorised as risks in connection with legal proceedings, antitrust and consumer protection procedures, thereof one risk is assigned to risk class B and eight risks to risk class C. The likelihood of occurrence of the risks is in the low to medium range.

6.9 Financial risks

Through its business, Tele Columbus AG is exposed to various risks of a financial nature, in particular liquidity and interest rate risks as well as debt risks. With regard to the financial risks, please refer to the notes to the consolidated financial statements, F 3.2.

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

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

<u>Liquidity risks</u>
In the medium term, at the level of the respective operating subsidiary and of the Group as a whole, the current business transactions are mirrored with the plan data. A liquidity forecast based on a fixed planning horizon as well as unused credit lines in the Tele Columbus Group as at 31 December 2016 are intended to ensure liquidity provision on an ongoing basis. In the course of safeguarding the liquidity of the

subsidiaries, the partial cash pooling procedures between the Tele Columbus companies (excluding primacom and pepcom) were extended to other companies.

At the end of the 2016 financial year, the Tele Columbus Group had unused credit lines totaling KEUR 125,000. These revolving credit lines were not utilised. Regular and comprehensive reporting is made to the Management Board on ongoing liquidity.

In addition, the Group is required to obtain borrowed capital on reasonable terms for refinancing its current business or for acquisitions. As part of the financing contract, various obligations were to be met as of the balance sheet date. In the event of non-compliance, the lenders had the opportunity to make the loans due. These are obligations under a financing agreement of the Group (Facilities Agreements). The so-called credit covenants include the Group's total debt ratio as well as a defined EBITDA size and the presentation of gross assets, which are reviewed quarterly. The liquidity risk in the event of non-compliance with these requirements amounted to KEUR 1,278,315 as of the balance sheet date. The Management Board expects, based on the Group's planning, that the covenants be held for at least the next two financial years.

Furthermore, the Group did not have all the financial resources available at the end of the year (restricted cash 2016 in the amount of KEUR 4,916). Please refer to the notes to the consolidated financial statements for further information.

In addition, as of 31 October 2016, Tele Columbus renegotiated loan terms and put together all existing term loans.

Interest rate risks

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

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

Debt Risks

There are credit risks with regard to trade receivables, other receivables and cash and cash equivalents. Trade receivables exist both against other companies as well as against private customers. The customer risk is based on the default risk of the respective contract partner. In order to minimize the risk of trade receivables, pre-emptive and other measures are taken and collection companies are activated.

Currency risks
Significant risks and transactions in a foreign currency do not exist as nearly all transactions are settled in EUR.

Risks related to the financing structure

The level of debt has remained stable compared to 2015. Due to the renegotiation of the conditions for the existing term loans, a reduction in interest charges could be achieved in the long term. In this context, a term extension was also obtained until 2 January 2023. Since February 2016, the Tele Columbus Group has actively used derivative financial instruments and is thus exposed to risks arising from fluctuations in interest rates and the resulting cash flows. Therefore, a significant increase in the EURIBOR would only partially lead to a significant increase in the interest expense of the Tele Columbus Group. As a result, interest rate developments were subjected to detailed monitoring in order to take appropriate measures if the risk assessment changed. The existing gap in collateral was closed by the purchase of corresponding interest rate caps in the first quarter of 2016 through the newly established hedging system.

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

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

On the basis of the auditing questions on the part of the company audit, for which some adjustments are already secured (mainly trade tax allowances, general value adjustments, arrangement fees), as well as the potential tax risk from consultancy accounts (possible refusal of the company tax deduction, capital gains tax due to concealed profit distribution, VAT risk), the Management Board considers the risk assessment to be critical. Taking into account the likelihood of occurrence, a tax burden for Tele Columbus Beteiligungs GmbH of KEUR 6,740 is expected, which the Group discloses under other provisions as a result of the arrears.

In summary five individual risks are categorised as financial risks, thereof three risks are assigned to risk class B and two risks to risk class C. The likelihood of occurrence of the risks is in the low to medium range.

6.10 Compliance risks

Failure to comply with compliance regulations could result in fines or image losses, especially in the area of capital market compliance. To counter this, the Tele Columbus Group has implemented a compliance management system, including the insider policy and ad hoc reporting guidelines. First steps have also been taken in processing an EU-CSR compliant reporting.

In summary two individual risks are categorised as compliance risks and are assigned to risk class C.

6.11 Risks associated with planned integration measures

Taking into account the planned integration measures and their preparation in financial year 2015 as well as their implementation in the 2016 financial year, corresponding operational and strategic market and product risks as well as risks may arise in the administrative functional areas of the Group. Consequently, the timely implementation of the planned measures would influence the harmonization of market operations and the optimization of network infrastructure. Within the financial year, however, the relevant measures could be implemented and, as a result, minimization of the risks could be achieved. As far as integration is concerned, the company still sees opportunities for the future expansion of the business. In principle, the risk management in connection with the integration takes place via the corporate area of the Chief Business Transformation Officer (CBTO). In addition to the management of ongoing projects and processes, the company is responsible for the implementation and ongoing planning of the integration measures. In addition to the integration processes already established in 2015 under the then Chief Integration Officer (CIO), the department continued this process in 2016 and implemented a consistent optimization and control of the measures. Consistent monitoring and, where appropriate, action is taken within a two to four-week cycle in coordination with the appointed department heads and the personnel responsible for integration from the CBTO department.

a) Operational and strategic risks

In principle, there is a risk that new products and services will not meet the market's innovation requirements and that existing products and services cannot be successfully marketed.

The business development of the Group is dependent on the technical development of network infrastructure and, above all, on the expansion of digital and interactive broadband services. Due to the increasing number of broadband customers, the development of the TV business is reversing, but the main revenue drivers depend on the competitiveness of the network infrastructure.

The company is dependent on companies other than suppliers, such as Unitymedia, Vodafone / KD and M7 as a service partner of its own TV platform and for satellite transmission. In order to counteract the dependence on third network operators, the Group considers the progressive expansion of its own NE3 network as a strategic objective. Insofar as this is not possible, the supply of signals via long-term contracts is ensured. Other strategic partners are Drillisch for mobile communications, still with a small order volume, and Maxdome for the distribution of video-on-demand content within the framework of the AdvanceTV Launchs.

The company is increasingly focusing on the outsourcing of services and services of the operating business. Failure or a separation of strategic partners such as D & S in the area of customer service or sales agencies or postal service providers could mean temporary impairments in the operating business.

The Group's business is capital intensive. There is a risk that insufficient financial resources will be available to ensure the development and maintenance of cable networks. Since the IPO of Tele Columbus AG in January 2015, the subsequent capital increase in November 2015 and refinancing initiatives in 2016, the Group has ensured sufficient capital cover and operates with sustainable financing contracts in the area of borrowed capital.

Maintaining confidentiality in the handling of personal customer data is an important part of our operating activities. A loss of this data could violate legal regulations and regulations, which in turn can lead to penal payments and a lasting loss of reputation. To safeguard this risk, Tele Columbus has access to appropriate data and access security systems, which are subject to periodic inspections.

b) Process and personnel risks in the course of integration

A consistent implementation of the integration control in 2016 allowed a risk minimization of the usual integration risks. In addition to operational and strategic risks, systemic changes in infrastructure (IT) and personnel changes, risks may arise.

With regard to the IT risks, a time delay in the ongoing harmonization of a single ERP and BSS system within the group during 2017 can lead to a the systematic implementation of the IT-supported processes not being implemented as planned. However, the agreed milestones for the harmonization of the IT systems within the Group have been reached within the year 2016. If a delay occurs, it will incur unplanned costs, which are not fully assessable at the present time.

In the context of personnel risks, individual knowledge providers and long-term employees may leave the Group both at the level of administration and at the level of middle management, due to the reorganization of the Group. However, after the conclusion of the works council negotiations within the year 2016, measures could be taken to either continue to bind knowledge providers to the company or to build up corresponding know-how with new staff or interim staff.

Risks related to Tele Columbus AG

In addition to the risks in the Group, the risks presented below, which directly affect Tele Columbus AG in addition to the above, are listed.

In the course of the acquisition of the primacom Group, Tele Columbus AG issued a loan in order to replace former liabilities in the amount of KEUR 314,752.

The servicing and thus the valuation of the maturity shareholder loan recognised as long-term investment in accordance with German commercial law, depend on the cash position of the subsidiary primacom Berlin GmbH. Based on the maturity up to early 2021, any delay in payment may occur in a liquidity risk for the Tele Columbus AG.

Furthermore, the Tele Columbus AG has entered a letter of comfort with two primacom Group companies to secure their continued existence of operative business. From this, a liquidity risk for the Tele Columbus AG can occur if necessary.

With regard to the above liquidity risks, the management of Tele Columbus AG reserves the right to initiate measures in the form of alternative financing to hedge the primacom Group and its operations in due course.

6.12 Overall picture of the risk situation

In line with the positive development of the company in recent years, particularly in connection with the successful IPO in January 2015 and the acquisition of the primacom Group and the pepcom Group in 2015 and the resulting capital increase, the Tele Columbus Group worked on projects for the integration of company acquisitions, thus further improving the overall risk situation compared to the previous year. Based on the monitoring system described above, Tele Columbus AG has taken the necessary measures to counteract the existence of potentially explosive developments. From the point of view of the Management Board of Tele Columbus AG, the Group's continued existence was at no time endangered. Furthermore, there are no known risks at the time of reporting that could have a significant impact on the company or could adversely affect the financial position, and the results of operations. The Management Board regards the entire risk assessment as controllable and is convinced that it will continue to be able to take advantage of the opportunities and challenges that arise in the future, without having to accept unacceptably high risks.

7. Opportunity Report

7.1 Opportunities

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

Highly attractive German cable market

Tele Columbus offers its services and products in the German market, which in 2015 was the largest TV and broadband cable market for TV and cable households in Europe. Germany is the largest economic power within Europe and has benefited from favourable macroeconomic factors such as a rising gross domestic product, disciplined financial policy, low inflation rates, high consumer confidence and low unemployment, despite various challenges within the European space in recent years.

Internet penetration via the fixed network for September 2016 was estimated to be around 74.8 % (31 December 2015: 73.6 %, Credit Suisse European Telecoms

Factsheet), with continuing growth. Although the Internet penetration in the fixed network in Germany has grown steadily in recent years, it is still lagging behind in a European comparison. Therefore, further growth in Germany is expected for the number of households, but this growth will be below the growth rate in other European countries. Tele Columbus is particularly interested in broadband Internet access in East Germany, as the majority of the Group's affiliated households are located in these regions and the market penetration of broadband Internet for both fixed and mobile in the east of Germany is up to 16 % behind the leading figure in Hamburg in Germany (Kantar TNS D21 Digital Index 2016).

Broadband Internet access will continue to be offered primarily by DSL / VDSL (approximately 79 % of all households with broadband Internet access on 30 September 2016), but cable will continue to increase its market share due to relatively low penetration and long-range coverage (approximately 18 million cable households) and the faster speeds of up to 200 Mbps. For the period from 2011 to 30 September 2016, the market share of the broadband Internet access network increased from 13 % to approximately 21 % of households with broadband access. This market growth was generated largely by recruiting exchange customers from the DSL area.

Within the German cable market, growth in the cable pay-tv sector was recorded, which was historically underdeveloped in a European comparison and compared to the USA.

The market penetration of pay-tv in Germany is still low in international comparison. Current statistics are difficult to obtain: in 2012 the proportion of German TV households was 14 % (USA (about 91 %) and England (about 54 %)) (Solon, Strategies and Visions 2013). Tele Columbus has launched its new TV platform “AdvanceTV” on 16 January 2017, after a long development period - the development took place with renowned external service providers - on which new innovative products - such as personalised TV, pay-per-view / Video-on-demand (“VoD”) and HDTV can be offered or IPTV can be used. The company expects further growth in this business segment and sees cable networks as the preferred distribution channel for digital pay-tv, premium pay-tv products and IPTV, which will also bind the existing customer base more strongly in the long term.

Regional leader in East Germany, an environment with great growth potential

Tele Columbus is an ideal partner for the residential sector, as the Group combines the expertise and innovative services of a large group with the flexibility and proximity of a regional provider. The Group has a very strong regional brand, also due to the acquisitions made in 2015 of primacom and pepcom. It builds long-term and reliable customer relationships, which generate stable and predictable sales in the CATV business. The CATV customer base has great cross-selling potential with regard to other products, such as premium TV, broadband Internet, telephony and mobile services.

This enables Tele Columbus to expand and deepen existing customer relationships with companies from the residential sector and customers, as well as to attract new customers for the product portfolio. The attractive product portfolio of the group includes

CATV in combination with HDTV, pay-tv, broadband Internet and telephony, mobile services or even community WLAN. In addition, the Group can supply all modern multimedia and telecommunication services to the customer from a single source. Although the average per capita income in East Germany is lower than in West Germany, Tele Columbus believes that growth opportunities are not negatively affected, as access to TV and Internet is classified as a basic requirement and is not significantly affected by the average income level.

Our own, highly competitive and integrated level 3/4 network with attractive possibilities

The group is evolving into a fully integrated NE3 / NE4 network provider, which will enable savings in signaling costs as well as potential for additional sales and cross-product sales - especially for the sale of telephony, broadband Internet and premium TV in back-end-equipped households. At the end of financial year 2016, more than 63 % of affiliated households were connected to their own signal supply and feedback channel-enabled. Approx. 99 % of these households connected to their own network were upgraded to the Internet transmission standard DOCSIS 3.0, which allows the connected households to maintain a constant broadband speed of up to several 100 Mbps - a multiple of the standard speed via VDSL at a maximum 50 Mbps and with the use of Vectoring at a maximum of 100 Mbps. According to estimates of Tele Columbus, the company's own network can offer faster Internet in approximately 95 % of the integrated regions than the competitors with DSL networks. In addition, at the end of 2016 Tele Columbus started to use the first components in its network in the future-proof standard DOCSIS 3.1. The existing network is compatible with DOCSIS 3.1, which will allow a download speed of up to ten Gbps and an upload of 1 Gbps.

The Tele Columbus Group currently offers its customers combo offers with real telephone and Internet flat rates and download speeds between 20 and 400 Mbps. In April 2015, Tele Columbus was the first provider in the German market with download speeds of up to 400 Mbps per second. Currently the marketable base for the 400 Mbps product is around 880,000 households. At the same time, Tele Columbus has begun to offer a product with one gigabit per second in individual communities. Since the end of January 2017, this availability has been available in approximately 3,500 households in the 59 municipal parts of the market town of Markt-Indersdorf in Bavaria. The only currently available, alternative and available technique, which can achieve comparable speeds, are fibre optic networks in FTTH structure, which are comparatively complex in terms of cost, and are therefore very limited to date. Tele Columbus will expand the customer base for the Internet offer with up to 400 Mbps per second starting in April 2017 in Munich and generally in the near future.

A flexible backbone network structure consisting of proprietary and leased fibre-optic cables allows for a cost-effective “pay as you grow” model. The adaptable backbone structure enables NE3 / NE4 networks to be established in a timely manner at attractive locations at national level. With increasing demand, the bandwidth can be increased at any time based on the existing network structure. Due to the excellent infrastructure base with a comparatively high proportion of glass fibre, the Group will be able to focus primarily on success projects, which will generate additional revenues, in future investments - and is not dependent on a general improvement in network capacities.

Development of their own B2B business

In the course of the acquisition of the pepcom Group in 2015, Tele Columbus also acquired the subsidiary HL komm. The company is headquartered in Leipzig and is active as a wholesale provider for business customers (B2B) and as a specialist for individual carrier services and business solutions in the market, which were further expanded under the umbrella of the Tele Columbus Group. HL komm provides services such as telephony, Internet, networking and data centre services, supplemented by developments such as industry 4.0 as well as other infrastructure advance payments. As a local partner, the company is involved in attractive infrastructure projects in underserved regions. Within the framework of the Tele Columbus Group, the strong local brand and proven reputation of HL komm in the Halle / Leipzig region can also be used to create new contracts with companies from the housing industry in order to provide cable television. Tele Columbus sees further growth potential for the group, also for bandwidth services and fibre optics. In order to further expand the success of the HL komm, we are currently investing in a highly advanced, third, multi-redundant data centre, which is modular in design and can be extended as required. Completion of the first construction phase for the new data centre is planned towards the end of 2017.

Experienced management

The Tele Columbus Group has grown since 1972 from the consolidation of regional cable network providers. The Group is an established and specialised service provider with an experienced management and today, not least through the acquisition of primacom and pepcom, the third largest cable network operator in Germany. The current ten members of management - including the two members of the Supervisory Board - have extensive experience in the cable television and telecommunications industry.

Further consolidation of L4 network providers

Historically, the cable market of “Netzebene 4, NE4” (L4) was very fragmented - the networks were built up by a large number of small local providers. In the past ten years, not all suppliers have been able to hold their own in the market due to cost-intensive technical developments in connection with the ever expanding product world, and there has been an increasing consolidation in the market.

The three major NE3 / NE4 network operators in the German market at the reporting date are Vodafone / KD, Unitymedia and Tele Columbus. In addition to these NE3 / NE4 network providers, there are many smaller NE4 network operators, such as local cable network operators, city carriers, and housing companies that operate their own networks. As the Tele Columbus Group was able to consolidate large parts of the market in the financial year 2015 and has improved access to financial resources as a listed company, the Group's attractiveness as a partner for smaller network operators is growing and new opportunities are emerging for further growth.

Synergies and scale effects associated with integration

From the integration of the companies primacom and pepcom acquired in the financial year 2015, Tele Columbus promises numerous synergies and scale effects with the integration to be completed in 2017. The merger of the three groups is associated in particular with the planned expansion of existing cable networks and with a corresponding increase in market penetration. In addition, the planned introduction of a uniform brand identity planned for 2017 will contribute to a sustainable strengthening of the operating business.

7.2 Overall picture of opportunities

In the B2B business in particular, applications such as video streaming in HD quality, interactive services, video conferencing or the multiple use of connected devices will lead to increased demand for bandwidth. The broadband strategy of the federal government and the telecommunications law prepare the political and regulatory framework conditions. The network of Tele Columbus will not be regulated by the Federal Network agency.

Due to the Group's excellent infrastructure, which allows faster download speeds than DSL / VDSL connections, as well as the expansion of the product portfolio for mobile, community Wi-Fi and advanced TV services, there is good reason to believe that Tele Columbus will benefit from this development. The greatest growth potential therefore lies in a further expansion of the “up” and “cross-selling” of new products and the Group's ability to offer “multi services” from a single source. The latter are the so-called “triple play services”, “quadruple play services” or “multiplay services”.

New applications and functionalities in the digital industry, such as “IoT Internet of Things”, “Industry 4.0”, “Cloud Services” or “Machine to Machine Communication”, demand for IP services, especially in the B2B business, is dramatically increasing. HL komm, a subsidiary of the Tele Columbus Group, offers these services and will benefit from these developments.

8. Declaration on company management according to § 289a HGB

The declaration on corporate governance pursuant to § 289a HGB is available on the Internet pages of Tele Columbus AG under the internet address www.ir.telecolumbus.com in the section “Corporate Governance”.

9. Information on possible takeover offers

9.1 Presentation and composition of subscribed capital

As at the balance sheet date, the subscribed capital of Tele Columbus AG amounted to KEUR 127,556. It consists of 127,556,251 no-par-value bearer shares with a pro-rata amount of the share capital of EUR 1.00 each, with full profit-sharing rights from 1 January 2015. The subscribed capital of Tele Columbus AG is fully paid up. There are no different share classes; all shares are subject to the same rights and obligations which arise in particular from Sections 12, 53a, 186 and 188 et seq. of the German

Stock Corporation Act (AktG). The shareholders' right to securitize their shares is excluded pursuant to Article 4 (3) of the Articles of Incorporation. Each share grants one vote at the general meeting of the company. The shares of the shareholders in the profit of the company are determined by their shares in the share capital (§ 60 AktG).

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

9.2 Restrictions on voting rights or the transfer of shares

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

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

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

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

As of the balance sheet date, the following companies and persons reported the exceeding of the voting rights threshold of 10 % to Tele Columbus AG:

- United Internet Ventures AG: 25.1 %

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

- Threadneedle Investment Funds IVCV: 10.0 %

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

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

On 23 March 2016, Ralph Dommermuth and its affiliates reported that they did not pursue their own strategic objectives, and that they would not be acquiring shares directly within the next 12 months, but at most a purchase by United Internet AG or United Internet Ventures AG.

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

The equity participation of York Capital Management Global Advisors in Tele Columbus AG decreased to 5.60 % after the sale of a portion of its shares (as of December 31, 2015: 12.92 %).

9.4 Shares with special rights that confer powers of control

There are no shares with special rights conferring control powers.

9.5 Appointment and dismissal of members of the Management Board and Supervisory Board / amendments to the articles of incorporation

The appointment and dismissal of members of the Management Board of the Company takes place in accordance with the provisions of Sections 84 and 85 AktG. The members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Pursuant to Article 6 (1) of the Articles of Incorporation, the Supervisory 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 Supervisory Board in accordance with Section 84 of the German Stock Corporation Act (AktG) and Section 6 (3) of the Articles of Incorporation.

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

Pursuant to section 179 (1) sentence 1 AktG, the Articles of Incorporation are amended by resolution of the Annual General Meeting. Resolutions of the Annual General Meeting on amendments to the Articles of Incorporation 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 § 23 of the Articles of Incorporation of the Company in conjunction with Section 179 Paragraph 2 Sentence 2 AktG unless otherwise provided by law. There is no use made in the statutes of the possibility of determining a higher majority than the simple majority in other cases.

Pursuant to Article 10 (4) of the Articles of Incorporation, the Supervisory Board is entitled to make amendments to the articles of association which concern only the wording.

9.6 Powers of the Supervisory Board, in particular with regard to the possibility of issuing or repurchasing shares

9.6.1 Authorised capital

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

9.6.2 Contingent capital

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

9.7 Significant agreements of the company subject to the condition of a change of control as a result of a takeover offer and the following effects

On 2 January 2015, Tele Columbus AG and some of its subsidiaries entered into a financing agreement with BNP Paribas Fortis SA / NV, JP Morgan Limited and Goldman Sachs Bank USA. The credit agreement has been amended several times since. Tele Columbus AG is currently implementing a further adjustment to the credit agreement, which extends the duration of the so-called Facility A until October 2024 and further reduces the interest rate of Facility A. This financing agreement provides for the granting of a maturity loan of EUR 1,255,000,000.00 (Facility A), a further term loan of up to EUR 75,000,000.00 (Facility B) and a revolving operating facility of

EUR 50,000,000.00. In the event of a change of control, the agreement provides for an individual right of termination by the lenders. A change of control occurs when a person or persons acting in concert (a) acquire(s) (directly or indirectly) more than 50 % of the ordinary shares of the company, (b) can exercise or control more than 50 % of the voting rights present at a General Meeting, and / or (c) acquires or acquire the necessary power to appoint or dismiss the majority of the members of the Supervisory Board of the company elected by the shareholders. The termination results in an immediate repayment claim by the borrower; likewise, their obligation to participate in future draws under the loans (except in the case of rollover draws) is no longer required.

9.8 Compensation agreements of the company, which are made with the members of the Management Board or employees in the event of a takeover bid

If a shareholder holds more than 30 % of the voting rights, the directors have the right to terminate their employment contracts within six months after the change of control. In the event of such termination, the members of the Management Board shall be paid the remuneration they receive from their employment contract until the end of the term, a maximum of two years' remuneration, paid as a one-time severance payment. The calculation of the compensation is based on the total remuneration of the last financial year. The service contract of Ronny Verhelst ends in September 2019, the service contract of Frank Posnanski in September 2020.

10. Compensation Report

The remuneration report is part of the combined Group Management Report and Management Report of Tele Columbus AG. In accordance with the legal requirements and the recommendations of the German Corporate Governance Code, it explains the system of remuneration structure for the Management Board and Supervisory Board of Tele Columbus AG. The remuneration report also includes the necessary mandatory disclosures of the German commercial law (Notes § 314 HGB, Management Report § 315 HGB) and IFRS (IAS 24). In the notes to the annual financial statements, individual disclosures are also summarised, as far as is required.

10.1 Remuneration of Management Board

10.1.1 Remuneration system of the Management Board

The Supervisory Board determines a reasonable remuneration for the individual members of the Supervisory Board. The tasks and achievements as well as the position of the company form the framework conditions for the appropriateness of remuneration. The total remuneration may not exceed the normal remuneration for no special reasons. The remuneration structure is geared towards sustainable corporate development.

Members of the Management Board in the 2016 financial year were Ronny Verhelst (Chief Executive Officer) and Frank Posnanski (Chief Financial Officer (CFO)). The remuneration of the Management Board is determined taking into account the size of Tele Columbus AG, its economic and financial position, its success and its prospects for the future, as well as the usual level and structure of the Supervisory Board remuneration of comparable companies and the internal salary structure. In doing so, the Supervisory Board also took into account the ratio of the remuneration of the Management Board to the remuneration of the upper management group and the entire workforce, including the development over time. Other criteria are the individual tasks and performance of the individual members of the Management Board. The structure and appropriateness of the remuneration of the Management Board is regularly reviewed by the Supervisory Board.

The total remuneration of the members of the Management Board consists of three components: the basic remuneration including ancillary benefits, a short-term remuneration component related to the financial year, and a long-term variable remuneration component. In addition, the members of the Management Board participate in a matching stock program (MSP) of the company. When determining the variable remuneration, care was taken to create incentives for a sustainable and long-term development of the company. In addition, both positive and negative developments were taken into account.

10.1.2 Basic remuneration

The members of the Management Board receive an annual fixed basic remuneration, which is paid out irrespective of the performance in twelve monthly equal instalments at the end of each month and represents the fixed remuneration component.

In addition, the members of the Board of Management have contractual entitlement to ancillary benefits and benefits, which essentially include the use of a company car and the payment of premiums for accident and health insurance and, in the case of the CEO, additional living costs and the settlement of costs for tax consultants. These costs were assessed according to tax regulations.

10.1.3 Short-term variable remuneration component

The members of the Management Board are entitled to a short-term, performance-related remuneration component in the form of an annual bonus. This will be paid out within one month after approval by the Supervisory Board of the consolidated financial statements of the company for the relevant financial year. The maximum amount of the variable remuneration component for one financial year is 75 % of the fixed annual salary of the respective member of the Management Board, depending on the individual achievement of the respective Management Board member. As a result, Frank Posnanski had a maximum remuneration of KEUR 202 (previous year: KEUR 188) and Ronny Verhelst of KEUR 422 (previous year: KEUR 375). The minimum amount of the variable remuneration component is EUR 0.00 for both Management Board members. Individual target fulfilment essentially relates to the following parameters: "normalised" EBITDA, Capex, customer satisfaction, turnover (only relevant to Ronny Verhelst) and loss of receivables (only relevant to Frank Posnanski). There is also a discretionary component of the Supervisory Board. In the case of target fulfilment, the weighting of the assessment is based on 40 % ("normalised" EBITDA), 20 % (in each case for Capex as well as turnover and loss of receivables) and 10 % (in each case for customer satisfaction and the discretionary component). The target values of the financial assessment bases are derived from the annual Group budget approved by the Supervisory Board. The customer loyalty component is determined by the Supervisory Board in good faith and after consultation with the respective Management Board member. The discretionary component may be granted by the Supervisory Board at its discretion.

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

10.1.4 Long-term variable compensation component (LTIP)

Since 15 September 2014, the members of the Management Board have been participating in a long-term success-oriented remuneration plan (LTIP). The LTIP is part of the variable remuneration of the Management Board which is geared to a sustainably positive corporate development and creates a long-term incentive for the Management Board to work for the success of the company. To this end, the members of the Management Board are informed of a gross tranche (LTI tranche) in each financial year based on bonus percentages defined in the employment contract, subject to the condition and as a function of the achievement of predefined success targets. After the expiry of three financial years (performance period), the basis for determining the performance and the degree of target fulfilment are determined and the gross amount (LTI) corresponding to this level and to be paid to the Management Board member is determined. The performance targets and the assessment bases are the average values of the Group's annualised EBITDA figures, adjusted by the Capex excess and short-term expenditures in the performance period.

A performance period commences on the first day of the financial year for which the LTI tranche is issued and ends with the expiry of the second financial year following the financial year for which the LTI tranche was issued. The performance period for the 2015 LTI tranche therefore began on 1 January 2015 and ends on 31 December 2017. The entitlement to a possible LTI arises with the approval of the consolidated financial statements for the last financial year of the performance period by the Supervisory Board. Any LTI shall be settled within one month after approval of the consolidated financial statements and paid to the member of the Management Board. The maximum variable long-term remuneration of each member of the Management Board is limited to 150 % of his annual basic remuneration. If the average, adjusted EBITDA is 85 % of the adjusted average target EBITDA at the time the LTI is paid, this compensation component is not granted. The minimum remuneration for an LTI tranche therefore amounts to EUR 0.00 for each Management Board member. The maximum possible remuneration of an LTI tranche for Frank Posnanski is KEUR 403 (previous year: KEUR 375) and Ronny Verhelst KEUR 844 (previous year: KEUR 750).

If a member of the Management Board leaves the employment relationship before the expiration of 24 months of a performance period, there is no claim to an LTI. If the performance period has already been 24 months for an LTI tranche at the time of the legal termination of the employment relationship, an LTI interest for an LTI for this LTI tranche shall remain subject to the fulfilment of the conditions for success measurement. If a member of the Management Board enters the company's services in the current financial year, the Supervisory Board decides whether Management Board member will participate in the LTI tranche for the current financial year.

10.1.5 Long-term share-based variable compensation component (MSP)

The long-term share-based variable compensation is in the form of a matching stock program (MSP). The MSP creates a long-term incentive for the Management Board to work for the success of the company. To this end, a number of options to be determined in advance by the Supervisory Board are allocated to the members of the Management Board in each financial year, subject to the proviso and in proportion to the corresponding personal investment of the Management Board member. After expiry of four financial years (holding period), the Management Board member can exercise these options under further conditions. This compensation component entered into force in 2015.

The number of shares held by the members of the Management Board (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 deposit for the duration of their participation in the MSP. During the term of the respective service contract, a certain number of options are allocated to the Management Board member from each of the five annual tranches of the MSP for each qualifying share held in the restricted deposit on the respective balance sheet date. For the first tranche of the MSP (2015 tranche), the number of options per qualifying share is 4.3, for the 2016 tranche 4.5. The number of options per qualifying share for future tranches shall be determined by the Supervisory Board in due course. The 2015 tranche was allocated on the stock exchange trading day, 23 January 2015. The exercise period for the second MSP tranche was allocated on 23 January 2016 and ends on 22 January 2020. The remaining tranches will be allocated on 23 January of the following years, respectively, if the service contract still exists at this time. The holding period for the first 2015 tranche ends on 22 January 2019; the holding period for each additional MSP tranche is four years. It begins with the day of allocation of an MSP tranche and ends with the expiry of four calendar years. The options of a tranche can be exercised after expiry of the holding period, provided that the weighted average of the share price is above the respective exercise hurdle during the last 60 trading days immediately prior to exercise of the respective option. The relevant exercise hurdle is determined by the Supervisory Board in the allocation of the relevant tranche and amounts to at least 130 % of the exercise price. For the 2016 tranche, the exercise hurdle was set at 130 % (previous year: 130 %) of EUR 8.60 (previous year: EUR 7.01).

The exercised options of a tranche will be converted into a euro amount corresponding to the difference between the closing price on the last trading day before the entry of the exercise and the exercise price of the relevant tranche multiplied by the number of exercised options (gross profit). The net profit remaining after the deduction of statutory duties as well as personal taxes of the member of the Management Board is again allocated to the respective Management Board member in the form of shares. The Management Board member is not obliged to sell the shares thus acquired for a period of twelve months.

The gross option profit of a member of the Management Board determined after exercising the option is limited to a maximum of 400 % of his annual basic salary at the time of the payment of the relevant MSP tranche. As a result, the maximum possible remuneration from an MSP tranche is currently KEUR 1,075 (previous year: KEUR 1,000) for Frank Posnanski and KEUR 2,250 for Ronny Verhelst (previous year: KEUR 2,000). The minimum remuneration due to an MSP tranche is EUR 0.00 for both Management Board members.

The options of the MSP tranches are, in principle, vested on each anniversary of the allocation of 25 % of the allotment. The options for the tranche for the 2016 financial year will become vested in the amount of 1/48 of the grant each month since the grant date.

If a member of the Management Board leaves the company's services from the services of the company before the expiry of the agreed term of the contract, death, permanent incapacity for work, retirement or due to effective extraordinary termination, he or her heirs can vest in the event of his / her departure to exercise options even after retirement. On the other hand, all non-vested options expire. If the service contract for a member of the Management Board is terminated for other reasons, all vested and non-vested options expire at the time of the legal termination of the employment relationship.

If a member of the Management Board enters the company's services in the current financial year, the Supervisory Board decides whether or not Management Board member will participate in the LTI tranche for the current financial year.

10.1.6 Further assurances

The company maintains a liability insurance (D & O) insurance policy for members of the Board of Tele Columbus AG. It is concluded annually or extended. The insurance covers the personal liability risk in the event that members of the Board are used for financial losses in the course of their activities. The policy for the 2016 financial year includes a deductible for the members of the Management Board and the Supervisory Board, which corresponds to the requirements of the German Stock Corporation Act and the German Corporate Governance Code.

The members of the Management Board do not participate in the company's existing pension plan. As a result, Ronny Verhelst receives an annual amount of 7.5 % of the respective current annual salary for a life insurance policy in the form of direct insurance or a support fund in his favor for the duration of his employment contract. For Frank

Posnanski, the company assumes the costs of a retirement pension already taken out by him.

10.1.7 Benefits in the event of termination of a service contract

The employment contracts of both members of the Management Board do not provide for severance agreements in the event of premature termination of the contract without an important reason.

In line with the German Corporate Governance Code, however, they consider the limitation of such a compensation to a maximum of two annual remunerations ("severance cap") in the event that a payment for the early termination of the contract should be agreed without an important reason and not the value of the remuneration for the remaining term of this employment contract. The calculation of the severance cap should be based on the total remuneration of the past financial year and, if applicable, the total remuneration expected for the current financial year. If the remaining term of the Management Services Agreement is less than two years, the compensation shall be calculated pro rata.

If the service contract is terminated for an important reason for which the Management Board member is responsible, no payments are made to the Management Board member.

In the event of premature termination of the Supervisory Board's work following a change of control, the following points were settled by contract. The Management Board member has the right to terminate his employment contract within six months after the occurrence of a change of control with a term of six months at the end of the month and to resign his position as a member of the Management Board ("CoC termination"). In the case of the termination of the CoC based on a change of control, the Management Board member is paid his contractual remuneration in the form of a one-off payment ("CoC compensation") for the remaining term of the employment contract, but a maximum of two years' remuneration. The calculation of the one-time compensation is based on the total remuneration of the most recent financial year and, if applicable, the expected total remuneration for the current financial year.

The members of the Management Board are subject to a post-contractual non-competition clause for a period of 18 months after termination of the employment contract. During the duration of the noncompetition clause, the respective member of the Management Board receives a compensation of 50 % of his most recent annual fixed remuneration. Any other actual and hypothetical income of the Management Board member will be credited to this compensation insofar as the compensation exceeds the amount of the most recent annual fixed salary by more than 10 %.

In case of temporary incapacity for work, a member of the Management Board receives the full fixed salary for six months, but at most until the end of the term of his employment contract.

If a member of the Management Board dies during the existence of his employment contract, the compensation, including the variable remuneration, will be settled and paid to his heirs up to the time of the termination of the service contract. In addition, his widow and children, insofar as they have not yet reached 25 years of age, are entitled, as joint credits, to have the right to the unimpeded continuation of the fixed annual salary for the remainder of the month of death and the five subsequent months, but at the latest until the end of the regular duration of the contract.

10.1.8 Overview of the overall remuneration of the Management Board

The following section contains information on the remuneration of the Managing Board, which is required pursuant to § 285 and § 314 HGB as well as German Accounting Standard No. 17 (“DRS 17”).

The total remuneration granted to the members of the Management Board amounted to KEUR 2,613 (previous year: KEUR 2,201) for the 2016 financial year. KEUR 831 (previous year: KEUR 750) was attributable to fixed performance-related remuneration components, KEUR 117 (previous year: KEUR 128) to other income-related services, KEUR 387 (previous year: KEUR 331) to short-term performance-related remuneration components, KEUR 592 (previous year: KEUR 294) to long-term variable remuneration components (LTIP) and KEUR 686 (previous year: KEUR 419) on the share-based compensation under the MSP. A payout under the LTIP will take place for the first time in 2017.

Both members of the Management Board were also active in the parent company and/or subsidiary companies of the company. These activities are remunerated by the remuneration granted to the Management Board in the company.

The individualised total remuneration of the individual members of the Management Board - divided into the individual components - is shown in the following table for the 2016 financial year. The first table shows the target remuneration for the 2016 financial year. The second table lists the actual payments made for the 2016 financial year.

Value of the remuneration granted for the 2016 financial year

	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
Benefits granted	2016	2016 (min)	2016 (max)	2016	2016 (min)	2016 (max)
Fixed compensation	562.500,00	562.500,00	562.500,00	268.750,00	268.750,00	268.750,00
Fringe benefits [1]	99.203,55	99.203,55	99.203,55	17.866,75	17.866,79	17.866,79
Total	661.703,55	661.703,55	661.703,55	286.616,75	286.616,79	286.616,79
One-year variable remuneration [2]	261.000,00	-	421.875,00	126.043,75	-	201.562,50
Mutli-year variable remuneration: LTIP (3 years) [3]	394.500,00	-	843.750,00	197.250,00	-	403.125,00
Stock-based compensation (MSP) [4]	457.242,45	-	2.250.000,00	228.621,23	-	1.075.000,00
Total	1.112.742,45	-	3.515.625,00	551.914,98	-	1.679.687,50
Pension expense	-	-	-	-	-	-
Total sum	**1.774.446,00**	**661.703,55**	**4.177.328,55**	**838.531,73**	**286.616,79**	**1.966.304,29**

[1] Fringe benefits include expenses and/or monetary benefits such as the provision of a company car, the conclusion and payment of grants for various insurance and retirement benefits, the payment of living costs and the settlement of the costs for tax consultancy services .

[2] One-year variable remuneration was paid in the first quarter of 2017. In 2016, appropriate accruals were recorded.

[3] Currently projected and calculated pro rata value for the financial year 2016 for the LTI-tranche 2016. No remuneration was paid under the LTI-tranche 2016; The Company recorded accruals in financial year 2016 in the amount of the calculated total value stated.

[4] The above value of the remuneration granted is not comparable with the disclosures in the notes to the consolidated financial statements as the total option value of the 2nd tranche is taken into account.

Inflow for the Fiscal Year 2016

Inflow	Ronny Verhelst (CEO)	Frank Posnanski (CFO)
	2016	2016
Fixed compensation	562,500.00	268,750.00
Fringe benefits [1)]	728,203.58	319,866.75
Total	1,290,703.58	588,616.75
One-year variable compensation [2)]	229,000.00	102,000.00
Multi-year variable remuneration: LTIP (3 years)	-	-
Share-based compensation (MSP)	-	-
Total	229,000.00	102,000.00
Pension expense	-	-
Total sum	**1,519,703.58**	**690,616.75**

[1)] Fringe benefits were paid for expenses or non-cash benefits such as the provision of a company car, grants for various insurance and retirement benefits, living costs and costs for tax consultants. In addition, the fringe benefits include the payment of the other half of the one-time special remuneration of EUR 250,000 to Ronny Verhelst and EUR 125,000 to Frank Posnanski in January 2016, as a special recognition and appreciation of the considerable additional workload of the members of the Management Board during the preparation of the IPO. Furthermore, the benefits include the bonus for the acquisition and integration of primacom and pepcom Group in the amount of KEUR 150 for Ronny Verhelst and KEUR 75 for Frank Posnanski. The 2015 annual bonus, which was paid in 2016, amounted to KEUR 229 for Ronny Verhelst and KEUR 102 for Frank Posnanski.

[2)] One-year variable remuneration was paid in the first quarter of 2017. In 2016, appropriate accruals were recorded. The amounts listed above include the one-year variable remuneration for the 2015 financial year, which was paid out in 2016.

The members of the Management Board are involved in the company success over the Matching Stock Program. The options granted in this framework are as follows:

Matching Stock Program (MSP)

	Ronny Verhelst, CEO					
	Tranche 1			Tranche 2		
	Weighted average fair value price	Fair value of options upon grant	Number of options	Weighted average fair value price	Fair value of options upon grant	Number of options
Outstanding options as of 1 January	EUR 7.01	KEUR 280	215,000	-	-	-
Options granted during FY 2016	-	-	-	EUR 8.60	KEUR 457	225,000
Options forfeited during FY 2016	-	-	-	-	-	-
Options exercised during FY 2016	-	-	-	-	-	-
Options expired during FY 2016	-	-	-	-	-	-
Outstanding options as of 31 December	EUR 7.01		215,000	EUR 8.60		225,000
Exercisable options as of 31 December	-	-	-	-	-	-

Matching Stock Program (MSP)

	Frank Posnanski, CFO					
	Tranche 1			Tranche 2		
	Weighted average fair value price	Fair value of options upon grant	Number of options	Weighted average fair value price	Fair value of options upon grant	Number of options
Outstanding options as of 1 January	EUR 7.01	KEUR 140	107,500	-	-	-
Options granted during FY 2016	-	-	-	EUR 8.60	KEUR 229	112,500
Options forfeited during FY 2016	-	-	-	-	-	-
Options exercised during FY 2016	-	-	-	-	-	-
Options expired during FY 2016	-	-	-	-	-	-
Outstanding options as of 31 December	EUR 7.01		107,500	EUR 8.60		112,500
Exercisable options as of 31 December	-	-	-	-	-	-

Value of the remuneration granted for the 2015 financial year

	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
Remuneration granted	2015	2015 (min)	2015 (max)	2015	2015 (min)	2015 (max)
Fixed compensation	500,000.00	500,000.00	500,000.00	250,000.00	250,000.00	250,000.00
Fringe benefits [1]	259,616.39	259,616.39	259,616.39	93,582.19	93,582.19	93,582.19
Total	759,616.39	759,616.39	759,616.39	343,582.19	343,582.19	343,582.19
One-year variable remuneration [2]	229,000.00	-	375,000.00	102,000.00	-	187,500.00
Mutli-year variable remuneration: LTIP (3 years) [3]	195,920.00	-	750,000.00	97,960.00	-	375,000.00
Stock-based compensation (MSP) [4]	279,500.00	-	2,000,000.00	139,750.00	-	1,000,000.00
Total	704,420.00	-	3,125,000.00	339,710.00	-	1,562,500.00
Pension expense	-	-	-	-	-	-
Total sum	**1,464,036.39**	**759,616.39**	**3,884,616.39**	**683,292.19**	**343,582.19**	**1,906,082.19**

[1] Fringe benefits include expenses and/or monetary benefits such as the provision of a company car, the conclusion and payment of grants for various insurance and retirement benefits, the payment of living costs and the settlement of the costs for tax consultancy services. In addition, the benefits include a one-time special remuneration of EUR 150.000 to Ronny Verhelst and EUR 75.000 to Frank Posnanski. These will only be paid out in the 2016 financial year. In financial year 2015, corresponding payments were made for the provisions.

[2] One-year variable remuneration was paid in the first quarter of 2016. In 2015, appropriate accruals were recorded;

[3] Currently projected and calculated pro rata value for the 2015 LTI tranche 2015. No remuneration was paid under the LTI tranche 2015; The Company made provisions in financial year 2015 in the amount of the calculated total value stated;

[4] The above value of the remuneration granted is not comparable with the disclosures in the notes to the consolidated financial statements as the total option value of the 1st tranche is taken into account.

Inflow for the Fiscal Year 2015

Inflow	Ronny Verhelst (CEO) 2015	Frank Posnanski (CFO) 2015
Fixed compensation	500,000.00	250,000.00
Fringe benefits [1]	3,359,616.39	1,643,582.19
Total	3,859,616.39	1,893,582.19
Bonus	332,291.67	162,812.50
One-year variable compensation [2]	-	-
Multi-year variable remuneration: LTIP (3 years)	-	-
Total	332,291.67	162,812.50
Pension expense	-	-
Total sum	**4,191,908.06**	**2,056,394.69**

[1] Ancillary benefits were paid for expenses or non-cash benefits such as the provision of a company car, grants for various insurance and retirement benefits, living costs and costs for tax consultants. Also, the perks included the payment of the one-off special compensation in the amount of EUR 250,000 in Ronny Verhelst and EUR 125,000 to Frank Posnanski and the bonus for the IPO amounting to EUR 3,000,000 for Ronny Verhelst and EUR 1,500,000 for Frank Posnanski, which was worn by the tele Columbus Holdings SA in January 2015.

[2] One-year variable remuneration was paid in the first quarter of 2016. In 2015, provisions were made for performance. The amounts listed here include one-year variable remuneration for the 2014 financial year, which was paid out in 2015.

The pension benefits granted in financial year 2016 amounted to KEUR 38 for Ronny Verhelst (Previous year: KEUR 38) and for Frank Posnanski KEUR 9 (previous year: KEUR 7).

As in the previous year, no advances were paid to members of the Management Board in the 2016 financial year, and there were no loans.

10.2 Remuneration of the Supervisory Board

10.2.1 Remuneration system of the Supervisory Board

The remuneration of the Supervisory Board is governed by Article 18 of the Articles of Association of Tele Columbus AG. The members of the Supervisory Board receive an annual fixed remuneration of KEUR 33 (previous year: KEUR 33); the Chairman of the Supervisory Board receives KEUR 75 per year (previous year: KEUR 75). Membership and chairmanship of committees are remunerated separately. Each member of the Audit Committee receives an additional KEUR 4 (prior year: KEUR 4), while the Chairman of the Audit Committee receives KEUR 12 (previous year: KEUR 12). The chairman of the presidential committee receives an additional KEUR 5 (previous year: KEUR 5). If a member of the Supervisory Board does not belong to the Supervisory Board or a committee during the entire financial year, the remuneration is reduced pro rata temporize. The members of the Supervisory Board receive a meeting fee of KEUR 1 (previous year: KEUR 1) per meeting day for attending meetings of the Supervisory Board and its committees. Participation by means of video or telephone connection is considered as participation in this sense.

In addition, the company reimburses the members of the Supervisory Board the expenses incurred by them during the exercise of their supervisory board mandate as well as the value-added tax levied on their remuneration.

In addition, the members of the Supervisory Board are included in a D&O insurance with an appropriate deductible, which is maintained by the company, and which corresponds to the requirements of the German Stock Corporation Act and the German Corporate Governance Code. The premiums are paid by the company.

10.2.2 Overview of the total remuneration of the Supervisory Board

The Supervisory Board of Tele Columbus AG consists of six members, who were elected by resolution of the Annual General Meeting on 10 September 2014. The Articles of Association of Tele Columbus AG were amended by resolution of the Annual General Meeting on 10 July 2016, in order to increase the number of members of the Supervisory Board from currently six to eight. Effective 31 December 2016, the Supervisory Board member Robin Bienenstock resigned from office. The total remuneration of the members of the Supervisory Board in fiscal 2016 amounted to KEUR 329 (previous year: KEUR 442) (excluding VAT). Of this amount, KEUR 240 (previous year: KEUR 240) accounted for fixed remuneration for the activities of the Supervisory Board. The remuneration for committees amounted to KEUR 25 (previous year: KEUR 25).

Following the successful IPO of Tele Columbus AG in 2015, members of the company's Supervisory Board were informed by Tele Columbus Holding SA, Luxembourg, Luxembourg that they would be able to receive a certain number of shares in Tele Columbus AG at the new issue price for these activities at the service of Tele Columbus AG. As a result of this compensation, an amount of KEUR 300 was recognised as personnel expenses and equity (as a result of equity instruments) in the 2015 financial year.

In accordance with IFRS 2.43B (b) in conjunction with IFRS 2.3a, this pledge is a share-based payment, which is to be recognised in the consolidated financial statements of Tele Columbus AG as share-based compensation with compensation from equity instruments. The fair value of the remuneration was determined at the time of the commitment on the basis of the share price at the time of the IPO.

In financial years 2016 and 2015, no compensation or other advantages were paid or granted by the companies of the Tele Columbus Group to members of the Supervisory Board for personally rendered services, in particular, advisory and mediation services. Nor were members of the Supervisory Board granted advances or loans. The remuneration of the members of the Supervisory Board for the years 2016 and 2015 is shown in the following tables:

Remuneration of members of the Supervisory Board for 2016

EUR	Fixed remuneration	Remuneration for committees	Meeting fees	Total remuneration
Franck Donck (Chairman)	75,000.00	5,000.00	11,500.00	91,500.00
Carsten Boeckhorst	33,000.00	4,000.00	11,000.00	48,000.00
Robin Bienenstock	33,000.00	4,000.00	8,500.00	45,500.00
Yves Leterme	33,000.00	-	11,000.00	44,000.00
André Krause	33,000.00	12,000.00	10,500.00	55,500.00
Catherine Muehlemann	33,000.00	-	11,500.00	44,500.00
In total	**240,000.00**	**25,000.00**	**64,000.00**	**329,000.00**

Remuneration of members of the Supervisory Board for 2015

EUR	Fixed remuneration	Remuneration for committees	Meeting fees	Total remuneration
Franck Donck (Chairman)	75,000.00	5,000.00	31,000.00	111,000.00
Carsten Boeckhorst	33,000.00	4,000.00	32,000.00	69,000.00
Robin Bienenstock	33,000.00	4,000.00	31,000.00	68,000.00
Yves Leterme	33,000.00	-	27,000.00	60,000.00
André Krause	33,000.00	12,000.00	31,000.00	76,000.00
Catherine Muehlemann	33,000.00	-	25,000.00	58,000.00
In total	**240,000.00**	**25,000.00**	**177,000.00**	**442,000.00**

Share-based payment 2015

Name	EUR	Price EUR	Shareholdings	Share-based compensation EUR	New price EUR	Price includes taxes EUR
Cathereine Mühlemann	100,000	10.00	10,000	166,600	14.00	16.66
André Krause	100,000	10.00	10,000	166,600	14.00	16.66
Robin Bienenstock	100,000	10.00	10,000	166,600	14.00	16.66
Summe	**300,000**			**499,800**		

Berlin, 18 May 2017

Tele Columbus AG, Berlin

Management Board

-Ronny Verhelst-

Management Board

-Frank Posnanski-

Consolidated Financial Statements

for the Financial Year ended 31 December 2016

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

for

Tele Columbus AG

Due to disclosure in thousands of Euros, there may be rounding differences in accordance with commercial practice. In some instances, such rounded figures and percentages may not add up to 100 % or subtotals in tables may differ slightly from unrounded figures stated elsewhere in the consolidated financial statements.

I. Consolidated income statement

KEUR	Notes	2016	2015 adjusted[1)]
Revenue	E.1	476,751	280,681
Own work capitalised	E.2	18,350	13,156
Other income	E.3	28,197	25,575
Total operating income		*523,298*	*319,412*
Cost of materials	E.4	-146,224	-93,137
Employee benefits	E.5	-84,065	-53,226
Other expenses	E.6	-76,667	-99,720
EBITDA		***216,342***	***73,329***
Depreciation and amortisation expenses	E.7	-154,653	-74,762
EBIT		***61,689***	***-1,433***
Profit/loss from investments in associates and joint ventures	B.4	59	14
Interest and similar income	E.8	260	1,085
Interest and similar expenses	E.8	-75,410	-45,250
Other finance income and expenses	E.9	2,852	-18,405
Profit (+) / Loss (-) before tax		*-10,551*	*-63,990*
Income tax expense	E.10	-208	-1,119
Net loss		***-10,759***	***-65,108***
Loss attributable to owners of Tele Columbus Group		-13,289	-67,665
Profit attributable to non-controlling interests		2,530	2,557
Basic earnings per share in EUR	F.5	-0.10	-1.04
Diluted earnings per share in EUR	F.5	-0.10	-1.04

1) Further information regarding the adjustments is provided in section A.4 ‘Description of changes 2015’.

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

II. Consolidated statement of other comprehensive income

KEUR	Notes	2016	2015 adjusted[1)]
Net loss		**-10,759**	**-65,108**
Other comprehensive income			
Expenses and income that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligation (after tax)	E.17	-41	99
Total comprehensive income		**-10,800**	**-65,009**
Attributable to:			
Owner of Tele Columbus Group		-13,330	-67,566
Non-controlling interests		2,530	2,557

1) Further information regarding the adjustments is provided in section A.4 'Description of changes 2015'.

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

III. Consolidated statement of financial position

Assets

KEUR	Notes	31 December 2016	31 December 2015 adjusted[1)]
Non-current assets			
Property, plant and equipment	E.11	604,690	601,248
Intangible assets and goodwill	E.12	1,402,134	1,421,779
Investments in other entities	B.5	20	18
Investments in associates and joint ventures	B.4	361	302
Receivables from related parties	F.2.2	-	164
Trade receivables	E.14	193	193
Other financial receivables	E.14	2,046	297
Deferred expenses	E.14	3,727	4,340
Deferred tax assets	E.10	2,685	99
Derivative financial instruments	E.14	3,630	-
		2,019,485	**2,028,438**
Current assets			
Inventories	E.13	4,224	6,147
Trade receivables	E.14	48,251	39,443
Receivables from related parties	F.2.2	88	3,579
Other financial receivables	E.14	4,230	8,855
Other assets	E.14	6,126	5,252
Current tax assets	E.10	2,963	3,907
Cash and cash equivalents	F.4	55,223	85,178
Deferred expenses	E.14	6,310	6,163
Assets held for sale	E.15	229	303
		127,643	**158,826**
Total assets		**2,147,128**	**2,187,265**

1) Further information regarding the adjustments is provided in section A.4 ‘Description of changes 2015’.

Equity and liabilities

KEUR	Notes	31 December 2016	31 December 2015 adjusted[1)]
Equity	E.16		
Share Capital		127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		-220,770	-207,884
Equity attributable to owners of the Tele Columbus Group		**527.624**	**540.510**
Non-controlling interests		7,558	6,444
		535,182	**546,954**
Non-current liabilities			
Post-employment and other long-term employee benefits	E.17	9,813	10,331
Other provisions	E.19	4,061	19,584
Liabilities to banks	E.20	1.234,702	1.220,879
Trade payables	E.21	1,210	1,153
Other liabilities	E.23	-	509
Other financial liabilities	E.23	88,387	94,739
Deferred income	E.22	5,232	1,836
Deferred tax liabilities	E.10	66,120	77,014
Derivative financial instruments	E.22	6,126	13,011
		1,415,652	**1,439,057**
Current liabilities			
Other provisions	E.19	30,114	29,464
Liabilities to banks	E.20	25,955	49,909
Trade payables	E.21	87,333	75,202
Payables to related parties	F.2.2	604	522
Other liabilities	E.23	23,811	21,224
Other financial liabilities	E.23	12,094	11,315
Income tax liabilities	E.10	11,719	8,630
Deferred income / revenue	E.22	4,664	4,823
Derivative financial instruments	E.22	-	165
		196,294	**201,255**
Total equity and liabilities		**2,147,128**	**2,187,265**

1) Further information regarding the adjustments is provided in section A.4 ‘Description of changes 2015’.

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

IV. Consolidated statement of cash flows

KEUR	Notes	2016	2015 adjusted[1)]
Cashflows from operating activities			
Net loss		-10,759	-65,108
Net financial results		72,298	62,570
Income taxes		208	1,119
Profit (+) /loss (-) from investments in associates and joint ventures		-59	-14
Earnings before interest and taxes (EBIT)		**61,689**	**-1,433**
Amortisation and depreciation	E.7	154,653	74,763
Equity settled share-based payments		444	601
Loss (+)/gain (-) on sale of property, plant and equipment		-123	-243
Increase (-)/decrease (+) in:			
Inventories	E.13	1,924	4,726
Trade receivables and other assets not classified as investing or financing activities	E.14	-11,404	5,254
Deferred expenses	E.14	466	-1,820
Increase (+)/decrease (-) in:			
Trade payables and other liabilities not classified as investing or financing activities	E.21 E.23	14,092	947
Provisions	E.19	-15,476	21,733
Deferred income	E.22	3.237	-4,853
Income tax paid		-10,871	-10,701
Cashflows from operating activities		**198,631**	**88,975**
Cashflows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		9,667	1,531
Acquisition of property, plant and equipment	E.11	-105,942	-71,763
Acquisition of intangible assets	E.12	-34,634	-14,981
Interest received		130	39
Acquisition of businesses, net of cash acquired		-5	-641,746
Net cash used in investing activities		**-130,785**	**-726,920**

KEUR	Notes	2016	2015 adjusted[1)]
Cashflows from financing activities			
Changes in net assets (prior year: also relating to offering and capital increase costs)		41	-29,389
Payment of financial lease liabilities		-9,545	-6,735
Dividends paid		-1,415	-1,387
Proceeds from loans, bonds or short-term or long-term borrowings from banks		129,500	1,394,033
Repayment of borrowings and short-term or long-term borrowings [2)]		-173,495	-1,383,141
Interest paid		-45,427	-29,262
Cash proceeds from capital increase		-	749,335
Net cash from (used in) financing activities		**-100,341**	**693,453**
Cash and cash equivalents as at the end of the reporting period			
Net increase/decrease in cash and cash equivalents		-32,495	55,508
Cash and cash equivalents at the beginning of the reporting period		85,178	24,441
Cash and cash equivalents at the end of the reporting period		**52,683**	**79,949**
Plus release of restricted cash and cash equivalents in the financial year		2,540	5,229
Cash and cash equivalents as at the end of the reporting period		**55,223**	**85,178**

1) Further information regarding the adjustments is provided in section A.4 ‘Description of changes 2015’.
2) This item includes already paid transaction costs of KEUR 8,576 (2015: KEUR 35,611).

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

V. Consolidated statement of changes in equity

For the year 2016

KEUR	Note	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to owners of the Tele Columbus Group	Non-controlling interests	Total equity
Balance at 1 January 2016 (adjusted) [1]	E.16	**127,556**	**620,838**	**-114,091**	**-91,786**	**-2,008**	**540,510**	**6,444**	**546,954**
Profit(+) / loss (-)					-13,289		-13,289	2,530	-10,759
Other comprehensive income						-41	-41		-41
Total comprehensive income		**-**	**-**	**-**	**-13,289**	**-41**	**-13,330**	**2,530**	**-10,800**
Dividends							-	-1,416	-1,416
Equity settled share-based payments				444			444		444
Balance at 31 December 2016	E.16	**127,556**	**620,838**	**-113,647**	**-105,075**	**-2,049**	**527,624**	**7,558**	**535,182**

[1] Further information regarding the adjustments is provided in section A.4 ‘Description of changes 2015’.

For the year 2015

KEUR	Note	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to owners of the Tele Columbus Group	Non-controlling interests	Total equity
Balance at 1 January 2015	E.16	**20,025**	**8,324**	**-114,692**	**-24,121**	**-2,107**	**-112,571**	**5,255**	**-107,316**
Profit(+) / loss (-) (reported)					-68,733		-68,733	2,352	-66,381
Adjustment previous year[1]					1,068		1,068	204	1,272
Profit (+) / loss (-) (adjusted)					-67,665		-67,665	**2,556**	-65,109
Other comprehensive income						99	99		99
Adjusted total comprehensive income		- -	- -	- -	**-67,665**	**99**	**-67,566**	**2,556**	**-65,009**
Dividends								-1,387	-1,387
Changes in non-controlling interests								20	20
Changes in equity due to IPO and capital increase		107,531	641,804				749,335		749,335
Equity settled share-based payments				601			601		601
Offering and capital increase costs deductible from equity[2]			-29,290				-29,290		-29,290
Balance at 31 December 2015 adjusted	E.16	**127,556**	**620,838**	**-114,091**	**-91,786**	**-2,008**	**540,510**	**6,444**	**546,954**

1) Further information regarding the adjustments is provided in section A.4. 'Description of changes 2015'.
2) The Capital Reserve includes IPO costs in the amount of KEUR 15,105 and costs for the capital contribution in the amount of KEUR 14,185 deductible from equity.

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

VI. Notes to the consolidated financial statements

A. General information

A.1 Introduction

The Tele Columbus AG based Kaiserin-Augusta-Allee 108, 10553 Berlin (formerly Goslarer Ufer 39, 10589 Berlin), (is listed at ‘Frankfurt Stock Exchange’ since 23 January 2015 in the market segment Xetra Frankfurt (Prime Standard).

A.2 Description of business activities

The companies in the Tele Columbus Group are cable network operators primarily active in Eastern Germany. As in the previous year, approximately 37 % of the Group's holdings are in the remaining region of the Federal Republic of Germany. 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. We refer to section 1.1 ‘Organizational structure of the Group’ in the Group Management Report for a detailed presentation of the business activities. Besides operating in the cable network business the Tele Columbus Group operates in the B2B and construction service businesses. B2B includes products for the supply of carrier companies with broadband services and business customer networks, products for the supply of business customers with internet and telephony as well as network monitoring and the marketing of data centers. The construction services comprise, among others, the construction of fiber-optic networks and the connection of residential areas to the own backbone.

A.3 Basis of accounting

The consolidated financial statements of Tele Columbus Group as at 31 December 2016 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 the other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements for financial year 2016 and the comparative period 2015.

The Group's functional currency is Euro. Unless otherwise stated all figures are presented in thousands of Euros (hereafter ‘KEUR’). Due to disclosure in thousands of Euros, there may be rounding differences in accordance with commercial practice. In some instances, such rounded figures and percentages may not add up to 100 % or subtotals in tables may differ slightly from unrounded figures states elsewhere in the consolidated financial statements due to roundings in accordance with commercial practice.

In respect of financial data set out in the consolidated financial statements, a dash (‘-‘) presents that the relevant item is not applicable, whereas a zero (‘0’) presents that the relevant number has been rounded to or equals zero.

The consolidated financial statements were prepared by Tele Columbus AG's Management Board in Berlin as at 18 May 2017 and approved by the Board of Supervisors as at 18 May 2017.

These financial statements are based on the going concern assumption.

There were no significant changes in accounting policies versus the comparative period. Reference is made to the explanations in section A.4 ‘Description of changes 2015’.

A.4 Description of changes 2015

Changes in accounting policies and measurements

The applied accounting policies and measurements are consistent with the prior year to ensure consistency of presentation in accordance with IAS 1.45 as well as IAS 8.13.

Change in methodology

The integration of pepcom group and primacom group impacted the assessment of business of the Tele Columbus Group, income from services and connection/disconnection fees are now classified as revenue.

The application of this change in method is retrospective and presented in accordance with IAS 8.22 in the manner that comparative figures for 2015 were adjusted. Impacts on profit and loss are as follows:

Consolidated income statement

KEUR	2015 adjusted	Adjustments	2015 as reported
Sales Revenues	280,681	1,515	279,166
Other income	25,575	-1,515	27,090

Correction of errors

The final adjustments to the opening balance sheet of primacom group were, in accordance with IFRS 3.45, made within the the measurement period of one year from the acquisition date. After the final purchase price allocation Tele Columbus Group noted that primacom group’s brand portfolio had not been included in the opening balance sheet.

This correction is, in accordance with IFRS 3.50 and IAS 8.42 applied retrospectively. Differences to the prior approach are included in the opening balance sheet of primacom group as of 1 August 2015. This led to a brand capitalisation of KEUR 2,516 and deffered tax liabilities of KEUR 922, and a corresponding decrease in goodwill of KEUR 1,594. Impacts on the opening balance sheet as of 1 August 2015, as well as goodwill and Tele Columbus Group's income statement for the fiscal year 2015 are presented below:

Opening balance sheet primacom group

KEUR	1 August 2015 adjusted	Adjustments	1 August 2015 as reported
Goodwill	468,332	-1,594	469,926
Intangible Assets	129,084	2,516	126,568
Equity	113,258	-	113,258
Defferred tax liabilities	39,394	922	38,472

Consolidated income statement

KEUR	2015 adjusted	Adjustments	2015 as reported
Depreciation and amortisation	-74,762	-553	-74,209
Income tax	-1,119	203	-1,322
Net loss	**-65,108**	**-350**	**-64,758**

Tele Columbus Group noted within the fiscal year 2016 that the subsidiary MDCC had applied estimates on the useful live of property plant and equipment and intangible assets in prior years which were not in accordance with group policy. Consequently recorded depreciation and amortization had been too high. According to IAS 8.42 this error was corrected retrospectively. Based on data available, technical possibilities and the immateriality of the issue the correction was not included as of 1 January 2015, but was accounted for within the fiscal year 2015. Impacts on the consolidated financial statements 2015 are as follows:

Consolidated statement of financial position

KEUR	2015 adjusted	Adjustments	2015 as reported
Intangible assets and goodwill	1,421,779	271	1,421,508
Property plant and equipment	601,248	146	601,102
Total Assets	**2,187,265**	**417**	**2,186,848**
Equity	546,954	417	546,537

Consolidated income statement

KEUR	2015 angepasst	Anpassungen	2015 vorher
Depreciation and amortisation	-74,762	417	-75,179
Net loss	**-65,108**	**417**	**-65,525**

Modems and receiver that are intended exclusively for letting to customers were presented under inventories instead of property, plant and equipment in accordance with IAS 16.6 in prior years. In connection with the acquisitions of primacom and pepcom a new review of the significance of the incorrect presentation was performed. To provide the necessary comparability, the presentation was adjusted for 2015 (IAS 8.42 retrospectively).

As the equipment in stock is not in an operable condition without connection and thus is not subject to a significant decrease in value, the depreciation start of the leased modems and receiver begins when the equipment is shipped to the customer as this time is assumed to be the start of use.

Impacts on the group´s profit and loss as of 31 December 2015 are as follows:

Consolidated statement of financial position

KEUR	2015 adjusted	Adjustments	2015 as reported
Property, plant equipment	1,421,779	2,487	1,419,292
Inventories	4,224	-2,487	6,711
Total assets	**2,147,128**	**0**	**2,147,128**

There are neither material impacts on diluted and undiluted earnings per share of the Group nor on the overall cashflows from operating activities, investing or financing activities for the periods 1 January to 31 December 2016 and 1 January 2015 to 31 December 2015.

Changes resulting from final adjustments on opening balance sheets from primacom group and pepcom group.

In accordance with IFRS 3.45, the Group finalised the purchase price allocations in relation to the acquisitions of primacom group as of 1 August 2015, and pepcom group as of 1 December 2015.

Corrections of the preliminary opening balance sheets were made in accordance with 3.49, as if the if the accounting for the business combination had been completed at the acquisition date. Therefor the comparative information for the fiscal year 2015 were revised.

Impacts and effects on the Group balance sheet and income statement for the fiscal year 2015 are presented below.

For a detailed description of the adjustments made, please refer to B.2.1 ‘Final opening balance of primacom Group’ and B.2.2 ‘Final opening balance of the pepcom Group’.

Furthermore imaterial adjustments were made to the opening balance sheets of ‘Funk und Technik’ and Mietho & Bär, which are presented in the tables below. Further explanations can be found under B.2.5 ‘Adjustment to the purchase price of Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH’ B.2.6 ‘Adjustment to the purchase price of Funk und Technik GmbH Forst’.

Assets

kEUR	31 December 2015 published	Opening Balance adjustment pimacom	Subsequent adjustment leasing primacom	Opening Balance adjustment pepcom	Adjustment Funk und Technik and Mietho & Bär	Adjustment MDCC	Adjustment Modems and Receiver	31 December 2015 adjusted
Non-current assets								
Property, plant and equipment	648.570	2.531	609	-53.221	-	271	2.487	601.248
Intangible assets	1.378.836	314	-	42.497	-14	146	-	1.421.779
Intrests in consolidated subsidiaries	0		-	-			-	0
Goodwill		*-1.649*	-	*72.640*	*-14*		-	
Investments in other entities	18	-	-	-	-	-	-	18
Investments in associates and joint ventures	302	-	-	-	-	-	-	302
Receivables from related parties	164	-	-	-	-	-	-	164
Trade receivables	193	-	-	-	-	-	-	193
Other assets	-	-	-	-		-	-	
Other financial receivables	283	-	-	-	14	-	-	297
Deferred expenses	4.340	-	-	-	-	-	-	4.340
Deferred tax assets	99	-	-	-	-	-	-	99
Derivative financial instruments	-	-	-	-	-	-	-	-
	2.032.805	**2.845**	**609**	**-10.724**	**-**	**417**	**2.487**	**2.028.438**
Current assets								
Inventories	10.121	-	-206	-1.280	-	-	-2.487	6.147
Trade receivables	39.592	-149	-	-	-	-	-	39.443
Receivables from related parties	3.579	-	-	-	-	-	-	3.579
Other financial receivables	8.855	-	-	-	-	-	-	8.855
Other assets	5.251	-	-	-	-	-	-	5.252
Current tax assets	3.907	-	-	-	-	-	-	3.907
Cash and cash equivalents	85.178	-	-	-	-	-	-	85.178
Deferred expenses	6.163	-	-	-	-	-	-	6.163
Assets held for sale	303	-	-	-	-	-	-	303
	162.949	**-149**	**-206**	**-1.280**	**-**	**-**	**-2.487**	**158.826**
Total assets	**2.195.754**	**2.696**	**403**	**-12.004**	**-**	**417**	**-**	**2.187.265**

Consolidated Financial Statements
as at 31 December 2016

Equity and liabilities

kEUR	31 December 2015 published	Opening Balance adjustment pimacom	Subsequent adjustment leasing primacom	Opening Balance adjustment pepcom	Adjustment Funk und Technik and Mietho & Bär	Adjustment MDCC	Adjustment Modems and Receiver	31 December 2015 adjusted
Equity								
Share Capital	127.556	-	-	-	-	-	-	127.556
Capital reserve	620.838	-	-	-	-	-	-	620.838
Other components of equity	-208.952	-334	1	1.188	-	213	-	-207.884
Non-controlling interests	6.240	4	-	-	-	204	-	6.444
	545.682	**-330**	**1**	**1.188**	**-**	**417**	**-**	**546.954**
Non-current liabilities								
Post-employment and other long-term employee benefits	10.331	-	-	-	-	-	-	10.331
Other provisions	20.111	-	-	-526	-	-	-	19.584
Liabilities to banks	1.220.879	-	-	-	-	-	-	1.220.879
Trade payables	1.153	-	-	-	-	-	-	1.153
Other liabilities	509	-	-	-	-	-	-	509
Other financial liabilities	77.558	2.006	369	14.805	-	-	-	94.739
Deferred income	1.836	-	-	-	-	-	-	1.836
Deferred tax liabilities	106.021	592	-	-29.600	-	-	-	77.014
Derivative financial instruments	13.011	-	-	-	-	-	-	13.011
	1.451.409	**2.598**	**369**	**-15.321**	**-**	**-**	**-**	**1.439.057**
Current liabilities								
Other provisions	28.529	-370	-	1.307	-	-	-	29.464
Liabilities to banks	49.909	-	-	-	-	-	-	49.909
Trade payables	75.203	-	-	-	-	-	-	75.202
Payables to related parties	522	-	-	-	-	-	-	522
Other liabilities	21.224	-	-	-	-	-	-	21.224
Other financial liabilities	8.011	799	34	2.470	-	-	-	11.315
Income tax liabilities	10.277	-	-	-1.647	-	-	-	8.630
Deferred income / revenue	4.823	-	-	-	-	-	-	4.823
Derivative financial instruments	165	-	-	-	-	-	-	165
	198.663	**429**	**34**	**2.130**	**-**	**-**	**-**	**201.255**
Total equity and liabilities	**2.195.754**	**2.697**	**404**	**-12.003**	**-**	**417**	**-**	**2.187.265**

I. Consolidated income statement

kEUR	2015 published	Subsequent adjustment pimacom	Adjustment leasing primacom	Subsequent adjustment pepcom	Adjustment presentation of revenues	Adjustment MDCC	2015 adjusted
Revenue	279.166	-	-	-	1.515	-	280.681
Own work capitalised	13.156	-	-	-	-	-	13.156
Other income	27.090	-	-	-	-1.515	-	25.575
Total operating income	*319.412*	-	-	-	-	-	*319.412*
Cost of materials	-93.677	306	1	234	-	-	-93.137
Employee benefits	-53.226	-	-	-	-	-	-53.226
Other expenses	-99.720	-	-	-	-	-	-99.720
EBITDA	***72.789***	***306***	***1***	***234***	**-**	**-**	***73.329***
Depreciation and amortisation expenses	-75.797	-805	-	1.422		417	-74.762
EBIT	***-3.008***	***-499***	***1***	***1.656***	**-**	***417***	***-1.433***
Profit/loss from investments in associates and joint ventures	14	-	-	-	-	-	14
Interest and similar income	1.085	-	-	-	-	-	1.085
Interest and similar expenses	-45.162	-37	-	-51	-	-	-45.250
Other finance income and expenses	-18.405	-	-	-	-	-	-18.405
Profit (+) / Loss (-) before tax	*-65.476*	*-536*	*1*	*1.605*	-	*417*	*-63.990*
Income tax expense	-905	203	-	-417			-1.119
Net profit (+) / loss (-)	***-66.381***	*-333*	*1*	*1.188*	-	*417*	***-65.108***
Loss attributable to owners of Tele Columbus Group	-68.733	-333	1	1.188	-	213	-67.665
Profit attributable to non-controlling interests	2.352					204	2.557
Basic earnings per share in EUR	-1,05	-	-	-0,01	-	-	-1,04
Diluted earnings per share in EUR	-1,05	-	-	-0,01	-	-	-1,04

B. Basis of consolidation

B.1 Consolidation policies

B.1.1 Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to or has rights to fluctuating 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 the course of consolidation, all internal Group balances, income and expenses as well as all unrealised gains and losses from transactions within the reporting entity were eliminated in preparing the consolidated financial statements. Furthermore, capital was consolidated based on the existing parent/subsidiary relationships within Tele Columbus Group.

B.1.2 Non-controlling interests

Any non-controlling interest is measured as at acquisition date with the proportionate share of the acquiree's net identifiable assets.

Changes in a parent's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

With respect to the accounting and valuation of the liability regarding the non-controlling interest of Kabelfernsehen München Servicenter GmbH & Co. KG, we refer to section D.1 'Significant judgements and estimates'.

B.1.3 Loss of control

When the Group 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 Financial assets accounted for using the equity method

The interests of the Group in financial assets accounted for using the equity method include investments in associates and in joint ventures.

Associates are companies in which the Group has a significant influence, but not control or joint control in respect to financial and business policy. A joint venture is an arrangement in which the Group exercises joint control with rights to the net assets of the arrangement instead of rights to its assets and obligations for its liabilities.

Associates and joint ventures are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share in profit or loss and OCI until the date on which significant influence or joint control ceases.

B.2 Changes in consolidated entities

B.2.1 Final opening balance of primacom Group

On 31 July 2015 Tele Columbus AG acquired all shares of Primacom Holding GmbH, Leipzig (hereinafter referred to as 'primacom', 'primacom Group'). The opening balance and thus the first-time consolidation as of 31 December 2015 as well as the interim financial statements as of 30 June 2016 had been prepared on a preliminary basis. This was due to time constraints resulting from two first-time consolidations at almost the same time, which is why an adequate appreciation of all aspects was not possible. Therefore the measurement period in accordance with IFRS 3.45 has been utilised.

According to the final results for the first-time consolidation as at 1 August 2015 the acquired net assets of the primacom Group amount to KEUR -113,258. This leads to a goodwill of KEUR 468,332 with a non-controlling interest of KEUR 5. As at 31 December 2015 a preliminary goodwill of KEUR 469,982 was recorded. The adjustments made in the course of the finalisation of the opening balance relate primarily to:

1. Recognition of lease contracts classified as finance leases:
   Following an assessment of lease contracts in consideration of accounting principles uniform throughout the Group, fixed assets were increased by KEUR 2,783 in the opening balance. Current financial liabilities increased by KEUR 807 whereas non-current financial liabilities increased by KEUR 2,267. The balance of KEUR 291 altered the goodwill respectively.
2. Decrease of a provision for costs of litigation by KEUR 370 and decrease of trade receivables by KEUR 149:
   These adjustments result from new information within the measurement period.
3. Deferred taxes were recognised with regard to the above issues when applicable.
4. Reclassification of modems and receiver that are leased to customers from inventories to fixed assets in the amount of KEUR 634.
5. The primacom brand amounting to KEUR 2,516 was capitalised in the opening balance after the measurement period of one year. In this respect reference is made to the explanations in section A.4 'Description of changes 2015'. In the tables below the adjustment is presented.

There have been no adjustments regarding the purchase price or the costs relating to the acquisition.

The goodwill represents the value of synergy effects and the value of the acquired business model of primacom Group which were the reasons for the transaction. No goodwill is expected to be deductible from tax base.

There were no changes regarding the acquisition-related costs. In 2015 these costs amounted to KEUR 6,743.

Since the acquisition in August 2015 primacom Group added revenues of KEUR 54,943 and a net loss of KEUR 3,840 to the result of the Group for the financial year 2015.

From 1 January 2015 to 31 December 2015 primacom Group reported revenues of KEUR 129,598 and a net loss of KEUR 19,752 according to IFRS.

The adjustments described above led to the following adjustments of the opening balance compared to the previous reporting as at 31 December 2015:

Assets

TEUR	Ref.	Opening balance as at 01 Aug. 2015, reported as at 31 Dec. 2015	Adjustments according to IFRS 3.45	Adjusted value according to IFRS 3.45 as at 31 Dec. 2016	Adjustments in the period 01. Aug. - 31 Dec. 2015	Cumulated adjustments as at 31 Dec. 2015
Non-current assets						
Property, plant and equipment	(1) (4)	170.958	3.417	174.375	-679	2.737
Intangible assets	(1) (5)	126.568	2.516	129.084	-553	1.963
Investments in associates		15	-	15	-	-
Deferred tax assets		24	-	24	-	-
		297.565	**5.933**	**303.498**	**-1.232**	**4.700**
Current assets						
Total inventories	(4)	1.594	-634	959	428	-206
Trade receivables	(2)	8.269	-149	8.120	-	-149
Receivables from related parties		198	-	198	-	-
Other financial receivables		1.414	-	1.414	-	-
Other receivables		2.486	-	2.486	-	-
Current tax assets		27	-	27	-	-
Cash and cash equivalents		4.234	-	4.234	-	-
Deferred expenses		2.219	-	2.219	-	-
		20.441	**-783**	**19.657**	**428**	**-355**
Total assets		**318.006**	**5.150**	**323.155**	**-805**	**4.345**

Equity and liabilities

TEUR

	Ref.	Opening balance as at 01 Aug. 2015, reported as at 31 Dec. 2015	Adjustments according to IFRS 3.45	Adjusted value according to IFRS 3.45 as at 31 Dec. 2016	Adjustments in the period 01. Aug. - 31 Dec. 2015	Cumulated adjustments as at 31 Dec. 2015
Net assets		**-114.908**	**1.651**	**-113.258**	**-333**	**1.318**
Non-current liabilities						
Post-employment and other long-term employee benefits		80	-	80	-	-
Other provisions		275	-	275	-	-
Loans and borrowings		361.875	-	361.875	-	-
Payables to related parties		40	-	40	-	-
Trade payables		-	-	-	-	-
Other financial liabilities	(1)	-	2.267	2.267	-261	2.006
Deferred tax liabilities	(3)	38.599	795	39.394	-203	592
		400.869	**3.062**	**403.931**	**-464**	**2.598**
Current liabilities						
Other provisions	(2)	4.750	-370	4.380	-	-370
Loans and borrowings		1.322	-	1.322	-	-
Trade payables		13.246	-	13.246	-	-
Payables to related parties		2	-	2	-	-
Other financial liabilities	(1)	414	807	1.221	-8	799
Other liabilities		5.598	-	5.598	-	-
Income tax liabilities		2.153	-	2.153	-	-
Deferred revenue		4.560	-	4.560	-	-
		32.045	**437**	**32.482**	**-8**	**429**
Liabilities		**318.006**	**5.150**	**323.155**	**-805**	**4.345**

The consequences with regard to the balance sheet as of 31 December 2015 are included in the table above. These adjustments result in the following consequences on the income statement:

in KEUR	**Reference**	**Current changes 1 Aug. to 31 Dec. 2015**
Cost of materials	**(1)**	306
Depreciation and amortisation costs*	**(1) (5)**	-805
Interest and similar expenses	**(1)**	-37
Income tax expense	**(3)**	203

*The depreciation and amortisation costs reflect leases (KEUR 252) and the recognition of the brand (KEUR 553).

B.2.2 Final opening balance of the pepcom Group

With closing on 30 November 2015 Tele Columbus AG acquired 100 % of the shares in pepcom GmbH, Unterföhring (hereinafter referred to as ‘pepcom”, ‘pepcom Group”). The opening balance and thus the first-time consolidation as of 31 December 2015 had been prepared on a preliminary basis. This was due to time constraints resulting from two first-time consolidations at almost the same time, which is why an adequate appreciation of all aspects was not possible. Therefore the measurement period in accordance with IFRS 3.45 has been utilised.

According to the final results for the first-time consolidation as at 1 December 2015 the acquired net assets of the pepcom Group amount to KEUR 32,482. This leads to a goodwill of KEUR 285,048. As at 31 December 2015 a preliminary goodwill of KEUR 212,407 was recorded. The adjustments made in the course of the finalisation of the opening balance relate primarily to:

1. Reduction of plant and equipment by KEUR 71,170:
   The adjustment was based on an independent evaluation with regard to the finalisation of the fair value measurement of plant and equipment which had been commissioned due to the insights from the due diligence.
2. Reduction of the customer base capitalised in the preliminary opening balance by KEUR 32,601 to KEUR 133,784:
   This adjustment was on one hand due to more detailed information gained during the finalisation of the opening balance and on the other hand as a consequence with regard to the changes in the fair values of plant and equipment described above.
3. Capitalisation of a brand amounting to KEUR 2,235:
   Die recognition was due to reflect new information regarding the useful life of the brand. The useful life was longer than initially expected and led therefore to the recognition of a separate asset.
4. Recognition of a provision for general risks in the amount of KEUR 658 resulting from new information within the measurement period.
5. Recognition of lease contracts classified as finance leases:
   Following an assessment of lease contracts in consideration of accounting principles uniform throughout the Group, fixed assets were increased by KEUR 15,471 in the opening balance. Current financial liabilities increased by KEUR 2,464 whereas non-current financial liabilities increased by KEUR 14,714.
6. Derecognition of a provision for onerous contracts in the amount of KEUR 1,184:
   A detailed assessment led to the conclusion that the contract did not meet the definition criteria of an onerous contract according to IAS 37.
7. Adjustment of the non-controlling interest presented as a liability with regard to the adjustments described above and due to new information by KEUR 281.
8. Adjustment of the presentation of provisions for general risks which were mistakingly shown under tax liabilities (KEUR 1,647).

9. Adjustment of the presentation of assets under construction (KEUR 9,182) which were mistakingly shown under plant and equipment (KEUR 9,103) and other equipment, operating and office equipment (KEUR 79).
10. Deferred taxes were recognised with regard to the above issues when applicable.
11. Reclassification of modems and receiver that are leased to customers from inventories to fixed assets in the amount of KEUR 1,210.

There have been no adjustments regarding the purchase price or the costs relating to the acquisition.

The goodwill represents the value of synergy effects and the value of the acquired business model of pepcom Group which were the reasons for the transaction. No goodwill is expected to be deductible from tax base.

There were no changes regarding the acquisition-related costs. In 2015 these costs amounted to KEUR 7,520.

Since the acquisition with effect from 1 December 2015 pepcom Group added revenues of KEUR 10,018 and a net loss of KEUR 3,301 to the result of the Group for the financial year 2015.

From 1 January 2015 to 31 December 2015 pepcom Group reported revenues of KEUR 118,723 and a net loss of KEUR 10,780 according to IFRS.

The adjustments described above led to the following adjustments of the opening balance compared to the previous reporting as at 31 December 2015:

Assets

TEUR

	Ref.	Opening balance as at 01 Dec. 2015, reported as at 31 Dec. 2015	Adjustments according to IFRS 3.45	Adjusted value according to IFRS 3.45 as at 31 Dec. 2016	Adjustments in the period 01. Aug. - 31 Dec. 2015	Cumulated adjustments as at 31 Dec. 2015
Non-current assets						
Property, plant and equipment	(1) (5) (9) (11)*	255.659	-54.490	201.169	1.269	-53.221
Intangible assets	(2) (3)	170.926	-30.367	140.559	224	-30.143
		426.585	**-84.856**	**341.729**	**1.493**	**-83.364**
Current assets						
Total inventories	(11)	5.389	-1.210	4.179	-71	-1.280
Trade receivables		12.040	0	12.040	-	0
Receivables from related parties		255	-	255	-	-
Other financial receivables		356	-	356	-	-
Other receivables		4.831	-	4.831	-	-
Current tax assets		1.325	-	1.325	-	-
Cash and cash equivalents		49.540	-	49.540	-	-
Deferred expenses		683	-	683	-	-
		74.419	**-1.210**	**73.209**	**-71**	**-1.280**
Total assets		**501.004**	**-86.066**	**414.937**	**1.423**	**-84.644**

*) regarding adjustment No. 9 we also refer to the asset movement schedule.

Equity and liabilities

TEUR	Ref.	Opening balance as at 01 Dec. 2015, reported as at 31 Dec. 2015	Adjustments according to IFRS 3.45	Adjusted value according to IFRS 3.45 as at 31 Dec. 2016	Adjustments in the period 01. Aug. - 31 Dec. 2015	Cumulated adjustments as at 31 Dec. 2015
Net assets		**105.137**	**-72.642**	**32.495**	**1.189**	**-71.453**
Non-current liabilities						
Post-employment and other long-term employee benefits		5	-	5	-	-
Other provisions	(6) (4)	714	-526	188	-	-526
Loans and borrowings		2.049	-	2.049	-	-
Trade payables		196.557	-	196.557	-	-
Other financial liabilities	(5) (7)	55.203	14.995	70.198	-190	14.805
Deferred income/revenue		894	-	894	-	-
Deferred tax liabilities	(10)	69.568	-30.017	39.551	417	-29.600
		324.990	**-15.548**	**309.442**	**227**	**-15.321**
Current liabilities						
Other provisions	(4) (8)	1.771	1.307	3.078	-	1.307
Loans and borrowings		43.066	-	43.067	-	-
Trade payables		8.595	-	8.595	-	-
Payables to related parties		49	-	49	-	-
Other financial liabilities	(5)	400	2.463	2.863	7	2.470
Other liabilities		8.791	-	8.791	-	-
Income tax liabilities	(8)	7.689	-1.647	6.042	-	-1.647
Deferred revenue		516	-	516	-	-
		70.877	**2.123**	**73.000**	**7**	**2.130**
Liabilities		**501.004**	**-86.067**	**414.937**	**1.423**	**-84.644**

The consequences resulting from IFRS 3.45 with regard to the balance sheet as of 31 December 2015 are included in the table above. These adjustments result in the following consequences on the income statement:

in KEUR	Reference	Current changes 1 Aug. to 31 Dec. 2015
Cost of materials	**(5)**	-234
Depreciation and amortisation costs*	**(2) (1)**	-1,422
Interest and similar expenses	**(5)**	51
Income tax expense	**(10)**	417

* Depreciation in the amount of KEUR -166 from leases; in the amount of KEUR -67 from the recognition of the brand; in the amount of KEUR -2,144 from the recognition of the customer base; in the amount of KEUR 1,655 from step down.

Non-controlling interests are recognised at the expected fair value. The non-controlling interest of KMS is recognised as other financial liabilities at the opening balance date based on the contractual situation. For the accounting and valuation of the liability regarding the non-controlling interest of Kabelfernsehen München Servicenter GmbH & Co. KG, we refer to section D.1 ‘Significant judgements and estimates’.

B.2.3 Acquisition of 'Lindentor 200 V V GmbH and Lindentor 201 V V GmbH'

By purchase agreements dated 28 June 2016, Tele Columbus AG, Berlin purchased 100 % of the shares in Lindentor 200. V V GmbH, Berlin as well as 100 % of the shares in Lindentor 201. V V GmbH, Berlin. The companies were thereafter renamed Tele Columbus Betriebs GmbH and Tele Columbus Vertriebs GmbH. The Articles of Association were adjusted accordingly.

Tele Columbus Betriebs GmbH focuses on the direct and indirect sales of services in connection with telecommunications. These include construction and operation of broadband cable networks for the delivery of multimedia services. Tele Columbus Vertriebs GmbH specialises in distribution of multimedia services to households as well as businesses.

The purchase price amounted to KEUR 27.6 in each case and was paid in cash. At the time of the initial consolidation, the newly acquired companies’ net assets amounted to KEUR 50. This gave rise to goodwill amounting to KEUR 5.2.

The companies did not have any significant active operations on the balance sheet date.

B.2.4 Sale of shares in BGC Breitbandgesellschaft Cottbus mbH

With closing on 6 October 2016, Teleco GmbH Cottbus Telekommunikation, Cottbus, Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH, Gablenz and Funk und Technik GmbH Forst, Forst, sold their shares in BGC Breitbandgesellschaft Cottbus mbH, Cottbus. Together, the Group companies held 100 % of the shares in BGC Breitbandgesellschaft Cottbus mbH in the amount of KEUR 90, 37 % have been distributed to Teleco GmbH Cottbus Telekommunikation, 26 % to Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH and 37 % to Funk und Technik GmbH Forst in accordance with the participation rates. The total purchase price was KEUR 141 and was paid fully in cash. In the reporting year and previous year BGC Breitbandgesellschaft Cottbus mbH was not a consolidated entity but was classified as assets held for sale and stated at cost as of 31 December 2015.

B.2.5 Adjustment to the purchase price of Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH

Due to the final results of the initial consolidation as of 1 November 2015 and as well as the sale of shares in BGC Breitbandgesellschaft Cottbus mbH, the purchase price was adjusted by KEUR 5.

The net assets acquired for both companies Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH and ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH amount to KEUR 1,082. This yielded goodwill of KEUR 2,253.

The purchase price in the amount of KEUR 3,335 was paid fully in cash (thereof KEUR 235 in the reporting year).

B.2.6 Adjustment to the purchase price of Funk und Technik GmbH Forst

Due to the sale of shares in BGC Breitbandgesellschaft Cottbus mbH the purchase price of the company was adjusted by KEUR 19.

The net assets acquired amount to KEUR 345 on 1 November 2015 (date of initial consolidation). This gave rise to goodwill amounting to KEUR 11,288.

The purchase price in the amount of KEUR 11,633 was paid fully in cash (thereof KEUR 33 in the reporting year).

There were no further changes in consolidated entities during the current reporting period other than those described above.

B.3 Information on Consolidated Entities

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

Ownership in %

	2016	2015
ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH, Cottbus	100,00	100,00
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51,00	51,00
BIG Medienversorgung GmbH, Mönchengladbach	100,00	100,00
BMB Geschäftsführung GmbH, Essen	100,00	100,00
Cabletech Kabel- und Antennentechnik GmbH, Unterföhring	100,00	100,00
Cabletechnics GmbH, Unterföhring	100,00	100,00
Cablevista GmbH, Unterföhring	100,00	100,00
FAKS Frankfurter Antennen- und Kommunikationsservice GmbH, Frankfurt (Oder)	100,00	100,00
Funk und Technik GmbH Forst, Forst	100,00	100,00
HL komm Telekommunikations GmbH, Leipzig	100,00	100,00
Kabelcom Rheinhessen GmbH, Nierstein	100,00	100,00
Kabelcom Rhein-Ruhr GmbH, Unterföhring	90,00	90,00
Kabelfernsehen München Servicenter GmbH - Beteiligungsgesellschaft, München	76,00	76,00
Kabelfernsehen München Servicenter GmbH & Co. KG, München	69,78	69,78
KABELMEDIA GmbH Marketing und Service, Essen	100,00	100,00
KKG Kabelkommunikation Güstrow GmbH, Güstrow	100,00	100,00
KSP-Kabelservice Prenzlau GmbH, Prenzlau	90,00	90,00
Martens Deutsche Telekabel GmbH, Hamburg	100,00	100,00
MDCC Magdeburg-City-Com GmbH, Magdeburg	51,02	51,02
Mediacom Kabelservices GmbH, Offenbach am Main	98,96	98,96
Mediaport GmbH, München	100,00	100,00
Medienwerkstatt GmbH, Mönchengladbach	100,00	100,00
Mietho & Bär Kabelkom Kabelkommuniktions-Betriebs GmbH, Gablenz	100,00	100,00
NEFtv GmbH, Nürnberg	100,00	100,00
Netzpool Berlin GmbH, Berlin	95,45	95,45
pepcom GmbH, Unterföhring	100,00	100,00
pepcom Mitteldeutschland GmbH, Leipzig	100,00	100,00
pepcom Nord GmbH, Unterföhring	100,00	100,00
pepcom Projektgesellschaft mbH, Unterföhring	100,00	100,00
pepcom Süd GmbH, Unterföhring	100,00	100,00
pepcom West GmbH, Unterföhring	100,00	100,00
Primacom Berlin GmbH, Leipzig	100,00	100,00
Primacom Holding GmbH, Leipzig	100,00	100,00
REKA Regionalservice Kabelfernsehen GmbH, Kamenz	100,00	100,00
RFC Radio-, Fernseh-u. Computertechnik GmbH, Chemnitz	100,00	100,00
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin[1)]	100,00	100,00
Tele Columbus Betriebs GmbH, Berlin	100,00	n/a
Tele Columbus Cottbus GmbH, Cottbus[1)]	100,00	100,00
Tele Columbus Hessen GmbH, Berlin[1)]	100,00	100,00

Tele Columbus Kabel Service GmbH, Berlin[1)]	100,00	100,00
Tele Columbus Multimedia GmbH, Berlin[1)]	100,00	100,00
Tele Columbus Netze Berlin GmbH, Berlin[1)]	100,00	100,00
Tele Columbus Ost GmbH, Berlin[1)]	100,00	100,00
Tele Columbus Sachsen-Anhalt GmbH, Köthen[1)]	100,00	100,00
Tele Columbus Sachsen-Thüringen GmbH, Jena[1)]	100,00	100,00
Tele Columbus Vertriebs GmbH, Berlin	100,00	n/a
Tele Columbus Verwaltungs GmbH, Berlin[1)]	100,00	100,00
Teleco GmbH Cottbus Telekommunikation	100,00	100,00
Tele-System Harz GmbH, Blankenburg	100,00	100,00
TKN Telekabel-Nord GmbH, Wittenberge	100,00	100,00
WTC Wohnen & TeleCommunication GmbH & Co. KG, Hamburg	100,00	100,00
WTC Wohnen & TeleCommunication Verwaltung GmbH, Hamburg	100,00	100,00

[1)] The company used the exemption of Section 264 (3)/ Section 264b of the German Commercial Code (HGB) for its 2016 financial statements.

Regarding the list of shareholdings according to Sec. 313 (2) of the German Commercial Code (HGB) we refer to the annex of the consolidated financial statements 2016 of the Tele Columbus AG.

Tele Columbus AG holds 100 % of the shares in Cable Plus GbR, Cottbus, as at the reporting date. This company was founded without the intention of making a profit. The aim of the entity is explicitly the closing and management of master license agreements. Due to insignificance, Cable Plus GbR is not listed in the table above und is not a consolidated entity.

The following table gives information about subsidiaries along with major entities before intra-Group elimination.

For the year 2016

KEUR	MDCC Magdeburg City-Com GmbH	BBcom Berlin-Branden-burgische Communi-kations-gesellschaft mbH	Kabelfernsehen München ServiCenter GmbH & Co. KG, München 2)	Kabelfernsehen München ServiCenter GmbH - Beteiligungs-gesellschaft, München	KSP-Kabelservice Prenzlau GmbH, Prenzlau	Kabelcom Rhein-Ruhr GmbH, Unterföhring	Netzpool Berlin GmbH, Berlin	Mediacom Kabelservices GmbH, Offenbach am Main	Total
Non-controlling interest (%)	48.98	49.00	30.22	24.00	10.00	10.00	4.55	1.04	
Non-current assets	13,304	73	47,775	368	134	-	0	29	
Current assets	2,737	508	8,440	355	145	3	11	5	
Non-current liabilities	-5,834	-	-6,495	-	-	-	-0	-5	
Current liabilities	-4,186	-187	-5,938	-71	-274	-0	-2	-10	
Net assets	*6,021*	*394*	*43,781*	*652*	*5*	*2*	*9*	*18*	*50,883*
Carrying amount of non-controlling interest	**2,911**	**207**	**14,327**	**516**	**3**	**3**	**5**	**20**	**17,991**
Revenue	25,696	1,503	52,986	5	1,739	-	231	1,899	
Profit from continuing operations (EBITDA)	12,173	607	28,930	-27	1,337	-2	27	262	
Other comprehensive income	-8,059	-233	-23,168	915	-1,337	2	-17	-422	
Total comprehensive income	**4,114**	**374**	**5,762**	**888**	**-0**	**-**	**10**	**-160**	**10,986**
Profit attributable to non-controlling interest (EBITDA)	5,962	297	8,743	-6	134	-0	1	3	15,134
Other comprehensive income attributable to non-controlling interest	-3,948	-114	-7,002	220	-134	0	-1	-4	-10,983
Cash flows from operating activities 1)	9,420	488	29,970	785	1,024	-1	-20	148	
Cash flows from investing activities 1)	-10,533	-40	-7,538	-	-14	-	-	-91	
Cash flows from financing activities 1)	-275	-390	-26,230	-137	-1,010	1	-2	0	
thereof dividends to non-controlling interests	*-1,225*	*-190*	-	-	-	-	-	-	
Net increase/decrease in cash and cash equivalents	**-1,388**	**58**	**-3,799**	**648**	**0**	**-**	**-22**	**57**	**-4,447**

1) Simplified assumptions were used for the presentation of cash flows

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

For the year 2015

KEUR	MDCC Magdeburg City-Com GmbH	BBcom Berlin-Brandenburgische Communikations-gesellschaft mbH	Kabelfernsehen München ServiCenter GmbH & Co. KG, München 2)	Kabelfernsehen München ServiCenter GmbH - Beteiligungs-gesellschaft, München	KSP-Kabelservice Prenzlau GmbH, Prenzlau	Kabelcom Rhein-Ruhr GmbH, Unterföhring	Netzpool Berlin GmbH, Berlin	Mediacom Kabelservices GmbH, Offenbach am Main	Total
Non-controlling interest (%)	48.98	49.00	30.22	24.00	10.00	10.00	4.55	1.04	
Non-current assets	10,812	89	52,741	327	163	0	1	32	
Current assets	2,975	516	9,775	200	269	3	11	5	
Non-current liabilities	-4,444	-	-178	-	-	-	-1	-	
Current liabilities	-4,318	-203	-11,401	-55	-427	-0	-2	-11	
Net assets	*5,026*	*402*	*50,937*	*472*	*5*	*2*	*9*	*25*	*56,879*
Carrying amount of non-controlling interest	**2,911**	**207**	**14,327**	**516**	**3**	**3**	**5**	**20**	**17,991**
Revenue	-	1,445	4,292	-	-721	-	23	239	
Profit from continuing operations (EBITDA)	11,849	625	2,869	-1	-1	-0	9	7	
Other comprehensive income	-8,123	-230	608	282	1	0	6	-20	
Total comprehensive income	**3,726**	**394**	**3,477**	**281**	**-**	**-**	**15**	**-13**	**7,879**
Profit attributable to non-controlling interest (EBITDA)	5,804	306	867	-0	-0	-0	0	0	6,977
Other comprehensive income attributable to non-controlling interest	-3,979	-113	184	68	0	0	0	-0	-3,840
Cash flows from operating activities 1)	7,663	315	4,749	-178	65	-0	-26	-21	
Cash flows from investing activities 1)	-2,733	-95	-904	-	3	-	-	-3	
Cash flows from financing activities 1)	-4,306	-331	-130	104	-68	0	-0	0	
thereof dividends to non-controlling interests	*-1,225*	*-162*	-	-	-	-	-	-	
Net increase/decrease in cash and cash equivalents	**624**	**-111**	**3,716**	**-74**	**-0**	**-**	**-26**	**-24**	**4,105**

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

B.4 Investments in associates and joint ventures

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

Associates

	Ownership in %	
	31 December 2016	**31 December 2015**
AproStyle AG, Dresden	25.10	25.10
TV Produktions- und Betriebsgesellschaft GmbH & Co. KG, Jena	38.00	48.00
TV Produktions- und Betriebsverwaltungs GmbH, Jena	38.00	48.00

Joint Ventures

	Ownership in %	
	31 December 2016	**31 December 2015**
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	50.00	50.00
JVA Media GmbH, Magdeburg	50.00	50.00

The carrying amount of investments in associates of KEUR 361 (2015: KEUR 302) mainly results from ownership interests in APROSTYLE AG amounting to KEUR 336 (2015: KEUR 277).

The income relating to APROSTYLE AG, which are stated as equity-accounted investees, amounted to KEUR 59 in financial year 2016 (2015: KEUR 14).

The investments in TV Produktions- und Betriebsgesellschaft GmbH & Co. KG and TV Produktions- und Betriebsverwaltungs GmbH are not included in the consolidated financial statements due to their immateriality. In the year under review, 10 % of the shares in both companies were sold. The total purchase price amounted to EUR 2.

Due to full consolidation of its subsidiary MDCC Magdeburg-City-Com GmbH, Tele Columbus AG held 50 % of the shares in GlasCom Salzlandkreis GmbH as well as 50 % of the shares in JVA Media GmbH as at the reporting date. The ownership interests in JVA Media GmbH amounted to KEUR 12.5 (2015: KEUR 12.5) and KEUR 12.5 (2015: KEUR 12.5) for GlasCom Salzlandkreis GmbH. The Group has a residual interest in the net assets of GlasCom Salzlandkreis GmbH and JVA Media GmbH. Accordingly, the Group has classified its interests as joint ventures. These joint ventures did not generate any material income or expense during the financial year.

No further significant changes in associates took place in the financial year 2016 or are relevant for the explanation of the comparative figures.

B.5 Investments in other entities

Tele Columbus AG held 20.00 % (2015: 24.32 %) of the shares in Deutsche Netzmarketing GmbH as at the reporting date. During the financial year 5.14 % of the shares have been sold to Deutsche Netzmarketing GmbH. Due to lack of significant influence (in accordance with the provisions of the Articles of Association), the investment in Deutsche Netzmarketing GmbH is stated at cost of KEUR 20 (2015: KEUR 23) in the consolidated financial statements.

C. Basis of accounting

C.1 Disclosure and measurement

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

D. Accounting policies

D.1 Significant judgements and estimates

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

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

D.1.1 Significant judgements

In preparing the consolidated financial statements, the Management Board also made the following judgements in addition to estimates which significantly impact the amounts reported in the consolidated financial statements.

- Tele Columbus Group as lessor in operating leases:

  The product portfolio of Tele Columbus Group includes offers which relate to signal transmission and the right to use customer terminals (including cable modems and digital receivers, so-called customer premises equipment - CPE). The customer terminals are a necessary prerequisite for each customer's signal transmission. As the fulfilment of these service level agreements depends on the use of a particular asset supplied to the customer and the right to use this asset is related to the service level agreements defined by Tele Columbus Group, these agreements - which cover both signal transmission and the right to use the required customer terminals - including a lease pursuant to IFRIC 4 under which Tele Columbus Group entities act as lessors. These leases are classified as operating leases pursuant to IAS 17. The customer terminals are therefore recognised as property, plant and equipment in accordance with IAS 16 and depreciated over their useful lives.

- Tele Columbus Group as lessee in finance leases:

  Tele Columbus Group leases parts of its network infrastructure for the purpose of signal transmission. Mainly leased are IP and HFC connections based on fibre optics. IP connections are the section between the headends, while HFC connections cover the section between the headend and customer. Bandwidth capacity is leased. In respect of these leases, Tele Columbus Group has determined that certain rights were transferred to the Group and that the leasing period covers most of the useful lives of the assets. Therefore, the Tele Columbus Group classified these leases as finance leases as defined by IAS 17. Additionally in 2016, the group entered into network level NE-4 grid usage contracts, which are classified as finance leases.

- Evaluation of non-controlling interest liability of Kabelfernsehen München Servicenter GmbH & Co. KG:

  Non-controlling interests of third companies of the limited partnership Kabelfernsehen München Servicenter GmbH & Co. KG, München, which have been acquired in connection with the acquisition of the pepcom group, are reported as non-current liabilities in accordance with IAS 32.AG29A due to the existing right of termination of the minority shareholder. IFRS 3 guidance allows various methods of recognition of this liability for subsidiaries within in the legal structure of a limited partnership (IAS 32.AG29A). Tele Columbus applies the ‘anticipated acquisition method’. Under this method the shareholder’s right of termination is to be presented as if the shareholder had already exercised the right to terminate, and the non-controlling interests had already been acquired, thereby eliminating any impact of non-controlling interest in the financial results. The liability is included in the acquisition costs. Subsequent accounting is not explicitely stated within the framework of IFRS, however, exercised in accordance with IAS 39 at Tele Columbus. Since the liability is not a financial liability measured at fair value through profit or loss in accordance with IAS 39.9 and IAS 39.47(a), it is recorded as a liability at amortised cost.

- ‘Sale and Lease Back’-Transactions:

  In the financial year 2016, Tele Columbus disposed level 4 (NE4) networks to housing companies through sale and lease back agreements and rented grid usage back via grid usage contracts. These lease agreements are classified as finance leases in accordance with IAS 17. Furthermore respective modernisation, service and maintenance contracts were entered. These contracts were entered together (bundle) and solely are considered together economically viable (linked transactions). Therefore they were considered in the examination of adequacy of cash flows for the basis of cash values test according to IAS 17.10(d), as well as the measurement of finance lease liabilitiy, by dividing the cash flows according to its ratio of their fair values.

D.1.2 Estimation uncertainties

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.

- Asset retirement obligations:

  Tele Columbus Group is occasionally required to remove all network facilities and infrastructures when leases come to term. Expectations regarding the lessor's non-compliance with asset retirement obligations are included in the best estimate according to IFRS of the obligation relating to leased network facilities and infrastructures. The Management Board considers their utilisation unlikely so that no costs were recognised for asset retirement obligations in the financial statements.

- Provision for onerous contracts:

  Provisions for onerous contracts were recognised for a long-term signal delivery agreement. We refer to section E.19 'Other provisions' for further details. The signal delivery agreement expires on 30 June 2018 and provides for minimum payments. In the event of non-compliance with these minimum payments, the Group must make up the difference. Based on the expected subscriber volume and contractually agreed tiered pricing, Tele Columbus Group has calculated the anticipated extent of the obligation and compared it with the minimum payments. This calculation indicates a remaining net obligation. Furthermore provisions for onerous contracts are recognised for anticipated losses on a case-by-case basis if a business is not beneficial (anymore) and IFRS requires the recognition of a provision for onerous contracts.

- Impairment of non-financial assets:

  The Group assesses at the end of each reporting period whether there is objective evidence that non-financial assets are impaired. According to IFRS, goodwill is not amortised, instead impairment-tested annually. Further assessments are performed if there is objective evidence of impairment.

  For impairment testing of goodwill according to IAS 36 as at 31 December 2016, the Group measured the recoverable amount at fair value less costs to sell for each cash generating unit, where cash generating units largely mirror the segments as well as the subsidiary HLkomm. Fair value was measured pursuant to IFRS 13 based on unobservable inputs (level 3 inputs).

The annual impairment test on goodwill was performed as at 31 December 2016 (2015: 30 November 2015). This change was necessary to take into account the insights resulting from the finalization of the opening balance of the acquisition of pepcom. This led to a more accurate result of the impairment test and complies with the requirements of IAS 36. We refer to the explanatory notes in section E.12 'Intangible assets and goodwill'.

The search for indications of impairments (so-called triggering events) has taken place as of 31 December 2016. No indications for impairments were found as of 31 December 2016.

A triggering event relating to individual level 4 networks was identified in the third quarter 2016. The review showed an impairment which was recognised immediately. No further impairment was identified for other level 4 networks.

- Recognition of deferred tax assets:

  Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised and the necessary documentation requirements can be fulfilled. 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 Group's current planning, deferred tax assets arising from temporary differences are recognised in the amount of deferred tax liabilities. Subsidiaries that represent independent taxable entities recognise deferred tax assets only, if it is probable that sufficient taxable profit will be available in future years.

  Any excess in deferred tax assets arising from temporary differences and deferred tax assets on interest and tax loss carry forwards were written down in 2016. On the basis of loss history there are higher requirements for documenting the probability for the utilisation of carry forwards (e.g. detailed tax planning). It was not possible to fulfil these requirements in every respect as at the reporting date.

- Provision for restructuring:

  In November 2015 the Management Board announced planned restructuring measures, such as the closure of the company's location in Hanover and the reorganisation of the Group, which were taken into account in preparing the financial statements 2015. Further restructuring measures for pepcom Group have been announced on 29 June 2016. In 2016 provisions have been recorded accordingly.Due to German rules and regulations, the recognition of these provision involves significant assumptions. According to German law, entitlements to severance payments depend substantially on the choice of social compensation plan, voluntary notifications, the personal situation of respective employees and legal disputes. Therefore they have not been finalised yet. For further information we refer to section E.19 ‘Other provisions’.

- Provision for tax audit:

  A tax audit provision was recognised in connection with expected additional charges resulting from the tax audit of Tele Columbus Beteiligungs GmbH, which was separated from the Group in 2014. For these accrued amounts Tele Columbus AG has a supplementary payment obligation.

- Measurement of the liability regarding the non-controlling interest in Kabelfernsehen München Servicenter GmbH & Co. KG:

  The fair value calculation of the liability tot he limited partnership Kabelfernsehen München Servicenter GmbH & Co. KG, München, is done on the basis of the cash values test oft he estimated purchase price or rather the estimated exercise price of the termination option. Significant key factors affecting the value are among others the planned EBITDA-growth rate, discount rate as well as the expected date of exercise of the termination option.

- Assumptions regarding the useful lives in connection with company acquisitions:

  Within the framework of the purchase price allocation of the acquired primacom and pepcom group, previously unrecognised intangible assets, brands and customer bases, were identified and recorded for the first time. The estimated useful life of the brands acquired in the course of the company acquisitions is two years (discounted cash-flow method), the useful lives of customer bases are between 7 to 11 years (residual book value method). For further details, please refer to section D.2.1 ‘Intangible assets’.

- Specific features with regard to the fair value measurement in connection with the acquisitions of primacom and pepcom

  Property, plant and equipment, which essentially comprises cable network infrastructure, was measured by using the comparative value method and the direct replacement cost approach (primacom) or rather the comparative value method and the indirect replacement cost approach (pepcom). Useful lives of between 8 and 20 years (primacom) and between 10 and 18 years (pepcom) were taken into account with regard to different network levels.

D.2 Significant accounting policies

D.2.1 Intangible assets

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

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

Development expenses for improving and enhancing internally generated software are capitalised insofar as they fulfil the recognition requirements under IAS 38.57 et seqq. Capitalised development expenses are amortised over a period of two years.

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

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

An impairment loss is recognised for 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 value in use. The impairment test is performed based on the cash generating unit (CGU) to which goodwill is attributable.

We refer to the explanatory notes in section D.1.2 ‘Estimation uncertainties’ and the disclosures on goodwill in section E.12 ‘Intangible assets and goodwill’.

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

Amortisation expenses and impairment losses are recognised as amortisation expense in the consolidated income statement.

Gains and losses on disposals are recognised as other income or other expenses.

D.2.2 Business combinations

For acquisitions, capital is consolidated by applying the purchase method pursuant to IFRS 3. In the course of the preparation of the opening balance, the identified assets and liabilities of the acquired subsidiaries are recognised and measured at fair value or in accordance with the respective IFRS regulations. Furthermore, identifiable intangible assets are capitalised and contingent liabilities are recognised in accordance with IFRS 3.23. The remaining difference corresponds to goodwill. Non-controlling interests in an acquired company are preliminarily recognised at fair value.

D.2.3 Property, plant and equipment

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

The cost of acquisition comprises 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 facilities with estimated useful lives of between 8 and 15 years. In few cases, the limitation of the useful lives depends on the availability and useability of the licence agreement (particularly NE4), not the technical useful life. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualifying asset that takes more than twelve months to get ready for its intended use. If they are not directly attributable, they are expensed in the period incurred.

Customer terminals in the form of modems and receivers are – insofar as not sold to the customer under a contract – recognised as part of the network infrastructure under technical equipment and depreciated over their estimated useful life of three years (modems) or two years (receivers), respectively. If returned before the anticipated end of the contract, the customer terminal is written down to EUR 1 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 value in use. An impairment test is carried out at individual asset level, as a matter of principle. We refer to section D.1.2 ‘Estimation uncertainties’.

Costs for maintenance and repair are recognised in the period in which they are incurred. The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity in excess of what could be derived had those items not been acquired.

Straight-line depreciation expenses and impairment losses are recognised as depreciation expense in the consolidated income statement.

Gains and losses on asset disposals are recognised through profit or loss under other income or other expenses.

D.2.4 Leases

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

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset; therefore, the leased asset must be capitalised in the statement of financial position of the lessee. Finance lease assets are measured at the commencement of the lease term at the lower of the asset's fair value and the present value of minimum lease payments. The asset is amortised straight-line over its estimated useful life or the shorter lease term. Future lease payments are recognised as a lease liability. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance leases may also result from sale and lease back transactions. Accordingly, a sales transaction under civil law does not result in the sale of an asset if the same asset is leased back under a finance lease and thus has to be capitalised. Any excess of sales proceeds over the carrying amount are deferred and amortised over the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operate leases. Lease payments under an operating lease are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Tele Columbus Group also leases customer premises equipment (CPE) necessary for receiving digital television and broadband transmission packages to its customers. Such lease arrangements, in which Tele Columbus Group is the lessor, are classified as operating leases. Consequently, the Group capitalises CPEs at cost as property, plant and equipment. It is not possible to provide information on contingent rent for the provision of CPEs as required under IAS 17.56, as such rent is incorporated into the fees for services provided to customers.

Finance leases, for which Tele Columbus Group represents the lessee are in place, in particular, for leased IT-equipment and leased local cabling using fibre optic connections. We refer to the explanatory notes in section F.1.4 'Finance leases'.

D.2.5 Inventories

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

D.2.6 Financial instruments

A financial instrument is any contract that 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 IAS 39, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

Financial assets and liabilities are recognised when an entity becomes party to the contractual provisions of the instrument.

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

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

When there is a substantial modification of terms for existing financial liabilities, the existing financial liability (loan) based on the previous terms is treated as extinguished, and the loan is recognised based on the changed terms at fair value pursuant to IAS 39.40.

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

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

Tele Columbus Group determines the classification of its financial assets on initial recognition and reviews this classification at the end of each financial year to the extent permitted and appropriate.

Financial assets are measured at fair value on initial recognition. In the case of financial investments other than those measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset are taken into account in addition. All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which Tele Columbus Group commits to purchasing the asset. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

Financial assets

Financial assets	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
1. Derivative financial assets	At Fair value through profit or loss	Fair value	Fair value	Finance income / costs
2. Interests in unconsolidated subsidiaries	Available-for-sale financial assets	Fair value	Fair value[1]	Other income/ other expenses[1]
3. Trade receivables and other financial receivables	Loans and receivables	Fair value	Amortised cost	Other income/ other expenses
4. Receivables from related parties	Loans and receivables	Fair value	Amortised cost	Other income/ other expenses
5. Cash and cash equivalents	Loans and receivables	Fair value	Fair value	Finance income / costs

Financial liabilities

Financial liabilities	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
1. Derivative financial liabilities	At Fair value through profit or loss	Fair value	Fair value	Finance income / costs
2. Loans and borrowings	Financial liabilities measured at amortised cost	Fair value less transaction costs	Amortised cost[2]	Finance income / costs
3. Trade payables and other financial liabilities [3] [4]	Financial liabilities measured at amortised cost	Fair value	Amortised cost	Other income/ other expenses
4. Payables to related parties	Financial liabilities measured at amortised cost	Fair value	Amortised cost	Other income/ other expenses

[1] For interests there is no quoted price available on the active market. These assets are recognised at acquisition cost since no significant improvement of the presentation of the financial statement is expected from the determination of fair values.

[2] Amortised cost, including transaction costs, is determined by means of the effective interest method.

[3] Lease liabilities are not classified in a measurement category according to IAS 39.2 (b). They are accounted for according to IAS 17.

[4] Non-controlling interests of third parties in the partnership Kabelfernsehen München Servicenter GmbH & Co. KG, München, are accounted for using the anticipated acquisition method and are recognised under non-current other financial liabilities according to IAS 32.AG29A. This is due to existing termination rights of minotity shareholders with respect to the KG.

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 include cash, demand deposits, cheques, and pledged cash and cash equivalents.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as 'financial assets at fair value through profit or loss' or 'loans and receivables'. This category contains equity instruments of companies which are not consolidated. After initial recognition, available-for-sale financial assets are measured at fair value pursuant to IAS 39.46, whereby unrealised gains and losses are recognised in other comprehensive income. Accumulated gains and losses on measurement at fair value previously recognised in other comprehensive income are recognised in profit or loss when the financial asset is derecognised. As these investments in subsidiaries do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost pursuant to IAS 39.46c.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments that consist of three interest rate caps. The calculation of fair values is based on market parameters or measurement models based on market parameters.

We refer to the explanatory notes in section D.1 ‘Significant judgements and estimates’ for the accounting treatment of non-controlling interests in partnerships.

Impairment of financial assets

All financial assets are assessed for impairment. If there is objective evidence that an potential impairment loss has been incurred on assets recognised at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the financial asset’s original effective interest rate, i.e. the effective interest rate determined at initial recognition.

Objective evidence of impairment of financial assets includes:

- a debtor's default or arrears in payment
- restructuring of an amount payable within the Group at terms which the Group would not otherwise consider
- indications of a debtor's imminent insolvency
- adverse changes in the payment status of borrowers or issuers, or
- observable data indicating that there is a measurable decrease in estimated future cash flows.

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 non-recoverability on a portfolio basis. A portfolio combines receivables with similar risk exposures. Lump-sum specific loan loss provisions are determined based on the payables due dates of liabilities as well as experience with loan losses in the past.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal of impairment losses is limited to the impairment losses previously recognised for the assets concerned. The amount of the reversal is recognised in profit or loss.

If, in the case of trade receivables, there is objective evidence that not all amounts due are received in accordance with the originally agreed invoicing terms, an impairment loss is recognised through use of an allowance account (provision for impairment). The receivables are derecognised when they are classified as uncollectible.

In the case of investments in other entities, a significant or prolonged decline in the fair value of such investments below their cost is considered objective evidence of impairment. If there is objective evidence of such decline, fair value is measured by using an appropriate valuation technique. Objective evidence also includes significant changes in the technological, market, economic or legal environment of the unconsolidated subsidiary. The Group considers a decline of 20 % significant and a period of nine months prolonged.

Embedded derivates are separated of the respective host contract under IAS 39 and presented as stand-alone financial instrument at fair value through profit or loss. The embedded derivatives of Tele Columbus Group exist in connection with loan contracts.

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 principle terms and conditions.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Tele Columbus Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements

The grant-date fair value of the equity-settled share-based payment programs granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards the meet the related service and non-market performance conditions at the vesting date. For the share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (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 plans are post-employment benefit plans other than defined contribution plans, under which the entity’s obligation is 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 in other comprehensive income.

Provided so-called 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. Plan assets that are not netted are presented as other financial receivables.

Actuarial 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 rather than profit and loss.

Agreements for partial retirement benefits

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

Anniversary obligation

Employees of some companies are paid anniversary benefits upon having served the company as an employee for a certain number of years. Such provisions are measured by cash value by considering employee entitlements based on the number of years served.

Termination benefits

Termination benefits are expensed at the earlier of when the Tele Columbus Group can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

Regarding provisions for restructuring we refer to sections D.1.2 ‘Estimation uncertainties’ and D.2.8 ‘Other provisions’.

D.2.8 Other provisions

According to IFRS, a provision is recognised when an entity of the Tele Columbus Group has 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. Where some or all of the expenditure required to settle a provision is expected to be reimbursed to Tele Columbus Group, 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.

Provisions for onerous contracts

Tele Columbus Group forms provisions for onerous contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract.

Provisions for restructuring

Where necessary, provisions for restructuring costs are recognised at the present value of the future outflows of resources. Provisions are recognised once a detailed restructuring plan has been decided on by management and publicly announced or communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with the future operation are not taken into consideration.

Other provisions

Other provisions were formed in accordance with IAS 37 for all recognised liabilities of the Group. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting date.

D.2.9 Deferred income/revenue

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

D.2.10 Recognition of revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of Tele Columbus Group measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and these benefits can be measured reliably, and other specific criteria are met as specified below.

Revenue

Tele Columbus Group generates revenue in the following key segments: analogue and digital cable television, additional digital services, internet, telephony and transmission fees, construction services as well as the implementation of infrastructure and other projects.

Revenue from basic charges is recognised on a straight line basis over the individual contract period.

Some new customers are gained through advertising offers, such as a certain number of free months for a contract period of one to two years. If a customer has signed a contract for a minimum term, the subscription fees are recognised over the minimum term, including months free of charge, using the straight line method.

Revenue from installation charges is recognised as incurred. This revenue is offset by corresponding internal and external processing costs for new customers.

Revenue from the sale of hardware is realised if there are no unfulfilled obligations which impact final customer acceptance.

For multi-component agreements, the revenue share for each significant component is determined separately (generally on the basis of comparative offers or individual sales prices). On this basis the revenue share is allocated to the components and determined in line with the realisation date of the components.

Interest income

Interest income contains interest from pro rata development from using the effective interest method. When a receivable is impaired, its carrying amount is reduced to its recoverable amount. The recoverable amount is estimated by discounting future cash flows at the effective interest rate. The Group continues unwinding the discount as interest income on impaired loans, which is recognised at the effective interest rate.

Licence fee income

Licence fee income is deferred as specified in each agreement.

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 value in use. In the case of plant and equipment, an individual building distribution system or satellite system is the cash generating unit. We refer to the explanatory notes in section D.1.2 'Estimation uncertainties'. Regarding the impairment of goodwill we refer to section E.12.2 'Result of impairment testing of goodwill'.

D.2.12 Fair value measurement according to IFRS 13

Tele Columbus Group measures its derivative financial instruments at fair value. Also, available-for-sale financial assets are generally measured at fair value, if it can be measured reliably. These financial assets are in part investments in other entities which are recognised at cost due to non-determinable fair values (we refer to the explanatory notes in section B.5 ‘Investments in other entities’).

If there are indications of impairment, fair value is measured by using an appropriate valuation technique. In addition, the fair value of financial assets and liabilities measured at amortised cost is presented in section F.3.1 'Carrying amounts and net income from financial instruments'. Fair value is also determined in the course of impairment testing of goodwill. In this context, we refer to our explanatory notes in section D.1.2 ‘Estimation uncertainties'.

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 finance department of Tele Columbus AG regularly reviews the most important inputs and valuation parameter. If information from third parties - such as foreign exchange quotations from exchange rate services - is used to determine fair value, the department assesses the evidence obtained from the third parties in terms of compliance of such measurements with IFRS requirements, including the fair value hierarchy level to which these measurements are assigned.

In determining the fair value of an asset or liability, the Group uses data observable in the market insofar as possible. The inputs used to measure fair value are categorised into different levels of the fair value hierarchy, in accordance with the valuation technique used:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs: 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: unobservable inputs for the asset or liability.

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.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. We refer to the following note for further information on the assumptions for determining fair value: F.3.1 'Carrying amounts and net income from financial instruments'.

D.2.13 Income taxes

Current income tax assets and liabilities

Current tax assets and liabilities relating to income tax are determined based on tax paid or payable and are not discounted. These are based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount of an asset or liability in the statement of financial position (according to IFRS) and its tax base. Deferred tax assets and liabilities for temporary differences arising from goodwill are only considered in the amount recognised for tax purposes and therefore if they are temporary.

Deferred tax assets from deductible temporary differences and from the carry forward of unused tax losses are recognised only to the extent that it is probable that taxable profit will be available at the taxable entity (company or reporting entity) against which the deductible temporary difference can be utilised (and/or further recognition requirements are fulfilled) or the temporary difference will reverse in the foreseeable future. A deferred tax asset or liability is not recognised, however, if the deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

The value of deferred tax assets and liabilities 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 in future periods or from temporary differences to cover loss carry forwards or the basis of detailed fiscal plans is not sufficient, the recognition for the deferred tax assets is corrected to the appropriate level.

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

Deferred tax assets and liabilities are recognised under non-current assets or liabilities. However, if changes in the measurement of assets and liabilities are recognised separately in equity, the change in the corresponding deferred tax asset or liability is also shown separately in equity.

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 sale transaction that is highly probable within the next 12 months rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less selling costs and classified as assets held for sale. Such assets are no longer depreciated. Impairment of such assets is recognised if fair value less selling costs is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognised is reversed. The reversal of impairment losses is limited to the impairment losses previously recognised for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. In the reporting period the assets held for sale were recognised at the beginning of the active search for a buyer with the lower value of carrying amount and fair value less selling costs. The assets are saleable at once under common and usual market conditions. That is why a sale is highly probable.

D.3 Compliance with IFRS

Tele Columbus has adopted all IFRS and IFRIC interpretations in the consolidated financial statements for the year ended 31 December 2016, as adopted by the EU, that are effective for financial years beginning on or after 1 January 2016.

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 Commission
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	01.02.2015	09.01.2015
AIP 2010 - 2012	Annual Improvements cycle 2010-2012 - Improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)	01.02.2015	09.01.2015
Amendments to IFRS 11	Acquisition of an interest in a joint operation*	01.01.2016	25.11.2015
Amendments to IAS 1	Disclosure Initiative	01.01.2016	19.12.2015
Amendments to IAS 16 and IAS 38	Acceptable methods of depreciation and amortisation	01.01.2016	03.12.2015
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants*	01.01.2016	24.11.2015
Amendments to IAS 27	Equity method in separate financial statements	01.01.2016	23.12.2015
AIP 2012 - 2014	Annual Improvements - Improvements to IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34)	01.01.2016	16.12.2015
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception*	01.01.2016	23.09.2016

Above standards and interpretations marked with (*) do not effect the consolidated financial statements as of 31 December 2016, all others have only insignificant impacts.

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

Standard/ Interpretation		Effective as at[1]	Publication of endorsement by the EU Comission[2]
EU Endorsement took place until date of publication			
IFRS 9	Financial Instruments	01.01.2018	29.11.2016
IFRS 15	Revenue from Contracts with Customers	01.01.2018	29.10.2016
EU Endorsement pending[2]			
Amendments to IAS 7	Disclosure Initiative	01.01.2017	
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	
AIP 2014 – 2016	Annual Improvement Project, annual Improvements to IFRS 12	01.01.2017	
Amendments to IFRS 2	Classification and measurement of Share-based Payment Transactions	01.01.2018	
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	01.01.2018	
Amendments to IFRS 15	Clarifications to IFRS 15	01.01.2018	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	
AIP 2014 – 2016	Annual Improvement Project, annual improvements to IFRS 1 and IAS 28	01.01.2018	
IFRS 16	Leases	01.01.2019	

[1] Financial years which begin on or after the date indicated.
[2] As the EU endorsement is still outstanding, the date of mandatory first-time adoption according to the IASB is provided.
[*] No impact on the consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014 IFRS 9 was published. The standard replaces the existing guidelines in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 contains revised guidelines for classification and measurement of financial instruments. Moreover, the standard introduces a new model for expected credit losses in order to calculate the impairment of financial instruments and provides new general guidelines for hedge accounting. The new standard adopts the principles for recognition and derecognition of financial instruments of IAS 39.

Due to the new model for the recognition of credit losses, we expect higher impairment losses without being able to currently quantify the amount.

IFRS 15 Revenue from Contracts with Customers

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

In the financial year 2015 a project was started at Tele Columbus in order to implement the IFRS 15 requirements and the consequential changes for the Tele Columbus Group. In this context, an impact assessment is carried out with a special focus on multiple element arrangements. The possibility of the implementation of IFRS 15 impacting the amount and timing of future revenue recognition within the Group cannot be dismissed. Furthermore potential future adjustments to the IFRS 15, resulting from proposed clarifications by the IASB, have to be concluded before a final statement on the expected impact on the Group can be made.

In the course of the IFRS 15-project, the following material revenue streams of the Tele Columbus Group were identified:

- Revenues from TV products,
- Revenues from internet & telephony,
- Revenues from feed contracts,
- Revenues from rental services (CPEs such as digital receivers, cable modems),
- Other revenues.

IFRS 15 may have an impact on the presentation of multiple element arrangements in the consolidated financial statements of the Tele Columbus Gourp. It can lead to a change in the current allocation of revenues between service and rental components, due, among other things, to the fact that currently the allocation of revenues in accordance with IAS 18 is partly done using the residual value method. Furthermore, operating revenues are to be separated into revenues resulting from contracts with customers, and revenues resulting from rental services. As of now, the Group does not expect any changes on revenues in total over the course of a contract.

The Group has not yet decided which of the available interim measures and simplifications will be applied.

IFRS 16 Leases

IFRS 16 introduces a uniform accounting model, which requires all leasing contracts to be recorded on the lessee's balance sheet. Lessees recognise a right-of-use asset, which represents the right of use of the underlying asset, and a lease liability, representing the obligation for lease payments. The only exceptions are made for lease terms with a duration of less than 12 months, or contracts with an underlying asset of low value. Lessors continue to classify lease terms as finance or operating, comparable to IAS 17.

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

The Group commenced preparations for an impact assessment of the application of IFRS 16 in 2016. Currenlty no detailed information on possible impacts on the financial statements is available.

Further amendments to IFRS are not expected to significantly impact the financial statements.

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

E.1 Revenue

KEUR	2016	2015 adjusted [1)]
Analogue and digital, ongoing	200,025	137,085
Internet/telephony	144,986	78,727
Analogue and digital, one-time	30,834	16,943
Ancillary digital premium services	28,135	18,358
Other transmission fees and miscellaneous feed-in charges	22,802	12,652
Network rents	17,640	3,498
Leasing customer premise equipment	11,848	4,780
Construction services	6,267	559
Sales of hardware	5,337	2,316
Data center	4,044	530
Other	4,832	5,234
	476,751	**280,681**

1) Further information regarding the adjustment is provided in section A.4 ‘Description of changes 2015’.

Tele Columbus Group's revenues mainly comprise of monthly subscription fees and to a lesser extent one-off installation and connection charges for basic analogue and digital cable television as well as ancillary digital services. They also include fees for high-speed internet access and telephony charges. Further revenue is generated by other transmission fees and feed-in charges which are paid to the Group as consideration for the distribution of programs. Other revenues mainly contain one-off charges to business customers, income from services, income from antennas and maintenance.

E.2 Own work capitalised

Own work capitalised in the amount of KEUR 18,350 in 2016 (2015: KEUR 13,156) mainly comprises expenses for work performed by own employees in connection with expanding the cable network.

E.3 Other income

KEUR	2016	2015 adjusted[1)]
Income from the derecognition of liabilities and reversal of provisions	16,997	11,368
Income from sale	2,464	494
Gains on disposal of non-current assets	2,014	1,183
Income from dunning fees	1,879	1,451
Income from marketing subsidies	1,018	1,350
Income from refundable IPO costs	-	4,395
Miscellaneous other income	3,826	5,334
	28,197	**25,575**

1) Further information regarding the adjustments is provided in section A.4 'Description of changes 2015'.

Income from derecognition of liabilities and reversal of provisions increased by KEUR 5,629 compared to the previous period. The increase mainly results from the reversal of personnel-related provisions for restructuring. Furthermore, income from the derecognition of liabilities is attributable to the reversal of provisions for onerous contracts in connection with a signal delivery contract as well as the reversal of provisions for restructuring. We refer to the explanatory notes in E.19 'Other provisions'.

E.4 Cost of materials

KEUR	2016	2015
Cost of raw materials and consumables	-3,765	-2,086
Cost of purchased services/ goods	-142,459	-91,051
	-146,224	**-93,137**

The cost of materials and consumables refers to goods used for repairs and maintenance.

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

E.5 Employee benefits

KEUR	2016	2015
Wages and salaries	-68,286	-44,151
Social security, pension and other benefits	-11,883	-7,092
Other personnel expenses	-3,896	-1,983
	-84,065	**-53,226**

Regarding employee benefits, we refer to sections E.17 'Post-employment and other long-term employee benefits' and E.18 ‘Share-based payments’.

E.6 Other expenses

Other expenses were incurred in particular for the following:

KEUR	2016	2015 adjusted [1)]
Legal and advisory fees	-15,398	-32,445
Advertising	-12,873	-9,854
Occupancy costs	-8,628	-4,998
Impairment of receivables	-6,861	-5,457
Restructuring	-6,632	-22,842
IT costs	-4,879	-3,358
Communication costs	-2,992	-1,849
Vehicle expenses	-2,838	-1,692
Travel expenses	-2,065	-975
Insurance, fees and contributions	-2,026	-1,073
Losses on disposal of non-current assets	-1,891	-941
Office supplies and miscellaneous administrative expenses	-1,675	-1,935
Maintenance	-1,320	-747
Incidental bank charges	-1,224	-4,452
Income from cancellations, prior year	-947	-357
Call liability TC Beteiligungs GmbH	-872	-5,799
Miscellaneous other expenses	-3,546	-945
	-76,667	**-99,720**

[1)] For a better comparability and differing to the prior year disclosure the Tele Columbus Group discloses miscellaneous other expenses separated into types of expenses.

Legal and advisory fees decreased by KEUR 17,047 compared to the previous year. This decrease mainly results from additional legal and advisory fees incurred in the reporting period 2015 in connection with the preparation for the IPO, the acquisition of new businesses and the capital increase procedure.

The decrease of incidental bank charges is mainly due to IPO bank fees incurred in connection with the IPO in the reporting period 2015 which were not recognised in equity with the capital increase.

Regarding the expenses for restructuring we refer to section E.19 ‘Other provisions’.

E.7 Depreciation and amortisation expenses

Depreciation relates to property, plant and equipment and amortisation of intangible assets. For more information, we refer to the asset movement statement presented in section E.11 'Property, plant and equipment'.

An impairment loss of KEUR 4,667 (2015: KEUR 725) was recognised for property, plant and equipment in the current reporting period. Thereof an amount of KEUR 2,200 – which was derived from the calculation of the assets´ fair value less cost to sell (an estimate of the lower recoverable amount) - is recorded for level 4 networks, which have been tested for impaiments according to triggering events. The remaining amount is largely attributable to customer premises equipment, which were defective or were returned before the regular expiration of the contract.

No impairment losses were recognised during the reporting period or in the previous period in relation to intangible assets and goodwill.

E.8 Net interest income and expenses

KEUR	2016	2015
Interest income from third parties	260	1,085
Interest and similar income	**260**	**1,085**
Interest paid to third parties	-64,365	-42,555
Expenses resulting from compounding of loans under the effective interest rate method	-6,108	-2,695
Expenses resulting from revaluation of interest caps	-4,937	-
Interest and similar expenses	**-75,410**	**-45,250**
	-75,150	**-44,165**

The interest paid to third parties mainly relates to liabilities to banks (loans and borrowings). For further information we refer to section E.20 ‘Liabilities to banks’.

For details regarding the interest rate hedges please refer to the explanatory notes in section F.3.1 ‘Carrying amounts and net income from financial instruments’.

E.9 Other finance income and expenses

KEUR	2016	2015
Adjustment of the value due to transaction costs	-2,935	-4,065
Adjustment of the value of embedded derivatives	5,791	-14,359
Other finance income/ costs	-4	19
	2,852	**-18,405**

The decrease of other finance income and expense is mainly due to the remeasurement of embedded derivatives in loans in the amount of KEUR 5,791 (2015: KEUR -14,359). Addtionally there was a reduction in the expense of previously accrued transaction costs related to restructuring of debt of KEUR -2,935 (2015: KEUR -4,065) in the second quarter 2016.

E.10 Income tax expense

KEUR	2016	2015 adjusted
Deferred tax income/ expense resulting from changes in temporary differences	3,131	86
Deferred tax income/ expense from recognition of deferred tax assets for loss and interest carry forwards	13,799	21,634
Deferred tax income/expense resulting from recognition changes for deferred tax assets	-4,789	-19,667
Use of interest carry forwards after recognising an impairment loss	1,317	-
Current tax expense, current year	-14,695	-4,360
Current tax income/ expense, prior years	1,029	1,189
Total tax income/ expense	**-208**	**-1,119**

In the financial year 2015 pepcom Group was included as of 1 December 2015 and primacom Group as of 1 Augist 2015 for the first time in the consolidated financial statements of Tele Columbus Group. The purchase price allocation of both Groups was adjusted in 2016 retrospectively for 2015. Accordingly, the previous year financial statements have been adjusted. For further explanations we refer to to section B.2.1 ‘Final opening balance of primacom Group’ and section B.2.2 ‘Final opening balance of the pepcom Group’.

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

KEUR	2016	2015
Earnings before tax (EBT)	-10,551	-63,990
Group tax rate	28.44 %	31.08 %
Expected tax expense (-)/ income (+)	**3,001**	**19,885**
Adjustments temporary differences	4,153	-1,685
Adjustments interest and tax loss carried forward	-9,139	-
Adjustments recognition changes	4,670	-19,667
Effects of deferred tax assets and liabilities not qualifying for recognition	-371	1,063
Trade tax additions	-3,360	-1,397
Corporation tax effects, external owners of the Company / effects of investments in companies	231	22
Non-deductible expenses	-282	-378
Tax-free income	62	-
(Other) consolidation effects	-35	-507
Taxes for prior years	1,029	1,189
Other differences	-167	356
Reported income tax expense (+)/ income (-)	**-208**	**-1,119**

The aggregate tax rate of 28.44 % (2014: 31.08 %) corresponds to the average tax rate for the consolidated entities. The increase compared to prior year is primarily attributable to differing trade tax multipliers due to the acquisitions of the primacom Group and the pepcom Group.

The adjustment for the correction of the recognition mainly results from impairment losses on interest carried forward and tax loss carried forward, for which a beneficial effect on current tax cannot be expected with convincing evidence due to the history of tax losses.

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

KEUR	2016	2015
Property, plant and equipment	141	1,094
Financial assets (without derivatives)	2,309	471
Intangible assets	11,519	5,908
Tax loss and interest carry forwards	45,467	39,811
Derivatives	3,189	4,559
Payables and provisions	7,047	15,892
Value of recognition changes for deferred tax assets	-45,507	-50,178
Offset	-21,480	-17,458
Deferred tax assets	**2,685**	**99**
Property, plant and equipment	-11,136	-9,654
Intangible assets	-62,546	-71,724
Receivables and other assets*	-1,677	-1,689
Liabilities and provisions (without derivatives)	-10,955	-11,339
Derivatives	-1,286	-66
Offset	21,480	17,458
Deferred tax liabilities	**-66,120**	**-77,014**
Change	13,480	-76,914
thereof recognised in profit or loss	13,458	2,254
thereof due to business combinations (Property, plant and equipment)	0	-8,923
thereof due to business combinations (Intangible assets)	0	-70,310
thereof due to business combinations (Liabilities)	0	109
thereof recognised in Other comprehensive income (Provisions)	22	-45

Deferred tax assets and liabilities recognised directly in equity result from provisions for employee benefits (according to IAS 19). We refer to our explanatory notes in section E.16 'Equity' for further details.

Deferred tax assets for property, plant and equipment and intangible assets relate, in particular, to higher taxable values in supplementary statements of financial position from business combinations in prior years and to the consolidation of intercompany sales of assets.

Deferred tax assets for liabilities and provisions relate, in particular, to provisions for onerous contracts that are not tax deductible and from the recognition of lease liabilities.

The increase in deferred tax liabilities is mainly due to the acquisitions of the primacom Group and the pepcom Group, which resulted in a recognition of hidden reserves in the intangible assets (especially customer base) and property, plant and equipment. For further information we refer to section B.2 ‘Changes in consolidated entities‘.

Deferred tax assets and liabilities were offset in accordance with the provisions of IAS 12.74.

Deferred tax assets were recognised in the amount of deferred tax liabilities. Deferred tax assets were recognised as far as they are recoverable based on deferred tax liabilities. Any exceeding deferred tax asset was only capitalised if sufficient taxable income has been forecasted. Other deferred tax assets have been impaired completely. This includes deferred tax assets for interest carried forward of KEUR 36,747 (2014: KEUR 33,584), which are likely to be not usable and therefore written down due to the interest cap regulation in German tax law. In addition to the described impairment losses on interest carried forward, an appropriate further impairment loss was recognised for the deferred tax assets, as the obligation to provide proof of the recoverability of the deferred tax assets was not completed in all areas to the necessary extent: deferred taxes from trade tax loss carry forwards of KEUR 3,714 (2015: KEUR 3,065) and corporate tax loss carry forwards of KEUR 5,006 (2015: KEUR 3,162).

No deferred tax assets were recognised on the following temporary differences, tax loss carry forwards and interest carried forward for the reasons stated above:

KEUR	**31 December 2016**	**31 December 2015**
Temporary differences	129	34,283
Trade tax loss carry forwards	24,386	20,114
Trade tax loss carry forwards	31,623	18,228
Interest carry forwards	118,310	107,973

The measurement basis for deferred taxes does not include 5 % of the differences between the recognition of the pro rata equity of the subsidiaries and the lower corresponding item recognised in the financial statements for tax purposes (outside basis differences) of KEUR 8,785 (2015: KEUR 6,984). Realisation is not planned at the present time. On disposal, 5 % of the 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 ended 31 December 2016, and the comparative period ended 31 December 2015.

With regard to assets and finance lease obligations, we refer to the explanatory notes in section F.1.4 'Finance leases'.

With regard to operating lease obligations, we refer to the explanatory notes in section F.1.5 'Operate leases and other financial obligations'.

With regard to the purchase commitments for property, plant and equipment, we refer to the explanatory notes in section F.1.2 '*Purchase commitments*'.

Movements in intangible and fixed assets in financial year 2016

KEUR	Acquisition costs: 1 Jan 2016	Additions	Additions from changes in consolidated entities	Disposals [1]	Transfer	31 Dec 2016	Accumulated depreciation and amortisation: 1 Jan 2016	Scheduled [1] additions	Unscheduld ed additions	Disposals [1]	Transfer	31 Dec 2016	Net carrying amounts: 31 Dec 2016	31 Dec 2015 adjusted
I. Intangible assets														
1. Goodwill	1,296,548	-	5	-	-	1,296,553	148,310	-	-	-	-	148,310	1,148,243	1,148,238
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	46,775	5,083	-	30	10	51,838	33,669	7,736	-	30	-	41,375	10,463	13,108
3. Internally developed software	2,012	48	-	-	92	2,152	638	75	-	-	-	713	1,439	1,373
4. Customer base	376,588	14,774	-	170	703	391,895	119,639	47,193	-	112	-	166,720	225,175	256,949
5. Assets under development and advance payments	2,111	14,733	-	-	-30	16,814	-	-	-	-	-	-	16,814	2,111
	1,724,033	*34,638*	*5*	*200*	*775*	*1,759,251*	*302,256*	*55,004*	-	*142*	-	*357,118*	*1,402,133*	*1,421,779*
II. Property, plant and equipment						-								
1. Properties	3,080	11	-	-	-	3,091	1,117	33	-	-	-	1,150	1,941	1,963
2. Plant and equipment	1,046,365	69,240	-	51,314	14,054	1,078,345	490,074	89,464	4,371	41,676	-	542,233	536,112	556,290
3. Other equipment, operating and office equipment	29,999	3,739	-	436	350	33,652	14,306	5,487	244	302	-	19,735	13,918	15,693
4. Assets under development and advance payments	27,302	41,247	-	599	-15,179	52,771	-	-	52	-	-	52	52,719	27,302
	1,106,746	*114,237*	-	*52,349*	*-775*	*1,167,859*	*505,497*	*94,984*	*4,667*	*41,978*	-	*563,170*	*604,689*	*601,248*
	2,830,781	**148,875**	**5**	**52,549**	**-**	**2,927,112**	**807,753**	**149,988**	**4,667**	**42,119**	**-**	**920,288**	**2,006,825**	**2,023,027**

[1] Thereof reclassification in the position ‘assets held for sale’ in the amount of KEUR 229 (incl. acquisition costs in the amount of KEUR 4,093 and depreciation in the amount of KEUR 3,864).

Movements in intangible and fixed assets in financial year 2015

	Acquisition costs						Accumulated depreciation and amortisation						Net carrying amounts	
KEUR	1 Jan 2015	Additions [2]	changes in consolidated entities [2]	Disposals [1]	Transfer	31 Dec 2015 adjusted	1 Jan 2015	Schedulded additions [1][2]	Unschedulded additions	Disposals [1]	Transfer	31 Dec 2015 adjusted	31 Dec 2015 adjusted	31 Dec 2014
I. Intangible assets														
1. Goodwill	521,892	-	774,656	-	-	1,296,548	148,310	-	-	-	-	148,310	1,148,238	373,582
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	33,062	1,277	11,634	22	824	46,775	30,438	3,243	-	12	-	33,669	13,108	2,624
3. Internally developed software	595	80	1,278	-	59	2,012	539	99	-	-	-	638	1,373	56
4. Customer base	108,284	11,433	256,916	46	-1	376,588	102,725	16,959	-	45	-	119,639	256,949	5,559
5. Assets under development and advance payments	-	2,191	16	-	-96	2,111	-	-	-	-	-	-	2,111	-
	663,833	*14,981*	*1,044,500*	*68*	*786*	*1,724,034*	*282,012*	*20,301*	-	*57*	-	*302,256*	*1,421,779*	*381,821*
II. Property, plant and equipment														
1. Properties	2,825	-	255	-	-	3,080	1,026	91	-	-	-	1,117	1,963	1,799
2. Plant and equipment	669,301	57,288	334,326	38,182	23,633	1,046,365	465,803	50,966	725	32,310	4,890	490,074	556,291	203,498
3. Other equipment, operating and office equipment	21,273	1,986	14,011	1,394	-5,877	29,999	17,802	2,679	-	1,286	-4,890	14,306	15,693	3,471
4. Assets under development and advance payments	1,155	14,611	30,552	474	-18,542	27,302	-	-	-	-	-	-	27,302	1,155
	694,554	*73,885*	*379,144*	*40,050*	*-786*	*1,106,746*	*484,631*	*53,736*	*725*	*33,596*	-	*505,497*	*601,248*	*209,923*
	1,358,387	**88,866**	**1,423,643**	**40,118**	**-**	**2,830,780**	**766,643**	**74,037**	**725**	**33,653**	**-**	**807,753**	**2,023,027**	**591,744**

1) Thereof reclassification in the position ‘assets held for sale”’ in the amount of KEUR 208 (including depreciation in the amount of KEUR 26).

2) Adjustments to the opening balance mainly relate to the recognition of finance lease contracts with the net carrying amount of KEUR 18,239 (incl. acquisition costs amounting to KEUR 18,657 and depreciation amounting to KEUR 418), the recognition of brands in the amount of KEUR 4,130 (incl. acquisition costs amounting to KEUR 4,750 and depreciation amounting to KEUR 620)), step-down for technical facilities in the amount of KEUR -69,805 (incl. acquisition costs in the amount of KEUR -71,170 and depreciation in the amount of KEUR 1,365) and adjustments due to the revaluation of the customer base in the amount of KEUR -32,310 (incl. acquisition costs in the amount of KEUR -32,601 and depreciation in the amount of KEUR 291), as well as adjustments of goodwill in the amount of KEUR 70,977 and reclassification within property, plant and equipment, which are recognised in the course of finalizing the opening balance sheets for pepcom and primacom. Additionally, there have been adjustments in depreciation of the MDCC amounting to KEUR 417.

E.12 Intangible assets and goodwill

The annual goodwill impairment test in accordance with IAS 36 was performed as at 31 December 2016. Furthermore the Group performed an impairment test for intangible assets under construction. Other intangible assets with an indefinite useful life do not exist. There were no indications of potential impairment. Thus, there was no necessity for additional impairment testing.

With regard to movements in intangible assets and goodwill, we refer to the explanatory notes in section D.1 ‘Significant judgements and estimates’.

E.12.1 Results of impairment testing of intangible assets under construction

Intangible assets under development mainly include the asset AdvanceTV - the Group’s video on demand platform - and the new ERP system, which is currently in the development phase. As these assets are not amortised yet they must be tested for impairment according to IFRS.

With regard to the asset AdvanceTV no impairment was identified in accordance with the business case. Regarding the ERP software an impairment was not identified based on the business plan.

E.12.2 Result of impairment testing of goodwill

There was no indication for impairment of goodwill as at 31 December 2016, as defined by IAS 36.

The following sections discuss the main points that led to this conclusion, and provide information required for notes according to IFRS.

10.1.1. E.12.2.1 Cash generating units (CGUs)

Prior to 2015 goodwill had been monitored based on segments, which corresponded to the cash generating units. With the acquisition of pepcom and the associated HLkomm with its wholesale business, the Group introduced a new cash generating unit. The allocation of goodwill acquired in 2015 was attributed based on the proportionate share of fair value of the segments (without effects of the issues reported as ‘other” in the segment reporting), and the HL komm business plan. In the reporting year there was a goodwill adjustment according to the final opening financial statements, as well as the final goodwill allocation to the CGU. This allocation was based on the fair values less cost to sell, which was derived from the first impairment test, including the newly acquired goodwill.

The following table shows the allocation of goodwill to the CGUs and their development in 2016:

KEUR	31 December 2016	31 December 2015 adjusted
TV	504,156	504,151
Internet and Telephony	594,019	594,019
HLkomm	50,068	50,068
Total	**1,148,243**	**1,148,238**

10.1.2. E.12.2.2 Impairment testing in detail

If the carrying amount of the cash generating unit, including goodwill, exceeds its recoverable amount, an impairment loss is recognised in accordance with IAS 36. The recoverable amount was measured at fair value less costs to sell.

As in prior year fair value was determined based on the discounted cash flow method (using weighted average cost of capital, hereafter 'WACC').

This measurement is based on the financial budget for each segment approved by management for a detailed five-year planning horizon, which is also used for segment control. This budget is based on various assumptions. The key ratios in this regard are EBITDA (based on revenue performance and cost development) and investment planning (capex).

Starting with normalised EBITDA and capex – i.e. the key internal performance indicators – the parameters which were deducted for normalisation of EBITDA (mainly non-recurring items) were added again, and free cash flow after tax was determined (by taking account of investment planning and planned changes in working capital, among others), which is the key variable used for the DCF method during the five-year planning horizon. For the period beyond the planning horizon, the projected sustainable free cash flow after tax is determined based on the terminal year of the five-year planning horizon.

For the period after this detailed planning horizon a presumably sustainable free cash flow based on a growth rate of 1 % (2015: 1 %) is assumed for the TV segment. This approach reflects the positive impact of investments in video on demand products and cross selling with internet products. The expected positive trend in the internet and telephony market segment allows for a sustainable growth rate estimate of 1.25 % (2015: 1.5 %). This change in valuation is mainly derived from a conservative adjustment to market expectation within this field.

The expected capex rate within the planning period is expected to remain at 19 % for the TV segment and 22 % for the Internet and Telephony segment, which is the same as in the prior year.

The assumptions were verified against external benchmarks. Special effects, such as from restructuring or material available-for-sale financial assets were not included in planning.

The discount interest rate (weighted average cost of capital) was calculated based on a risk-free rate of 0.95 % (2015: 1.4 %) and mean values of leading industry parameters: WACC after tax amounts to 5.57 % (2015: 5.48 %) for both segments, WACC before tax 7.61 % (TV) resp. 7.41 % (Internet and Telephony) (2015: 7.33 % (TV) resp. 7.14 % (Internet and Telephony)).

For the CGU HLkomm a capex rate of 24 %, and a WACC after tax of 6.13 % (before tax 8.21 %) was applied. The deviance in interest rate to the segments mirrors the slightly higher risk in the wholesale business.

10.1.3. E.12.2.3 Sensitivity analysis

Goodwill impairment calculation is based on the material assumptions presented above. For the sensitivity analysis, management identified, based on experience, possible changes in key estimations that might lead to a possible impairment. The calculation was performed in line with IAS 36 under the assumption that these changes would not lead to other changes in parameters (ceteris paribus). In a normal course of business such changes correlate with other factors and trigger changes in the way the company is led by the management.

The following chart presents possible changes in assumptions within the TV Segment that could lead to an impairment of goodwill under these presuppositions and the change in the respective assumption with that no impairment would be anticipated (threshold value).

2016

KEUR – sensitivity TV	**2016**	**2015**
Assumption: increase in interest rate by 3 %		
possible impairment of goodwill	**-321,951**	-221,707
threshold value (in % points)	**0.31**	0.01
Assumption: decrease in long-term EBITDA of 15 %		
possible impairment of goodwill	**-155,089**	-82,341
threshold value (%)	**-4.2**	-8.0
Assumption: no long-term growth		
possible impairment of goodwill	**-82,319**	-25,322
threshold value (%)	**0.62**	0.25

Furthermore, management does not anticipate any other changes in the underlying assumptions within the next year which could lead to or trigger a goodwill loss. This applies to all segments.

E.12.3 Other intangible assets

As at 31 December 2016, intangible assets at a carrying amount of KEUR 1.402.133 (2015: KEUR 1,421,779) comprise goodwill of KEUR 1,148,243 (2015: KEUR 1,148,238), brands in the amount of KEUR 1,727 (2015: KEUR 4,130) and customer bases amounting to KEUR 225,175 (2015: KEUR 256,949) as well as other intangible assets of KEUR 26,988 (2015: KEUR 12,462).

This relates mainly to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets and software licences. As these are intangible assets with a finite useful life, they are only impairment-tested if there is any indication of impairment (triggering events). We refer to the applicable movements in non-current assets in section E.11 ‘Property, plant and equipment'.

E.13 Inventories

KEUR	31 December 2016	31 December 2015[1)]
Raw materials	3,003	4,984
Unfinished services	1,221	775
Other inventories	-	388
Inventories	**4,224**	**6,147**

[1)] With regard to the IAS 8 adjustment further information are provided in section A.4 'Description of changes 2015'.

Inventories comprise network materials, spare parts for repairs, cables, cabinets, electronical and mechanical components as well as switches and VOIP technology and to a minor extent unfinished services.

In financial year 2016, impairment losses totalled KEUR 98 (2015: KEUR 311). Impairment losses and income from the reversal of impairment losses are recognised under costs of materials.

E.14 Trade and other receivables, other financial receivables, other assets, deferred expenses and derivative financial instruments

KEUR	31 December 2016	31 December 2015
Trade receivables - gross	59,862	53,045
Impairment losses	-11,418	-13,409
Trade receivables - net	**48,444**	**39,636**

Additionally, there are trade receivables from related parties. We refer to the explanatory notes in section F.2.2 'Transactions with related parties and related persons'.

Impairment losses are recognised under 'other expenses'. We refer to the explanatory notes in section F.3.1 'Carrying amounts and net income from financial instruments'.

With regard to trade receivables pledged at their carrying amounts as security for liabilities as of 31 December 2016, we refer to the explanatory notes in section E.20 'Liabilities to banks'.

The following table shows the movement in impairment losses (provisions for bad debts) at Group level:

KEUR	31 December 2016	31 December 2015
1 Jan	13,409	8,963
Additions	6,729	9,254
Utilisation/ reversals	-8,720	-4,808
31 Dec	**11,418**	**13,409**

There are no overdue receivables for which no impairment loss was recognised. Impairment losses are primarily recorded as valuation allowances by dunning level and age structure.

Other financial receivables of KEUR 6,276 (2015: KEUR 9,152) primarily consist of cash deposits for the debit limit, rent deposits and claims from employer pension liability insurances, that do not qualify as plan assets. The decrease of current other financial receivables mainly results from a reduction of cash deposits for the debit limit while non-current other financial receivables increased due to higher deposits and avals.

Other assets in the amount of KEUR 6,126 (2015: KEUR 5,252) mainly comprise prepayments, receivables from value-added tax and creditors with debit accounts. The increase in other assets primarily results from higher receivables from value-added tax.

The derivative financial instruments shown in the amount of KEUR 3,630 (2015: KEUR -) relate to two interest rate caps, acquired by Tele Columbus AG in February 2016. We refer to the explanations in Section E.20 ‘Liabilities to banks’.

Deferred expenses in the amount of KEUR 10,037 (2015: KEUR 10,503) primarily consist of payments in connection with financing, insurance and warranties.

E.15 Assets held for sale

The assets held for sale shown in the consolidated statement of financial position in the amount of KEUR 229 (2015: KEUR 303) mainly consist of networks and other fixed assets. As of 31 December 2015 the assets held for sale additionally comprised investments in other entities held for sale in the amount of KEUR 95. We refer to the sections B.2 ‘Changes in consolidated entities’ and B.5 ‘Investments in other entities’.

E.16 Equity

The share capital in the amount of EUR 127,556,251 is divided into 127,556,251 no par value registered shares and is fully paid up. No treasury shares were held as at the reporting date.

Authorised capital

Per resolution of 15 May 2015, the annual general meeting authorised the Management Board to increase the share capital with the consent of the Supervisory Board once or several times by at most EUR 1,925,693 by issuing new no-par-value shares through cash or asset contribution (authorised capital 2015/I). That equals approx. 1.5 % of the current capital stock. This authorisation applies from 15 September 2015 until 14 May 2020.

Conditional capital

The share capital of the company was conditionally raised per resolution of 15 May 2015 of the annual general meeting by the issue of up to 28,345,833 new no-par value registered shares by up to EUR 28,345,833 (Conditional capital 2015/I). The authorisation ends with 14 May 2020.

Revaluation reserve

The revaluation reserve consists of the following components:

31 December 2016

KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	-2,968	919	-2,049
	-2,968	**919**	**-2,049**

31 December 2015

KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	-2,906	898	-2,008
	-2,906	**898**	**-2,008**

An amount of KEUR 444 (2015: KEUR 601) due to share-based payments was recognised in equity. Further information is illustrated in section E.18 ‘Share-based payments’.

During the finalisation of the opening balance sheets of primacom Group and pepcom Group, adjustments were made for the capitalization of finance lease terms of KEUR 29, brand valuation of KEUR -399, stepdown of technological equipment of KEUR 991 and customer base valuation of KEUR 234 as of 1 January 2016. Additionally a depreciation adjustment of MDCC of KEUR 417 (thereof KEUR 204 non-controlling interests) and the related deferred tax effect of KEUR 129 were made as of 1 January 2016.

With regard to movements in equity and distributions to non-controlling interests, we refer to the consolidated statement of changes in equity.

With regard to the management of capital and debt, we refer to the explanatory notes in section F.3.2 'Risk management of financial instruments'.

E.17 Post-employment and other long-term employee benefits

All entitlements to employee benefits originate from ‘previous arrangements’ made with acquired companies. No new pension commitments have been made. Entitled employees or (former) managers can claim their pensions from the age of 60 onwards if they were employed by the same company for at least five years. Pension benefits can first be claimed between the age of 60 and 65, whereby in some cases it is possible to claim a pension earlier if a reduction is accepted.

Pension benefits may consist of determined fixed pension benefits and/or pension benefits dependent on salary progression for the person entitled to benefits. In addition, pension benefits may also include benefits for occupational disability or surviving dependants. In some cases it is stipulated that pension benefits be secured by so-called plan assets, which in the event of insolvency may only be utilised to satisfy the claims of the persons eligible for pension benefits. Employees do not make individual contributions to such pension benefit plans.

The amount of future payments is dependent, in particular, on the increase of pension entitlements when benefits fall due and on interest on plan assets. The defined benefit plans subject Tele Columbus Group to actuarial risks, such as longevity risk and interest rate risk. The commitments resulting from these plans are financed exclusively by the responsible subsidiary. Plan assets as defined by IAS 19 exist only at the subsidiaries Tele Columbus Multimedia GmbH, Berlin, Teleco GmbH, Cottbus and RFC Radio-, Fernseh- u. Computertechnik GmbH, Chemnitz. Provisions for employee benefits, which are funded exclusively from internal resources, are matched by sufficient assets with a corresponding term.

The date of payment is dependent on contractual arrangements. 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 2005 G 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	2016	2015
Post-employment benefits (DBO)	9,255	9,492
Partial retirement, jubilee or other long-service benefits	558	839
	9,813	**10,331**

Post-employment benefits and partial retirement, jubilee or other long-service benefits falling due in the subsequent financial year amount to KEUR 667 (2015: KEUR 515).

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

KEUR	2016	2015
Present value of defined benefit obligations (DBO)	12,086	12,298
Plan assets	-2,831	-2,806
Post-employment benefits (DBO)	**9,255**	**9,492**

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

KEUR	2016	2015
Present value of defined benefit obligations (DBO) – capital-backed plans	4,425	4,357
Present value of defined benefit obligations (DBO) – non-capital-backed plans	7,661	7,941
	12,086	**12,298**

Movements in the present value of defined benefit obligations during the reporting period are as follows:

KEUR	2016	2015
Present value of defined benefit obligations as at 1 Jan.	12,298	11,979
Addition from changes in consolidated entities	-	686
Current service cost	21	10
Interest paid	241	330
Actuarial gains due to experience adjustments	-370	-105
Actuarial losses due to financial adjustments	465	-6
Benefits paid	-569	-597
Present value of defined benefit obligations as at 31 Dec.	**12,086**	**12,298**

The present value is calculated based on a weighted average duration of 13 years (2015: 14 years). The duration is the weighted average remaining term for which pension benefits are paid to eligible persons.

The following table shows the movements in plan assets:

KEUR	2016	2015
Plan assets at 1 Jan.	2,806	2,222
Addition from changes in consolidated entities	16	165
Interest on plan assets	53	42
Return on plan assets excluding standard interest income	36	32
Employer contributions	13	451
Benefits paid	-93	-106
Plan assets at 31 December	**2,831**	**2,806**

Plan assets consist of employer pension liability insurance, the management and capital investment of which are the insurers' sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in shares and real estate. There is no particular concentration of risk in individual plan asset classes. Employer contributions are not expected in the following year (2015: KEUR 451). Plan asset payments expected in the following year amount to KEUR 690 (2015: KEUR 515).

The following expenses were incurred for post-employment benefits:

KEUR	2016	2015
Current service cost	-21	-10
Net interest paid	-188	-288
	-208	**-298**

Current service costs are recognised under employee benefits. The net interest expense is recognised under interest expenses.

Calculation of the present value of employee benefits (DBO) is based on the following significant assumptions:

%	2016	2015
Interest rate	1.7 – 4.0	2.1 – 4.0
Anticipated increase in salaries and wages	0.0 – 3.0	0.0 – 3.0
Future pension increase	0.0 – 2.0	0.0 – 2.0
Attrition	0.0 – 5.0	0.0 – 5.0

All other assumptions remaining equal, 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

	2016		2015	
	Defined benefit obligation		Defined benefit obligation	
KEUR	Increase	Decrease	Increase	Decrease
Discount rate (1.00% change)	-9,439	12,089	-9,557	12,439
Future pension increase (0.25% change)	10,886	-10,431	11,103	-10,646

1) The sensitivity was determined regardless of the so-called plan assets.

Attrition and the expected increase in salaries and wages are considered insignificant actuarial assumptions in respect to sensitivity. The anticipated rate of attrition and increase in salaries and wages do not have a significant effect due to the low share of active employees.

The 2005G guideline tables of Dr. Klaus Heubeck, Cologne, continued to be applied as the basis of calculation.

In 2016, the expenses for defined contribution plans amounted to KEUR 5,092 (2015: KEUR 3,079).

In addition to the plan assets reinsurance claims against insurance companies of KEUR 1,626 (2015: KEUR 1,605) exist which do not qualify as plan assets within the meaning of IAS 19 and thus are recognised as other financial receivables.

E.18 Share-based payments

To align the business development on a long-term and sustained basis, two share-based payment programs became effective as of 23 January 2015: the Matching Stock Program (MSP) for the Management Board and the Phantom Options Program (POP) for selected managers. The MSP and POP programs create a long-term incentive to support the corporate success.

Description of the share-based payment programs

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

The MSP requires an own investment in shares of the Tele Columbus AG (so-called MSP shares). In 2016, each acquired MSP-share entitled to receive 4.5 (2015: 4.3) virtual shares (so-called MSP Phantom Stocks) per allocated tranche. The number of subscription rights (MSP phantom stocks) is determined by the Supervisory Board.

The MSP shares are deposited in a blocked securities account for the entire duration of the program. There are no further disposition restrictions: Thus, the shares entitle full rights to participate in dividends and subscription rights. MSP Phantom Stocks are subject to restriction of sale, though.

The program is divided into five MSP tranches. Each tranche of the allocated MSP Phantom Stocks is subject to a vesting period of four years. On 23 January 2015 the first MSP tranche was allocated, the vesting period will end on 22 January 2019. The second MSP tranche was allocated on 23 January 2016, the vesting period ends on 22 January 2020. The following tranches will be allocated each on 23 January of the subsequent years. A MSP tranche can be converted into taxable compensation depending on the fulfilment of the exercise conditions. This compensation then must be used to acquire shares in Tele Columbus AG. The purchase of shares takes place at market price at exercise date and is subject to an exercise period of two years, which begins with the end of the vesting period. After the expiry of the exercise period, options that have not been exercised shall be forfeited without substitution. The exercise conditions of each allocated tranche depend on the share´s performance during the vesting period. The performance is determined by the basis price, defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the grant date, and the exercise price, defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the exercise date (expiry of the vesting period). The hurdle is determined by the Supervisory Board when the tranche is allocated and is at least 130 % of the exercise price. If a dividend payment or another subscription right relates to the MSP Phantom Stocks, this amount is deducted from the respective basis price.

The Phantom Options Program for selected managers does not require an own investment in shares of the Tele Columbus AG. Each participant is allocated a certain number of Phantom Options (so called POP-Tranche) by the Management Board after approval of the Supervisory Board. Further conditions of this program are similar to MSP.

Measurement of fair values

The grant-date fair values of the subscription rights issued have been determined by independent expert opinion using 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 include the following assumptions:

Matching Stock Program (MSP)

		2015	**2016**
		Tranche 1	**Tranche 2**
Fair Value (adjusted to capital increase)		EUR 1.30	EUR 2.03
Share price at valuation date		EUR 7.01	EUR 9.20
Exercise price		EUR 7.01	EUR 8.60
Expected volatility		25 %	35.6 %
Expected duration		5 years	5 years
Expected dividends		-	-
Hurdle		130 %	130 %
Cap		EUR 9.34	EUR 12.74
Risk-free interest rate (based on German Government Bonds)		-0.1 %	-0.223 %

Phantom Options Program (POP)

	2015	**2016**	**2016**
	Tranche 1	**Tranche 2**	**Further**
Fair Value (adjusted to capital increase)	EUR 1.45	EUR 2.74	EUR 2.07
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.75
Exercise price	EUR 7.01	EUR 8.60	EUR 8.43
Expected volatility	25 %	35.6 %	35.6 %
Expected duration	5 years	5 years	5 years
Expected dividends	-	-	-
Hurdle	130 %	130 %	130 %
Cap	EUR 30.13	EUR 42.85	EUR 42.85
Risk-free interest rate (based on German Government Bonds)	-0.1 %	-0.223 %	-0.223 %

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

Reconciliation of outstanding share options

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

Matching Stock Program (MSP)

			Tranche 1		Tranche 2	
			Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options
Outstanding options at 1 January			EUR 7.01	322,500	-	-
Granted options during the year			-	-	EUR 8.60	337,500
Forfeited options during the year			-	-	-	-
Exercised options during the year			-	-	-	-
Expired options during the year			-	-	-	-
Outstanding options per 31 December			EUR 7.01	332,500	EUR 8.60	337,500
Exercisable options per 31 December			-	-	-	-

Phantom Options Program (POP)

	Tranche 1		Tranche 2		Further	
	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options
Outstanding options at 1 January	EUR 7.01	149,817	-	-	-	-
Granted options during the year	-	-	EUR 8.60	135,549	EUR 8.43	25,000
Forfeited options during the year	-	-	-	-	-	-
Exercised options during the year	-	-	-	-	-	-
Expired options during the year	-	14,268	-	-	-	-
Outstanding options per 31 December	EUR 7.01	135,549	-	135,549	-	25,000
Exercisable options per 31 December	-	-	-	-	-	-

The outstanding subscription rights of the first tranche at 31 December had a weighted-average contractual life of 4 years, those of the second tranche of 5 years. The number of options of the first tranche was adjusted due to the fact that one executive left the company.

Due to the MSP and POP program an amount of KEUR 444 (2015: KEUR 301) was recognised in personnel expenses and in equity as the compensation has to be settled with equity instruments.

E.19 Other provisions

The following table shows the movements in other provisions in the current financial year:

KEUR	31 December 2015 published	Adjustments to opening balance	31. Dezember 2015 adjusted	Utilisation	Reversal	Additions	Discounting/ unwinding of discount	31 December 2016
Restructuring	21,869	-	21,869	10,001	4,120	6,632	614	14,993
Call liability TC Beteiligungs GmbH	5,799		5,799	-	-	872	70	6,741
Litigation provisions	4,397	-371	4,026	348	325	622	-	3,975
Onerous contracts	13,968	-1,525	12,442	5,933	3,490	601	69	3,690
Retention requirements	503	-	503	-	3	-	9	509
Termination benefits	1,687	-	1,687	1,018	669	507	-	507
Warranty provision	163	-	163	14	-	8	-	157
Other provisions	254	2,305	2,559	134	6	1,183 *)	-	3,603
	48,640	**409**	**49,049**	**17,448**	**8,613**	**10,425**	**762**	**34,175**

* thereof KEUR 420 reclassification from other liabilities.

Year-end provisions as of 31 December 2016 can be divided into current obligations which valued KEUR 30,114 (2015: KEUR 29,464) and non-current obligations which amounted to KEUR 4,061 (2015: 19,584). The decline in non-current provisions results from the reclassification of the major portion of the provision for restructuring as well as the provision for onerous contracts into current provisions.

The prior year provision for restructuring measures, which were announced in November 2015, amounted to KEUR 21,869. This provision decreased by KEUR 6,876 as of 31 December 2016, which is mainly due to utilisation in the amount of KEUR 10,001 as well as the reversal of personnel-related provisions amounting to KEUR 4,120. An opposite effect incurred the allocation to the restructuring provision of KEUR 6,632. The provision covers all measures for the entire Group (Tele Columbus Group including primacom and pepcom Group), as far as these are accruable according to IFRS.

Provisions for onerous contracts amounting to KEUR 3,690 (2015: KEUR 12,443) were primarily recognised in connection with a long-term signal delivery contract. The decrease mainly results from the utilisiation for an annual settlement as well as a reversal of the provision.

Litigation provisions which mainly comprise disputed claims by former business partners against Primacom Berlin GmbH amount to KEUR 3,975 (2015: KEUR 4,026) and were reduced by KEUR 471.

A tax audit provision of KEUR 5,799 as of 31 December 2015 was increased by KEUR 872 as at 31 December 2016 in connection with expected additional charges resulting from the ongoing tax audit of the former Group subsidiary Tele Columbus Beteiligungs GmbH, for which Tele Columbus has a call liability.

Other provisions in the amount of KEUR 3,603 (2015: KEUR 2,559) mainly comprise adjustments of the opening balance with regard to provisions for general risks identified during a tax audit of the pepcom Group.

Current provisions are expected to be used within one year.

E.20 Liabilities to banks

KEUR	31 December 2016	31 December 2015 adjusted[1)]
Liabilities to banks - nominal values	1,263,397	1,254,971
Transaction costs	-43,815	-38,135
Accrued interest	8,537	2,695
Liabilities in connection with outstanding premium interest caps	4,140	-
Liabilities in connection with embedded derivatives	2,442	1,348
Non-current Liabilities to banks	**1,234,702**	**1,220,879**
Liabilities to banks - nominal values	2,640	44,398
Accrued interest	23,315	5,511
Current Liabilities to banks	**25,955**	**49,909**
	1,260,657	**1,270,788**

[1)] For a better comparability and differing to the prior year disclosure the Tele Columbus Group splits the reporting of transaction costs and derivatives.

Effective 22 June 2016, the Group took an additional 2nd Incremental Senior Facility in the amount of KEUR 125,000. The amount was paid out on 30 June 2016 and was used for the replacement of the existing subordinate Second Lien loan from 31 July 2015 over the nominal value of KEUR 139,000 (last usage KEUR 117,500) as well as for cost coverage of transaction-based costs. The new 2nd Incremental Facility was provided on the same conditions as the former Senior loans with a margin of 4.5 % plus EURIBOR (and a EURIBOR-Floor of 0 %).

Through the Senior Facilities Agreement, the Group had access to the following credit facilities until 31 October 2016: KEUR 375,000 factiliy A, KEUR 435,000 facility C, KEUR 320,000 incremental facility, KEUR 125,000 2nd incremental facility (all term loans), as well as unpulled facilities of KEUR 75,000 for investments (capex facility) and KEUR 50,000 for working capital financing (revolving facility). The maturity date for facilities A, C, incremental and 2nd incremental was 2 January 2021. Capex and revolving facilities would have been due 2 January 2020 already. Facilities A, C, incremental and 2nd incremental had a margin of 4.5 % plus EURIBOR, and capex and revolving factitiy a margin of 3.75 %. The loan agreement also included a EURIBOR-floor of 0 % for all facilities. For the unpulled parts of capex and revolving facility a commitment fee of 35 % within the applicable margin was charged, to be paid quarterly.

Effective 1 November 2016, the Group transferred above credit facilities to a new facility A, with a par value of bnEUR 1.255 and a reduction in margin of 50 bps (basis points) to 4.00 % plus EURIBOR, which will result in significant savings in interest. The term has been extended by 2 years, until 2 January 2023. The term of the unpulled facility of KEUR 75,000 for investments (capex facility) is extended by one year to 2 January 2020. The term of the unpulled facility of KEUR 50,000 for working capital financing (revolving facility) was extended by one year to 2 January 2021, based on the old conditions. In accordance with IAS 39 the prolongation respectively the adjustment in credit conditions was not accounted for as a new loan but as an adjustment of the current credit facilities ans were accounted for according to IAS 39.40 in conjunction with IAS 39.AG62.

The loan agreement defines a EURIBOR-floor of 0 % for all financing activities starting after 1 November 2016. For unpulled parts of the capex and revolving facility a commitment fee of 35 % of the applicable margin is charged, which is to be paid quarterly.

For the loans, the Group has the right to choose between a 1-month, 3-month or 6-month EURIBOR. Existing loans as of reporting date were based on 6-month EURIBOR.

The aforementioned EURIBOR floors repayment options are embedded derivates (hybrids) and therefore subject to the separation guidelines for recognition and measurement of IAS 39.11. For further information please refer to section F.3.1 ‘Carrying amounts and net income from financial instruments’.

As at the reporting dates the following balances resulted for Senior Tranche A (including old and new Tranche), Senior Tranche C, Senior Tranche Incremental, Senior Tranche 2nd Incremental loan, Senior liabilities Capex and Revolving Facility:

KEUR	**31 December 2016**	**31 December 2015**
New Facility A (matures on 2 January 2023)	1,230,671[2)]	-
Senior Tranche A loan (matures on 2 January 2021) - redeemed on 31 October 2016	4,222[1)]	370,987[2)]
Senior Tranche C loan (matures on 2 January 2021) - redeemed on 31 October 2016	5,076[1)]	423,907[2)]
Senior Tranche Incremental (matures on 2 January 2021) - redeemed on 31 October 2016	3,737[1)]	311,783[2)]
Senior Tranche 2nd Incremental (matures on 2 January 2021) - redeemed on 31 October 2016	1,469[1)]	-
Second Lien Tranche A (matures on 30 July 2022) - redeemed on 30 June 2016	-	111,964[2)]
Senior Revolving Facility (matures on 2 January 2020)	306	278
	1,245,480	**1,218,919**
Further loans according to the description; mainly related to subsidaries	*11,037*	*51,869*
Liabilities in connection with outstanding premium for interest caps	*4,140*	*-*

1) The last interest payments for the replaced financings took place 30 January 2017.
2) Contains not compounded transaction costs of the term loans in the amount of KEUR -35,277 (2015: KEUR -35,440) and embedded derivatives in the amount of KEUR 2,442 (2015: KEUR 1,348) that result from agreed floors and repayment options in the term loans.

Additionally, loans in the amount of KEUR 1,432 (2015: KEUR 43,198) are recorded for the pepcom Group. The decrease essentially results from the early repayment of loans of the Kabelfernsehen München Servicenter GmbH & Co. KG (in the following ‘KMS KG’) and the HL komm Telekommunikations GmbH which had been outstanding per 31 December 2015. The amount of KEUR 40,523 was paid to Deutsche Bank Luxembourg S.A. in January 2016.

A remaining loan balance of KEUR 9,605 as at the reporting date (2015: KEUR 8,671) is composed of loans to Tele Columbus subGroup provided by the following lenders: Stadtsparkasse Gelsenkirchen KEUR 2,070 (2015: KEUR 3,240), Stadtsparkasse Magdeburg KEUR 6,516 (2015: KEUR 3,647), and other lenders KEUR 1,019 (2015: KEUR 1,784).

Additionally, the Tele Columbus AG acquired two interest caps in February 2016 (cap at 0.75 % vs. 3-month EURIBOR). The nominal value is KEUR 550,000 each, they will mature in December 2020. The transaction costs were KEUR 8,854, whereas half of it (KEUR 4,427) was already paid at acquisition date. For the remaining KEUR 4,427 of the option premium there is a liability at maturity on 31 March 2018, which is on reporting date an amount of KEUR 4,140 (present value) owed to credit institutions.

According to the Share and Interest Pledge Agreements, investments in associates and joint ventures were used to secure the liabilities to banks. Additionally the Tele Columbus Group pledged trade receivables to secure liabilities.

Value of the loan collateral pledged as at the respective reporting dates:

KEUR	31 December 2016	31 December 2015
Shares in affiliated companies	1,463,443	1,479,043
Trade receivables	10,380	14,042
	1,473,823	**1,493,085**

Additionally as at 31 December 2015 directly enforceable guarantees to a maximum amount of KEUR 21,000 were issued. The guarantees were dissolved due to an early repayment of loans of the pepcom Group in January 2016.

E.21 Trade payables

Trade payables amounting to KEUR 88,543 (2015: KEUR 76,355) mainly comprise payables in connection with signal delivery contracts, services, security retainers, legal and advisory fees, public law contracts and deliveries and services provided but not yet invoiced.

E.22 Deferred income/revenue and derivative financial instruments

Deferred revenue in the amount of KEUR 9,896 (2015: KEUR 6,659) primarily consists of deferred revenue from customers for prepaid annual fees, and prepayments from customers for monthly hardware fees.

The derivative financial instruments in the amount of KEUR 6,126 (2015: KEUR 13,176) are embedded derivatives which are linked to loan agreements with banks. For further details we refer to section F.3.1 ‘Carrying amounts and net income from financial instruments’.

E.23 Other financial liabilities and other liabilities

Other financial liabilities in the amount of KEUR 100,481 (2015: KEUR 106,054) primarily relate to finance lease liabilities for the use of infrastructure facilities of KEUR 46,810 (2015: KEUR 47,447) as well as non-controlling interest in KMS Group of KEUR 51,324 (2015: KEUR 54,583), which is accounted for as a long-term liability, since the owner has the right to dispose all of its interest to the Group within six month.

Other liabilities of KEUR 23,811 (2015: KEUR 21,733) mainly include customers with credit balances, accruals for employee bonuses, liabilities for the audit of financial statements, accruals for severance payments and other accruals.

F. Other explanatory notes

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

F.1.1 Contingent assets and liabilities

Subsidiaries of the parent company made various commitments within their ordinary course of business. These commitments are partly related to contractual penalties and could add up to about EUR 3.4 million if neglected. Current project plans do not foresee this risk for any of the respective projects.

Additionally the parent faces legal actions in relation to receivables claimed of about EUR 1.0 million, where the claim is unfounded in the opinion of our legal counsel. Therefore we do not see any risk of an outflow of assets related to this subject. Therefore no provision of this size was recognised in the balance sheet.

Apart from the aforementioned issue, there were no other contingent assets or liabilities as at 31 December 2016 or 31 December 2015, except of avals, which are presented in section F.1.3 ‘Avals’.

F.1.2 Purchase commitments

Purchase commitments relating to capital and operating expenditures as at the reporting date amounted to KEUR 35,923 (2015: KEUR 16,200).

F.1.3 Avals

At the reporting date, avals in the amount of KEUR 3,259 (2015: KEUR 2,330) consist mainly of rental and license agreements. Thereof avals of KEUR 1,241 (2015: KEUR 740) are not capitalised according to IFRS. This amount also includes a litigation guarantee in the amount of KEUR 371, which was offset with the related litigation provision.

F.1.4 Finance leases

The finance leases within Tele Columbus Group are structured as follows:

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Plant and equipment	1-12 years	To some extent	No	To some extent
Fixtures and fittings	3-5 years	No	No	No

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

KEUR	31 December 2016	31 December 2015 adjusted
Future minimum lease payments	52,743	53,323
Finance costs	-6,399	-5,877
	46,344	**47,447**

The future minimum lease payments under finance leases have the following maturities:

KEUR	31 December 2016	31 December 2015 adjusted
Less than one year	11,599	11,102
Between one and five years	28,137	34,964
More than five years	13,007	7,257
	52,743	**53,323**

The maturities of liabilities under finance leases are as follows:

KEUR	31 December 2016	31 December 2015 adjusted
Less than one year	10,322	9,206
Between one and five years	24,338	30,466
More than five years	11,684	7,775
	46,344	**47,447**

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

KEUR	31 December 2016	31 December 2015 adjusted
Plant equipment	43,100	42,841
Fixtures and fittings	834	1,108
	43,934	**43,949**

With regard to the repayment of finance lease liabilities, we refer to the information provided in the section IV ‘Consolidated statement of cash flows’.

F.1.5 Operate leases and other financial obligations

The operate leases within Tele Columbus Group are structured as follows:

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Buildings	1-25 years	To some extent	No	No
Plant and equipment	1-16 years	To some extent	No	No
Fixtures and fittings	1-10 years	No	No	No

Prior year differences in the presentation result from changes in consolidated entities.

The future minimum lease payments under operate leases have the following maturities:

KEUR	31 December 2016	31 December 2015 adjusted
Less than one year	22,835	18,833
Between one and five years	30,179	31,980
More than five years	12,103	12,215
	65,117	**63,029**

In the financial year 2016, there were expenses from operate leases of KEUR 16,496 (2015: KEUR 8,701).

Future minimum lease payments are based on contractual agreements with regard to future lease payments, for which no liabilities are recognised in the consolidated statement of financial position. Contractually agreed adjustments (e.g. for inflation) are included in the amounts described above.

In total, the minimum lease payments under operate and finance leases amounted to KEUR 117,860 in 2016 (2015: KEUR 116,351).

F.2 Related party disclosures

F.2.1 Legal relationships

Related Parties pursuant to IAS 24 are all associates and joint ventures (for further information we refer to section B.4 'Investments in associates and joint ventures'). BGC Breitbandgesellschaft Cottbus mbH was identified as a related party until the sale of the shares in the entity on 6 October 2016. On 1 December 2016 5.14 % of the shares in Deutsche Netzmarketing GmbH were sold. Until this date, the entity was considered a related party as well.

We refer to the information in section B.5 'Investments in other entities'.

Furthermore, the board of Tele Columbus AG, Ronny Verhelst and Frank Posnanski and their close family members, represent related parties of Tele Columbus Group.

The members of the Supervisory Board are considered as related parties of Tele Columbus Group as well.

Key management personnel are considered as related parties according to IAS 24 as well and are: Stefan Beberweil, Diana-Camilla Matz, Ludwig Modra and Jean-Pascal Roux.

F.2.2 Transactions with related parties and related persons

Transactions of companies which are consolidated in the financial statements of the Tele Columbus Group with Tele Columbus AG and its affiliates are considered related party transactions.

The following overview shows receivables and payables with related parties:

KEUR	31 December 2016	31 December 2015
Receivables from related entities, current	88	3,579
Receivables from related entities, non current	-	164
Payables to related entities, current	250	141
Payables to related persons, current	354	381
Provisions to related entities, current	-	5,799

As at 31 December 2016, current receivables from related parties mainly consist of trade receivables from APROSTYLE AG. As at 31 December 2015, current receivables from related parties consisted of receivables from Deutsche Netzmarketing GmbH.

Current payables to related parties represent primarily trade payables to APROSTYLE AG.

Current payables to related persons represent the remuneration of the Management Board. For further details, we refer to the explanatory notes in section F.2.4 'Disclosures on management'.

As at 31 December 2015 provisions to related companies concern expected additional obligations due to a tax audit of the former subsidiary Tele Columbus Beteiligungs GmbH, for which a call liability exists. As at 31 December 2016 Tele Columbus Beteiligungs GmbH is no longer considered a related party.

Additionally, in the financial year 2016 provisions to APROSTYLE AG were capitalised in the amount of KEUR 115.

F.2.3 Expenses and income from related-party transactions

KEUR	2016	2015
Sale of goods and services		
Related entities	2,626	3,790
Acquisition of goods and services		
Related entities	-1,741	3,073
Other		
Related entities		
Feed-in-proceeds	190	-
Other income (+) / expenses (-)	13	-887

Transactions with related parties for reimbursing expenses amounted to KEUR 248 (2015: KEUR 104) during the current reporting period.

For further related party transactions, we refer to the explanatory notes in section F.2.4 ‘Disclosures on management’.

F.2.4 Disclosures on management compensation

The management in key positions of Tele Columbus AG were as follows:

Name	Function	Member of management since/ until
Ronny Verhelst	Chief Executive Officer	Since 1 April 2011, since 15 September 2014 Chief Executive Officer
Frank Posnanski	Chief Financial Officer	Since 1 September 2011, since 15 September 2014 Chief Financial Officer
Stefan Beberweil	Chief Commercial Officer	Since 1 November 2015 until 28 February 2017 member of Key Management
Diana-Camilla Matz	Chief Customer Sales Officer	Since 1 November 2015 member of Key Management
Ludwig Modra	Chief Technology Officer	Since 1 November 2015 member of Key Management
Jean Pascal Roux	Chief Sales Officer Housing Industry	Since 1 March 2016 member of Key Management

Remuneration of key management personnel

In the current year, members of the Management Board received a total remuneration in the amount of KEUR 2,613 (2015: KEUR 1,922). The total remuneration includes pension benefits granted in the financial year of KEUR 46 (2015: KEUR 44) and the fair value of the share options granted amounting to KEUR 686 (2015: KEUR 419). For detailed information reference is made to section 10 of the combined management report.

Individualised disclosures regarding the compensation of the Management Board are presented in the Compensation Report. Further details on share-based payments can also be found in section E.18 'Share-based payments'.

There were no other material transactions, such as rendering services or granting loans, between Tele Columbus Group entities and members of management / Management Board members of Tele Columbus Group or their close family members.

In the current year, supervisory board members were entitled to remuneration of KEUR 329 (2015: KEUR 442). Key management personnel of Tele Columbus Group were entitled to remuneration of KEUR 1,684 (2015: KEUR 855). The individual components of the remuneration are as follows:

Compensation of key management personnel

KEUR	2016	2015
Short-term employee benefits	1,303	855
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	317	-
Share-based payment	64	-
Total Compensation	**1,684**	**855**

Appropriate provisions were recognised for the remuneration components not paid in 2016.

F.3 Financial instruments and risk management

F.3.1 Carrying amounts and net income from financial instruments

The following table shows the carrying amounts of financial instruments presented under specific items of the statement of financial position in accordance with the classification of IAS 39:

Financial assets / liabilities

KEUR	Note	Measurement category	31 December 2016	31 December 2015 adjusted
Financial assets				
Derivative Financial Assets	D.2.11	At Fair Value through profit or loss	3,630	1
Investments	E.15	Available-for-sale financial assets	20	113
Receivables from related parties	F.2.2	Loans and receivables	88	3,743
Trade receivables	E.14	Loans and receivables	48,444	39,636
Other financial receivables	E.14	Loans and receivables	6,276	9,151
Cash and cash equivalents		Loans and receivables	55,223	85,178
Financial liabilities				
Derivative Financial Liabilities		At Fair Value through profit or loss	6,126	13,176
Loans and borrowings	E.20	Financial liabilities measured at amortised cost	1,260,657	1,270,788
Payables to related parties and persons	F.2.2	Financial liabilities measured at amortised cost	604	522
Trade payables	E.21	Financial liabilities measured at amortised cost	88,543	76,355
Other financial liabilities[2]	E.23	Financial liabilities measured at amortised cost	54,138	58,607
Lease liabilities	D.2.4	No classification [1]	46,344	47,447

[1] Lease liabilities are not classified in a measurement category according to IAS 39.2 (b). They are accounted for according to IAS 17.

[2] Includes non-controlling interests of third party shareholders in the limited partnership Kabelfernsehen München Servicenter GmbH & Co. KG, München, that are shown under non-current other financial liabilities due to the minority shareholder´s termination right and accounted for according to the anticipated acquisition method in accordance with IAS 32.AG29A.

Financial Instruments by category under IAS 39

KEUR	31 December 2016	31 December 2015 adjusted
Financial assets and liabilities at fair value through profit or loss	2,496	13,175
Available-for-sale financial assets	20	113
Loans and receivables	110,031	137,708
Financial liabilities measured at amortised cost	1,403,942	1,406,272

The three-tiered fair value hierarchy under IFRS 13 classifies financial assets and liabilities measured at fair value based on the data used for fair value measurement. The fair value hierarchy levels as applied to the assets and liabilities of Tele Columbus Group are as follows:

- Level 1 inputs: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: unobservable inputs for the asset or liability.

There is no quoted price available on the active market for interests classified as available-for-sale financial assets. These assets are recognised at acquisition cost since no significant improvement of the presentation of the financial statements is expected from the determination of fair values (Level 3).

Current financial instruments, such as trade receivables and payables and related party receivables and payables, are recognised at their carrying amount, which due to the short maturities of these instruments represents a reasonable approximation of fair value. The carrying amounts of other financial receivables and other financial liabilities with short maturities are equal to fair value.

Financial instruments with long maturities are recognised at their present value in the statement of financial position. It is assumed that the present values of non-current receivables and payables to related parties and of other non-current financial receivables and payables are generally equal to their fair values.

The present values of loans and borrowings are not equal to their fair values, as the interest rates applicable to these liabilities are not adjusted to the prevailing money market rates until a later date. In the case of lease liabilities as well, present value is not equal to fair value, as interest rates are not adjusted for current money market rates on a regular basis.

The fair value of loans and borrowings amounts to KEUR 1,278,058 (2015: KEUR 1,240,756). The fair value of lease liabilities is KEUR 67,224 (2015 adjusted: KEUR 48,260).

The carrying amount of derivative financial assets and liabilities recognised at fair value through profit or loss consists of the three interest rate caps of Tele Columbus Group. The fair value through profit or loss of the instruments is determined by using an option pricing model based on input factors and parameters that are directly or indirectly observable on active markets (Level 2).

	Reference Amount KEUR	**Fair Value as at 31 December 2016** KEUR	**Fixed Rate**	**Duration**
Interest Cap 1	180,000	0	0.75 %	24 April 2017
Interest Cap 2	550,000	1,815	0.75 %	31 December 2020
Interest Cap 3	550,000	1,815	0.75 %	31 December 2020
Interest Swap[1)]	10,080	-	0.84 %	31 December 2017

1) The Interest rate swap was unwound as of 30 June 2016.

For further information we refer additionally to section E.20 ‘Liabilities to banks’.

The interest rate caps 2 and 3, which are classified as held for trading according to IAS 39 hedge the risk of increased interest payments of variable-rate instruments. These financial instruments cover all material interest rate risks regarding interest-bearing liabilities of the Tele Columbus Group. However, they are not classified as hedging transactions in accordance with IFRS. Interest rate cap 1 was concluded for a no longer existing loan and is not hedged against amounts owed to credit insitiutions as of 31 December 2016.

The bank loan agreements contain embedded derivatives incl. interest floor and repayment option (compound instruments). Even though these financial instruments are not intended to serve as a derivate for Tele Columbus Group, the embedded derivatives are separated from the host contract according to IAS 39. The embedded derivatives are classified separately at fair value through profit or loss and are directly linked to the loan agreements. The instruments are linked to their underlying loan agreement. The model for the valuation of the separated derivatives determines the market value of the total contractive loan split up in basic contract and embedded derivative.

The following table shows the development of the financial instruments:

KEUR	Facility A Senior Tranche	Facility C Senior Tranche	Incremental Facility	2nd Incremental Facility	Facility A Second Lien Tranche	Senior Tranche A	Repayment	Total
Nominal Value as at taking of loan	-	-	-	-	139,000 [1)]	-	-139,000	-
Nominal Value as at taking of loan of the repaid loan as of 1 November 2016	375,000 [2)]	435,000 [2)]	320,000 [2)]	125,000 [2)]	-	-	-1,255,000	-
Nominal vlaue as at taking of loan as of 1 November 2016	-	-	-	-	-	1,255,000	-	1,255,000
Fair Value of embedded derivatives as at 31 December 2015	-3,066	-3,778	-2,629	-	-3,539	-	-	-13,011
Change in other financial income	3,066	3,778	2,629	-	3,539	-6,126	-	6,885
Fair Value of embedded derivatives as at 31 December 2016	-	-	-	-	-	-6,126	-	-6,126 [3)]

1) The Second Lien Tranche was repaid on 30 June 2016.

2) As at 1 November 2016 these tranches were paid off by taking out a new Senior Tranche A.

3) Excluding effects of refinancing amounting to KEUR -1,094, reference is made to section E.9 ‘Other finance income and expenses’.

An increase (decrease) of the credit risk by 100 (50) basis points would reduce (increase) the fair value of embedded derivatives as of 31 December 2016 by KEUR 4,009 (KEUR 11,117).

An increase (decrease) of the interest level by 50 basis points would increase (reduce) the fair value of embedded derivatives as of 31 December 2016 by KEUR 6,045 (KEUR 10,121).

Net income (loss) from the different classes of financial instruments is shown in the following table:

1 Jan to 31 Dec 2016

KEUR	Gains/losses through profit or loss			
Disclosed in the income statement	**Interest**	**Impairment**	**Gain (+) /loss (-) from valuation**	**Net income (loss)**
Financial assets and liabilities at fair value through profit or loss	-	-	853[2)]	853
Loans and receivables	260	-6,861	-	-6,601
Financial liabilities measured at amortised cost	-68,293	-	-2,939	-71,232
No classification 1)	-2,179	-	-	-2,179
Total	**-70,212**	**-6,861**	**-2,086**	**-79,159**

1) Lease liabilities not classified considering IAS 39.2 (b). Accounting follows the regulations according to IAS 17.
2) Change due to fair value measurement

1 Jan to 31 Dec 2015 (adjusted)

KEUR	Gains/losses through profit or loss			
Disclosed in the income statement	**Interest**	**Impairment**	**Gain (+) /loss (-) from recognition at fair value**	**Net income (loss)**
Financial assets and liabilities at fair value through profit or loss	-	-	-14,414[2)]	-14,414
Loans and receivables	1,085	-5,457	-	-4,373
Financial liabilities measured at amortised cost	-43,437	-	-4,065	-47,502
Adjustments IAS 8	***-88***			***-88***
No classification 1)	-1,651	-	-	-1,651
Total	**-44,091**	**-5,457**	**-18,479**	**-68,028**

1) Lease liabilities not classified considering IAS 39.2 (b). Accounting follows the regulations according to IAS 17.
2) Change due to fair value measurement

Impairment losses for available-for-sale financial assets, which need to be recognised in other comprehensive income pursuant to IAS 39.55b, were not recognised during the reporting periods.

The interest caps result in a loss from recognition at fair value amounting to KEUR 4,937.

F.3.2 Risk management of financial instruments

Different financial risks arise from the operating activities of Tele Columbus Group, in particular liquidity risks, risks from changes in interest rates, and risks from defaults on receivables. 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 and credit lines.

Risk management is largely handled by Treasury in accordance with the principle of segregation of duties, and continuous monitoring. Financial risks are identified, assessed and hedged in collaboration with the responsible operating units. Tele Columbus is subject written rules for certain areas, such as interest risk, credit risk, the use of derivatives and other financial instruments, and the use of excess liquidity, which are set out primarily in facility agreements. The management is informed at regular intervals.

Non-derivative financial instruments are used in relation to operating activities, investing and financing activities. They include:

Activities	Significant financial instruments
Operating activities	Trade receivables
Investing activities	Non-current receivables
Financing activities	Cash and cash equivalents and loans

F.3.2.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations with existing liquidity reserves within the time frame required. Liquidity risks may also arise from cash used in operating or investing activities. Furthermore, liquidity risks may arise from financing activities. This would be the case, if cash outflows were required in the short term to settle liabilities, however cash from operating activities is insufficient to cover expenses, and no other liquid assets are available in sufficient quantity for such repayment.

Liquidity projections for a specific planning horizon and within the Tele Columbus Group available but as at reporting date unused credit facilities amounting to KEUR 75,000 for investments (term until 2 January 2020) and KEUR 50,000 for working capital financing (term until 2 January 2021) are designed to ensure a continuous supply of liquidity for operating business activities. As at 31 December 2016, Tele Columbus Group's unused credit facilities amounted to KEUR 125,000 (2015: KEUR 125,000). Thereof KEUR 50,000 represented a revolving credit line. As at 31 December 2016 cash amounted to KEUR 55,223.

The following table shows the contractually agreed maturity dates for loan liabilities:

KEUR	31 December 2016	31 December 2015
Less than one year - non-derivative	30,382	49,909
Less than one year- derivative	-	-
	30,382	**49,909**
Between one and five years - non-derivative	6,439	1,108,915
Between one and five years - derivative	-	-
	6,439	**1,108,915**
More than five years- non-derivative	1,256,958	111,963
More than five years - derivative	-	-
	1,256,958	**111,963**
	1,293,779	**1,270,787**

The slight decrease in loan liabilities compared to 2015 is primarily due to the repayment of loan liabilities of the pepcom Group with Deutsche Bank, less the net new loans appearing from the refinancing of the subordinate Second Lien loan through the Second Incremental Facility per 30 June 2016 as well as proceeds from a loan of Sparkasse Magdeburg in November 2016. The shift of maturities results from the prolongation of maturity until 2 January 2023 which took place with the debt restructuring of the Term Loans.

The financing contract of 14 October 2016 contains various covenants, which in the event of non-compliance, grant the lender the opportunity to call in these loans. The financing agreement dated 14 October, 2016 entails several conditions under which, should the Group not meet the condition, the creditor has the right to call the loan due. One of the conditions states that the audited annual financial statements are to be delivered within 120 days. As of 27 April 2017, an extension to this period was given in writing. Compliance with these covenants as well as exposure to capital risk are continuously monitored by Tele Columbus' Management Board (as a corporation, Tele Columbus is exposed to capital risk). As at the reporting date, liquidity risk in the event of non-compliance with these covenants amounted to KEUR 1,278,315 (2015: KEUR 1,253,011). The risk of non-compliance with these covenants and associated financial regulations can have a negative impact on the Group's credit availability and going concern assumption.

Minorities of Kabelfernsehen München Servicenter GmbH _& Co.KG, München, that are presented as long term liabilities may be tendered with period of 6 months.

As this option would result in a considerable lower exercise price the management board concludes that the option will not be tendered timely. We refer to the explanatory notes in section D.1. „Significant judgements and estimates“

To comply with the existing conditions and financial obligations, strategic measures were introduced in order to secure the long-term liquidity of Tele Columbus Group. Management focuses on the expansion of Group-wide cash pooling, so that the new acquired businesses can be successfully integrated in the Group structure. Furthermore, in the course of financing a gradual repayment of debt from operating activities of the new Group is aimed at.

With regard to lease liabilities, we refer to the explanatory notes in section F.1.4 'Finance leases'.

Payment obligations relating to trade payables, payables to related parties and related persons, and other financial liabilities are shown in the Group's statement of financial position, wherby non-current liabilities fall due within one and five years.

F.3.2.2 Interest risk

Non-current financial instruments bearing variable interest, for which the interest rate is linked to a market interest rate, such as EURIBOR, are exposed to risks arising from future cash flows. In the case of fixed interest financial instruments, on the other hand, there is a risk with regard to measurement. Fixed and variable interest rate liabilities and the corresponding hedge instruments are explained in section E.20 ‘Liabilities to banks’. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest.

The identified risks of interest fluctuations are predominantly related to floating interest loans within the Tele Columbus Group.

KEUR	1 Jan to 31 Dec. 2016	1 Jan to 31 Dec. 2015
1 % EURIBOR rise	-8,547	-9,937
1 % EURIBOR drop	-	331

This calculation is based on floating-rate liabilities as at the reporting date and under consideration of derivative financial instruments (interest cap, interest swaps and floors) multiplied by the adjusted interest rate in each case. As current 1-, 3- and 6-month EURIBOR rates are already below zero, the Group’s benefit from a further 1 % reduction of EURIBOR relates to loan agreements without interest floors for the EURIBOR.

Major loan borrower of the floating-rate liabilities is Tele Columbus AG. To hedge these risks, Tele Columbus AG closed two interest cap agreements in February 2016 (with an interest rate of 3-month EURIBOR plus 0.75 %) over a nominal amount of KEUR 1,100,000 (KEUR 550,000 each) with a term until December 2020.

Non-current fixed interest liabilities are measured at amortised cost. The fair value of non-current liabilities can differ significantly from their carrying amount, as the fair value of such liabilities changes in accordance with the trend in interest rates and market conditions in general.

F.3.2.3 Credit risk (default risk)

There are credit risks with regard to trade receivables, other receivables and cash and cash equivalents. Trade receivables are due from other companies as well as private customers. Credit risk is based on the default risk of the contracting party concerned.

Preventative and other measures are taken and debt-collecting agencies are used to mitigate the credit risk of trade receivables.

Preventative measures include an assessment of the creditworthiness of customers with regard to credit ratings, past experience and other factors before entering into a contractual relationship.

Impairment losses are recognised for overdue receivables at varying percentages depending on dunning level. The percentage rates take into account management's judgement as to their recoverability. This, in turn, is based largely on past experience. Impairment losses were recognised for trade receivables only in the various reporting periods. Therefore, Tele Columbus assumes that all unimpaired receivables are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. Wholesale customers are sent reminders on an individual basis. The responsible departments decide whether a reminder is to be sent by considering the special agreements made with these customers. If a customer then does not settle the outstanding payments, the case is referred to a debt collection agency, and in the case of commercial customers, solicitors are involved and/or services to that customer are discontinued.

Trade receivables are written down to the expected recoverable amount in accordance with the procedure for determining lump-sum specific loan loss provisions. For other current financial receivables, credit risk is assessed on a case by case basis. In case of other non-current financial receivables, expected payments are discounted based on the initial effective interest rate. The maximum credit risk as at the reporting date amounts to KEUR 48,532 (2015: KEUR 43,379).

It is assumed that the impaired carrying amount of trade receivables approximates their fair value.

No significant risk exists with respect to the concluded hedging transactions as these were closed with financial institutions with a good rating only.

F.4 Explanatory notes to consolidated statement of cash flows

Cash and cash equivalents only comprise cash and bank deposits.

With regard to unused credit lines, we refer to the explanatory notes in section F.3.2.1 ‘Liquidity risk'.

As in prior year cash and cash equivalents were not collateralised for loans or other liabilities.

F.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to shareholders (owners of the company) and the average number of shares outstanding. The share option programs MSP and POP, referring to section E.18 ‘Share-based payments’, were included in the calculation of diluted earnings per share. The employee share options do not have a recognisable dilutive effect on earnings per share.

Determination of the earnings per share

KEUR	1 Jan. to 31 Dec. 2016	1 Jan. to 31 Dec. 2015 adjusted
Earnings attributable to shareholders in KEUR	-13,289	-67,566
Weighted average of ordinary shares outstanding	127,556,251	65,183,111
Basic earnings per share in EUR	-0.10	-1.04
Diluted earnings per share in EUR	-0.10	-1.04

Determination of weighted average of ordinary shares outstanding

KEUR	1 Jan. to 31 Dec. 2016	1 Jan. to 31 Dec. 2015
Issued shares as at 1 January	127,556,251	20,025,000
Effect IPO	-	34,450,550
Effect capital increase	-	10,707,561
Issued shares	-	-
Weighted average of ordinary shares outstanding	127,556,251	65,183,111

F.6 Segment reporting

Description of the segments

The Group reports its operating activities into two product segments: 'TV' business and 'Internet and telephony' business. For these segments, the Group's Management Board reviews internal management reports on a quarterly basis.

Relationships within individual segments are eliminated.

Segment 'TV'

In the Group's TV segment, the Group offers basic and premium programs. Basic programs contain analogue and digital TV and radio services. The offered premium TV packages comprise up to 75 further digital TV-programs, thereof up to 38 channels in HD quality.

Segment 'Internet and Telephony'

In the 'Internet and Telephony' segment, the Group comprises internet and telephony services. In addition to the fixed network services, the product portfolio also comprises mobile telephony services. Revenue is composed of proceeds from the conclusion of new contracts and installation services as well as monthly contractual and services fees.

Reconciliation

Business activities and items 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, legal department, personnel department, finance, purchasing and IT. Revenues in the amount of KEUR 43,947 (2015: KEUR 10,015) not allocated to operating segments, mainly relate to revenues with business customers and construction services of the subsidiary HL Komm related to third parties. In determining normalised EBITDA for the individual segments, own work capitalised of KEUR 1,383 (2015: KEUR 4,186), direct costs of KEUR 16,625 (2015: KEUR 768), personnel expenses of KEUR 28,744 (2015: KEUR 20,598), other income of KEUR 5,932 (2015: KEUR 6,306) and other expenses of KEUR 25,808 (2015: KEUR 17,840) attributable to central functions, were not taken into account.

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

In addition, non-recurring items (for a definition we refer to the explanatory notes under 'segment reporting' below) were partially reported in the reconciliation as they also cannot be allocated to both segments.

The accounting policies regarding segment reporting, except for the elimination of non-recurring items, are in line with the accounting policies applied to the consolidated financial statements in accordance with IFRS, as adopted by the EU. This applies provided that the accounting policies and definition of segments remain unchanged.

Therefore, reconciliation due to differences between internal measurement and measurement according to IFRS is not necessary, and only performed with respect to items that are not allocated to reportable segments.

Segment reporting

Explanatory note on the standards used for the segments

For the Tele Columbus Group Management Board, 'Normalised EBITDA'[1)] is the key financial performance indicator reported separately for each operating segment in the context of monthly reporting. This figure, which is defined by the management of Tele Columbus AG, is the result before the financial result (income from investments accounted for using the equity method, interest income, interest expense and other financial results), income taxes, depreciation and impairment on intangible assets and goodwill. In addition, it is adjusted for so-called ‘special effects’. These are defined by the Management Board as rare or extraordinary events which are not expected to occur again in the following two financial years and have not already occurred in the previous two financial years. In addition, expenses and income from specific business transactions are adjusted, which bear no direct relation - as defined by the Management Board - to the provision of services. This relates, among others, to gains and losses from the disposal of property, plant and equipment. The ‘normalised EBITDA’ is adjusted for income and expenses related to these events.

Non-recurring expenses in 2016 largely relate to integration- and restructuring expenses in connection with the acquisitions of primacom and pepcom Group in 2015, severance payments and other one-time personnel expenses as well as costs related to the harmonisation of the product portfolio within the entire Group.

Non-recurring income in 2016 is composed mainly of income from the sale of fixed assets as well as income from the reversal of provisions for onerous contracts.

Non-recurring expenses in 2015 largely relate to advisory fees incurred in connection with the IPO, various M&A projects and integration costs, severance payments and other one-time personnel costs, expenses in connection with a provision for a tax audit and a provision for onerous contracts in connection with a long-term signal delivery contract.

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

Non-recurring income in 2015 is mainly composed of income from refundable IPO costs, income from the sale of fixed assets, income from the reversal of provisions for onerous contracts and income from value recovery of a loan.

Information related to the reportable segments “TV” and “Internet and Telephony” as well as the non-reportable segment “Other” is set out in the following table:

31 December 2016

KEUR	TV	Internet & Telephony	Other	Group total
Revenue	**287,541**	**145,262**	**43,947**	476,751
Normalised EBITDA	167,051	102,198	-19,985	249,264
Non-recurring expenses/ income	988	-2,893	-31,017	-32,922
EBITDA	**168,040**	**99,305**	**-51,003**	**216,342**

31 December 2015 (adjusted)

KEUR	TV	Internet & Telephony	Other	Group total[1)]
Revenue (reported)	190,142	79,251	9,773	279,166
Adjustment according to IAS 8	1,139	134	242	1,515
Revenue adjusted	191,281	79,385	10,015	280,681
Normalised EBITDA (reported)	107,094	52,486	-18,699	140,881
Adjustment according to IAS 8	541	-	-	541
Normalised EBITDA adjusted	107,635	52,486	-18,699	141,421
Non-recurring expenses/ income	-7,769	-3,049	-57,274	-68,092
EBITDA (reported)	**99,325**	**49,437**	**-75,973**	**72,789**
EBITDA adjusted	***99,866***	***49,437***	***-75,973***	***73,329***

1) The disclosures related to income from services and income from connection and disconnection fees have been changed and transferred to ‘sales revenue’. The corresponding amounts of reclassification for the reporting period 2015 were reported to ensure the comparability with the previous year. Direct costs, depreciation and amortisation as well as finance income were modified in accordance with IAS 8.

The reconciliation of the total of the reportable segments' measures of profit or loss to the Group profit before tax and discontinued operations is set out in the table below:

KEUR	2016	2015 adjusted
EBITDA of reportable segments	267,345	149,303
Depreciation and amortisation	-154,653	-74,762
Profit/ loss from investments in associates	59	14
Other financial result	-72,298	-62,572
Other[2]	-51,003	-75,973
Group Profit before Tax	**-10,551**	**-63,990**

Other segment disclosures

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

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

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

Employees

In the reporting year, the Group employed an average of 1,424 staff (2015: 962), of which 1,371 were employees (2015: 913), 20 managerial staff (2015: 25) and 33 trainees (2015: 24). The increase results from the acquisition of primacom and pepcom Group in 2015. In the prior year the employees of the acquired companies have been taken into account since first-time consolidation. Primacom Group employed a total staff of 471 as at 31 December 2015. Pepcom Group employed a total staff of 419 as at 31 December 2015.

With regard to personnel expenses during the reporting year, we refer to the explanatory notes in section E.5 'Employee benefits'.

Compliance statement to the German Corporate Governance Code according to § 161 AktG

In accordance with § 161 AktG (German Stock Corporation Act) the Management Board and the Supervisory Board issued the required compliance statement. The statement is included in the in the annual report 2016 of Tele Columbus AG and also permanently available on the company's website https://ir.telecolumbus.com/websites/telecolumbus/German/6010/entsprechenserklaerung.html.

[2] For further information regarding the caption 'Others', we refer to the paragraphs 'recociliation' and 'non-recurring expenses 2016' mentioned above. Non-recurring expenses mainly relate to 'Others'.

F.8 Auditors’ fees

During the financial year, Tele Columbus was provided with the following services from its auditors:

KEUR	31 December 2016	31 December 2015
Audit on financial statements	1,936	1,519
Other assurance services	23	1,148
Tax advisory services	649	410
Other services	6,432	3,147
	8.342	**6,224**

F.9 Events after the Balance Sheet Date

Acquisition of kabel.digital.service gmbh

On 8 November 2016 (legally taking effect on 1 January 2017) a share deal and transfer agreement was concluded by Tele Columbus AG on 100 % of the shares in kabel.digital.service gmbh, based in Frankfurt (Oder). Kabel.digital.service gmbh, in turn, holds 100 % of the shares in Lehmensiek Kabelnetze & Antennentechnik GmbH, based in Lübeck, which focuses on the planning, installation, maintenance, distribution and troubleshooting of antenna and broadband distribution plants. Furthermore, the company arranges and concludes correspondening contracts with regard to above mentioned tasks. The preliminary purchase price is KEUR 7,433.

Financing

In March 2017 Tele Columbus AG successfully negotiated further amendments to the existing Group financing with the bank consortium. Effective as of 18 April 2017, the maturity of the long-term Facility A amounting to EUR 1,255 billion has been prolonged by 1.5 years until October 2024. Simultaneously, the credit margin was reduced by 75 basis points to EURIBOR plus 325 basis points. This results in a saving on interest payments in the amount of approximately EUR 9.5 million per year. The existing investment credit line and revolving credit line totalling EUR 125 million remain unchanged.

Furthermore, in the course of the amendment, new financial covenants were agreed on.

Tele Columbus AG partly made use of the available revolving facility in the first quarter of 2017.

Transfer of operations

In order to optimise the personnel organisational structure partial transfer of businesses in accordance with Par. 613a of the German Civil Code were implemented in the first quarter of 2017. In this context 77 employees were transferred to Tele Columbus

Vertriebs GmbH and 147 employees were transferred to Tele Columbus Betriebs GmbH in the first quarter of 2017. This measure is to be seen in connection with the restructuring activities.

Acquisition of shares in MKG-Medienkommunikationsgesellschaft mbH

On 8 May 2017 Tele Columbus Group signed an agreement on the sale and transfer of 100 % of the shares in MKG-Medienkommunikationsgesellschaft mbH (MKG), located in Essen. The objective of the company is the operation and connection of networks. The preliminary purchase price amounts to KEUR 3.405. The acquisition of MKG is achieved through a shelf company (Tele Columbus NRW GmbH, Berlin, formerly Aptus 1173 GmbH, Berlin) newly acquired by Tele Columbus AG. According to the purchase agreement one of the seller of MKG will participate in this entity with a share of 25.1 %. The execution of the transaction is expected in the mid of June 2017.

No further significant events occurred after the end of the fiscal year 2016.

Declaration by the Group's legal representatives

We hereby confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of its consolidated financial performance and its consolidated cash flows in accordance with applicable accounting policies, and that the Group management report gives a true and fair view of the Group's business development including its performance and financial position, and also describes significant opportunities and risks relating to the Group's anticipated development.

Berlin, 18 May 2017

Management Board

Chief Executive Officer	Chief Financial Officer
- Ronny Verhelst -	- Frank Posnanski -

Auditor’s Report

We have audited the consolidated financial statements prepared by Tele Columbus AG, Berlin – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, statement of changes in consolidated equity, consolidated cash flow statement and notes to the consolidated financial statements – together with the consolidated group management report for the Tele Columbus AG for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the consolidated group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB ['Handelsgesetzbuch': 'German Commercial Code'] are the responsibility of the company’s Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the consolidated group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [IDW – Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the consolidated group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the consolidated group management report are examined primarily on a test basis within the framework of the audit The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and consolidated group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The consolidated group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 18 Mai 2017.

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Knut Tonne	Tim Tönnies
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]