Annual Report 2014

WELCOME HOME!

telecolumbus

How we convince

Internet
Services with a great price/performance ratio for occasional, normal and frequent surfers

Television
A comprehensive analogue, digital and HDTV range of channels with attractive Pay-TV packages

Telephone
Attractive flat rates to German landlines with two lines for simultaneous telephone calls

We turn every household into a

WONDERFUL HOME.

As a partner to the housing industry, we are realising this goal for more and more people.

Performance
Tele Columbus combines competence and innovative ability with the proximity of a regional service provider

Variety
Tele Columbus' multimedia connection makes residential properties attractive and future-oriented

Partnership
Thanks to the regional service structure, we stand side-by-side with our clients and partners

Key figures

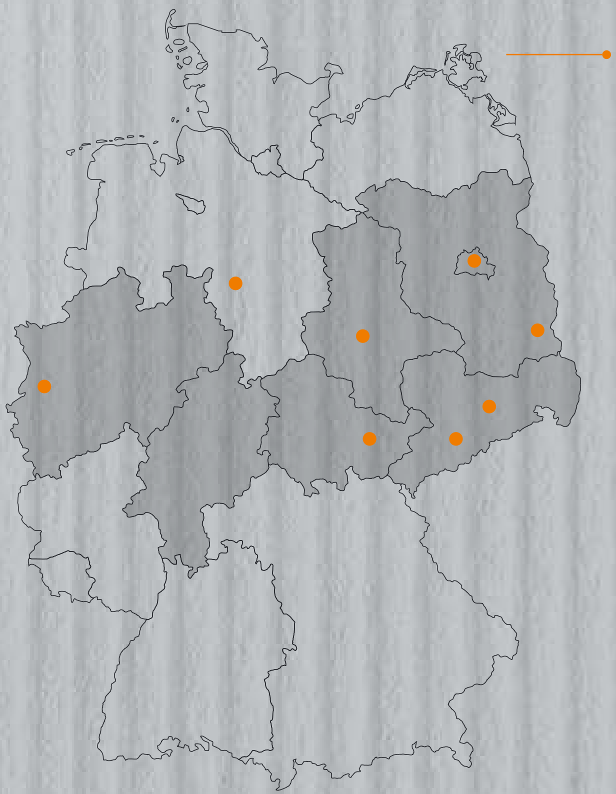
	2014	2013	Change	Change (in %)
Equity capital (in € million)				
Revenue	213.1	206.2	6.9	3.3%
Normalized EBITDA	98.9	88.1	10.8	12.3%
Normalized EBITDA margin (in %)	46.5%	42.7%	–	–
Depreciation and amortization	50.8	62.8	–12.0	–23.6%
Annual results	–21.9	–8.6	–13.3	154.7%
Consolidated Balance Sheet (in € million)				
Tangible assets	209.9	207.8	2.1	1.0%
Intangible assets including goodwill	381.8	372.2	9.6	2.6%
Cash and cash equivalents	24.4	70.5	–	–
Total assets	667.2	696.4	–29.2	–4.2%
Net debt[1)]	654.4	586.0	68.4	11.7%
Net debt to EBITDA (ratio)	6.6	6.7	–0.1	–
Consolidated Cash Flow Statement (in € million)				
Capital expenditures (Capex)[2)]	–84.1	–51.5	32.6	63.3%
Cash flow from operating activities	52.9	72.3	–19.4	–26.8%
Cash flow from financing activities	–49.2	5.8	–55.0	–948.3%
Changes in cash and cash equivalents	–46.5	34.1	–80.6	–236.4%
Operating Free Cashflow[3)]	14.8	36.6	–21.8	–59.6%
Network (in thousands)				
Connected households	1,697	1,749	–52.0	–3.0%
Households connected to our own network and Internet ready	933	891	42.0	4.7%
Number of customers (in thousands)				
Total customers	1,282	1,302	–20.0	–1.5%
RGUs (in thousands)				
CATV	1,311	1,338	–27.0	–2.0%
Premium-TV	161	164	–3.0	–1.8%
Internet	202	174	28.0	16.1%
Telephony	170	146	24.0	16.4%
RGUs in total	1,843	1,822	21.0	1.2%
RGUs per customer (in units)	1.44	1.40	0.04	2.9%
ARPU (in € / month)				
Total TV ARPU average (per RGU)	9.6	9.5	0.1	1.1%
Total Internet and Telephony ARPU average (per Internet RGU)	22.0	22.4	–0.4	–1.8%
Total ARPU average	13.9	13.2	0.7	5.3%
Employees (average number)				
Employees	497	480	17.0	3.5%

1) Including financing leases
2) Investments contain acquisitions
3) Normalized EBITDA less investments

What we stand for

Tele Columbus is one of the leading cable network operators in Germany. With a range of multimedia and telecommunication services, first-class customer service and exceptional technical efficiency, we are an important partner, particularly for housing associations, consumers and municipalities. Through our successful floatation in 2015, we laid the foundations for further growth and active development of a media-friendly future.

Where we call home



The Tele Columbus Group is active throughout the country and has a regional focus on the East German states, as well as North Rhine-Westphalia and Hesse. In addition to central locations in Berlin and Hanover, the Company operates a range of regional branches – and a dense network of service points.

Contents

Letter from the Management Board

Dear shareholders of Tele Columbus,
ladies and gentlemen,

Our successful listing on the Stock Exchange in January 2015 represents an important milestone in the development of the Company. After a turbulent past and a rigorous restructuring phase, Tele Columbus is now promisingly positioned within the cable and telecommunications service provider market and is ideally equipped to face future challenges.

The foundation of our successful realignment has been the important personnel, organisational and strategic choices made over the last few years: Tele Columbus has already shown during the previous year with a new management team, formed in 2011 which now acts as a solid spine within the Company, and clear operational objectives that sustainable growth can be achieved and that the various opportunities in the market can be exploited. Company turnover was increased by 3.3 per cent to € 213 million during the 2014 financial year, whilst normalised EBITDA, the most important indicator for the value of the Company, was increased by 12.3 per cent to almost € 99 million. Strong development in marketing Internet and telephone services was the most important driver of these results: whilst the TV segment predominantly remained stable, the share of Internet and telephone products purchased in the course of the year both increased by more than 16 per cent.

This positive result in 2014 was supported by a series of important advances in the areas of products, customer service and infrastructure. The introduction of the fastest WLAN modem in the German cable market in July 2014 represented the foundation for continued development of our Internet services. As of September, we have been able to consistently offer Internet speeds of up to 150 megabytes per second in our integrated multimedia networks. The introduction of new Triple Play packages, where TV, Internet and telephone services were bundled together at an attractive total rate, was introduced in November and created additional demand.

At the same time, we have followed new ideas in 2014 to further improve customer satisfaction and also to promote longterm customer relationships as the basis for sustainable growth. After building a new telephone service centre within the Berlin company headquarters, we now have an inhouse benchmarking system in order to further optimise the quality of our customer service. Furthermore, our internal "Der Kunde im Fokus" [the customer in focus] incentive scheme is a motivator for our staff to be even more responsive to the requirements and concerns of our customers and partners. We were able to enhance our customer base by acquisition of three companies in North Rhine-Westphalia during 2014: after the takeover of a small supplier in May 2014, all remaining shares in the cable network operator BMB and the fibre-optic specialist BIG Medienversorgung were purchased.

The Management Board (left to right): Ronny Verhelst, Frank Posnanski

We will continue along this path during 2015 and have improved our economic situation once again with the listing on the Stock Exchange. After a new financing concept was leverage completed for the Company at the beginning of 2014, we were able to reduce the leverage of the Tele Columbus Group by approximately half with part of the receipts from the Stock Exchange listing and also managed to carry out a refinancing process with considerably better conditions. This solid capital structure gives us great financial stability and greater scope for investments, firstly in terms of continuing to develop our product range and secondly in terms of upgrading and expanding network infrastructure, in order to exploit new potentials for marketing our services and therefore also for additional growth.

We have several things planned for 2015: already in April we were the first network operator in the German consumer market to offer an Internet connection with a top speed of 400 megabytes per second. The service is available within the Potsdam cable network, and expansion into other regions is in the pipeline. Furthermore, we are also preparing for the introduction of a mobile phone service to expand Triple Play to Quadruple Play, therefore enabling us to offer our customers all media and communication services in a practical, reliable manner from a single source. We are also planning to expand our TV services to include new time and screen-independent applications, a new, high-performance media receiver and a video-on-demand service. In total, between € 110 million and € 120 million is allocated for investment in the networks to build on the infrastructure advantages offered by broadband cable and also to further expand our network.

Due to this foundation we consider ourselves to be well equipped, particularly in the light of the housing industry market, in a tough competitive environment to best exploit the various opportunities offered within the media and telecommunications markets: there is continuing high demand for linear television in the market, whilst interest in digital and interactive additional services is increasing at the same time. Parallel to this, the demand for faster, more volume-intensive Internet connections is increasing, and at the moment there is no other transmission method that is as cost-effective and as efficient as broadband cable. Also, the consolidation of the extremely fragmented and piecemeal cable market will continue over the coming years, highlighting a trend, which will become even more pronounced due to increasing convergence of television, landline and mobile phone services.

The management f.l.t.r.: Stefan Beberweil, Frank Posnanski, Ronny Verhelst, Diana-Camilla Matz, Reinhard Sauer

As the third-largest cable network operator in Germany, Tele Columbus sees itself as playing a major role in this process and will continue to fulfil this role with diligence whilst taking financial and strategic aspects into consideration.

We have set clear objectives for the mid-term future in order to continuously develop the Company, and also to create added value for our partners and investors. We aim to increase the number of products subscribed to by each customer to 1.7 with attractive, high-performance services, and in doing so, achieve average revenues per customer of € 17 per month. We would like to increase the proportion of households connected to our own signal supply and our product range, as well as being equipped two-way upgraded Internet-ready, to 70 per cent of total stock. A large part of our revenues will be reinvested in the next few years for this purpose.

As a starting point for the future, the following should be stated: **we know our objectives. We know what has to be done to achieve them. And we are on the right way even today.** We would like to express our deep gratitude to our employees who accompany us on this path and contribute to the success of Tele Columbus every day with their commitment and efforts. We would like to thank our investors for the support and confidence placed in the Company and in our business model as a cable network operator. We would also like to thank our customers and partners for the close, fruitful partnership we have enjoyed in previous years, especially for the fact that they push us to be the best we can be and to provide new services and solutions, every single day.

Ronny Verhelst
Chief Executive Officer (CEO)

Frank Posnanski
Chief Financial Officer (CFO)

The Management Board:

Ronny Verhelst

Chief Executive Officer (CEO)

Since 1 April 2011, Ronny Verhelst (52) is the Chief Executive Officer (CEO) of the Tele Columbus Group and, since registration of the the new legal form of the Company on 12 September 2014, Chairman of Tele Columbus AG. In this role, he is responsible for the management of the Group as well as for the areas of technology, sales, marketing and customer service.

Frank Posnanski

Chief Financial Officer (CFO)

Since 1 September 2011, Frank Posnanski (48) is Chief Financial Officer (CFO) of the Tele Columbus Group and, since registration of the new legal form of the Company on 12 September 2014, a member of the Management Board for Tele Columbus AG. In his role as CFO, he is responsible for the areas of accounting and taxes, controlling and treasury, investment and project controlling as well as for IT and data security, operational business improvement, human resources and investor relations.

The Management:

Stefan Beberweil

Chief Commercial Officer (CCO)

Stefan Beberweil (41) joined company management on 1 February 2014 as Chief Commercial Officer (CCO) for the Tele Columbus Group. In this role, he is responsible for business to business and business to consumers and therefore for products, marketing and sales as well as customer relations with the housing association partners.

Diana-Camilla Matz

Director Customer Management

Since 1 July 2013, Diana-Camilla Matz (46) has been directing customer management for the Tele Columbus Group. In her role, she is responsible for all end-customer service, central process management as well as for customer service in the housing sector area.

Reinhard Sauer

Chief Technology Officer (CTO)

Reinhard Sauer (56) was appointed to company management as the new Chief Technology Officer (CTO) for the Tele Columbus Group on 1 February 2014. He is responsible for the central technology of the Company, construction and infrastructure projects, the development and operation of IP services, as well as network operation and technical service.

For the Berger family in Dresden, home means:
watching their favourite team win in high-definition.

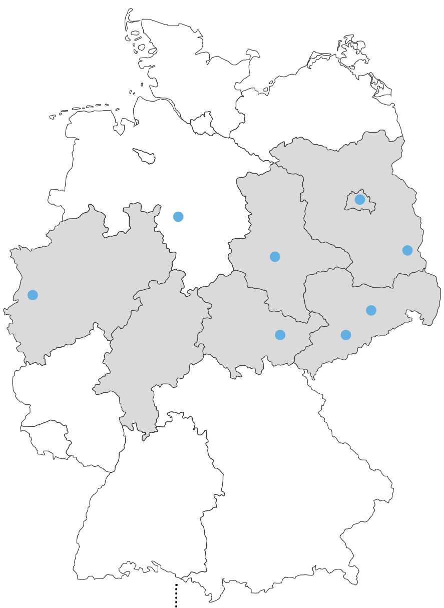
AT HOME, WE LIKE TO

EXPERIENCE **COLOURFUL** DIVERSITY.

Our solutions are tailored to your needs and represent our multimedia spectrum.

National provider with

We have an extensive range of broadcasting and Internet services at our disposal, as well as the fastest cable modem on the German market.



We are at home here

The best of many worlds

Tele Columbus is one of the leading telecommunications service providers in Germany and combines the broadband networks of renowned companies such as Bosch, Siemens, ewt, Urbana and the original foundation of Tele Columbus in Switzerland under one roof. The acquisition of all shares in the fibre-optics specialist BIG Medientechnik GmbH and the cable network operator BMB GmbH means that we have strengthened our knowledge base during the course of 2014. We now combine all know-how obtained from our varied corporate history and use it in a targeted manner to satisfy our customers' wishes.

Whether it is a comprehensive range of TV programmes, ultra-fast Internet or flat rates for telephones offering great value for money: broadband cable networks are the only transmission method that provides the full range of modern multimedia services. On this basis, we can also provide useful applications and support for future solutions, whether it be telemetric services for capturing consumer data and efficient monitoring of household devices or providing support and telemedical care to older people in their own homes.

"We offer customised solutions for our partners in the housing associations – and a unique range of TV channels and combi-packages for Internet and telephone to our cable customers.

Dresden
In “Elbflorenz”, we operate a network for around 70,000 connected households – and a branch specifically for the South-East region.

a regional focus

We are at home with our solutions here:

1.7 MIO.
connected households

933,000
Internet-enabled households using our own signal

97 %
of clients are supplied through concession agreements with the housing associations

>150
TV channels for a varied range and the best in entertainment

An excellent selection

We offer solutions that are precisely tailored to the requirements of our housing partners and customers. Our portfolio therefore includes a unique range of TV channels and attractive combined packages for telephone and Internet services. This is how we turn households into multimedia homes.

Amongst other things, our broadcasting services consist of:

- **analogue television with more than 30 channels,**
- **digital television** with over **70 channels** on the basic connection,
- **43 HDTV channels** as free-to-view TV,
- more than **30 analogue** and more than **60 digital radio programmes** and
- packages, which expand the product range with **more premium offers.**

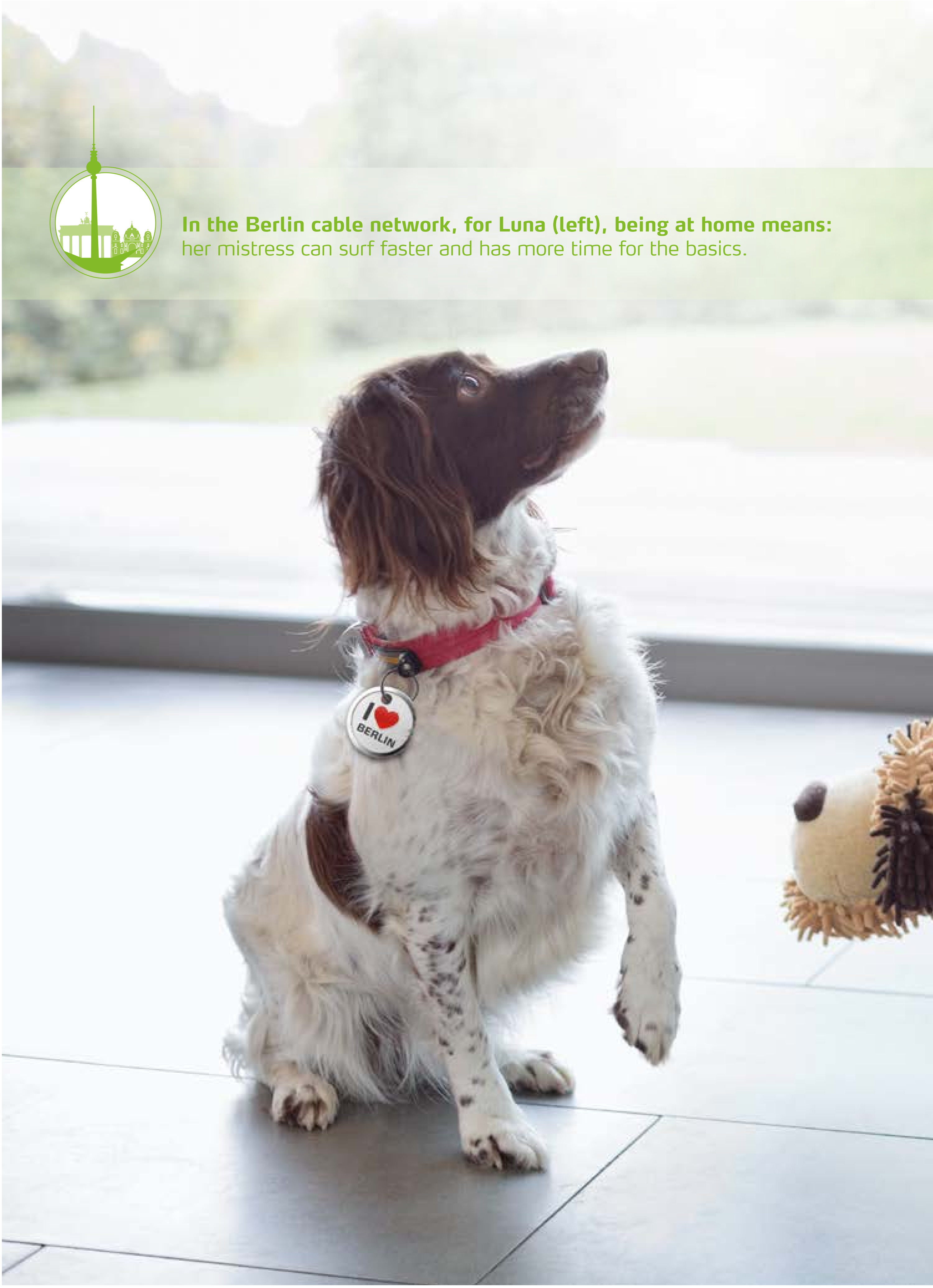
Amongst other things, our Internet offering is characterised by:

- **tailor-made packages for every user** with transmission speeds of 16 mbit/s for newcomers **up to 400 megabytes/s** for record surfers and
- the **fastest cable modem in the German market,** which can also be set up as a media server for **managing music, images and videos.**

We intend to improve our service portfolio further in the future and have therefore set out clear objectives for the next few years. The start of an expanded proprietary TV offering is planned for 2015, which should enable time-independent use of linear and non-linear moving image content on various end devices within a household and provide films on demand. In addition, we are also preparing a mobile data and telephone offering. This will turn the comprehensive carefree package offered by Tele Columbus Group into a quadruple play service.

National variety

We see ourselves as a national supplier with a regional focus. This means: we are set up with a flexible network structure based on decentralised hubs, particularly but not exclusively, on core regions in Eastern Germany within Berlin, Brandenburg, Saxony, Saxony-Anhalt and Thuringia as well as North Rhine-Westphalia and Hesse in Western Germany. This means that Tele Columbus exploits opportunities within existing distribution areas and beyond, whilst being available for its partners nationally wherever needed.



In the Berlin cable network, for Luna (left), being at home means:
her mistress can surf faster and has more time for the basics.

AT HOME, WE CAN

BUILD ON PARTNER-SHIPS.

Whatever the subject, our advisers and engineers are always close to our clients.

DER KUNDE IM FOKUS
telecolumbus

Regional proximity

Optimal support of our clients and partners is our dictum. We have created a reliable, regional service structure to ensure that we are always there where you need us. This includes Tele Columbus shops, client offices, a wide range of service partners and local product agents as well as our regional branches in Berlin, Dresden and Ratingen. These help us ensure that our housing partners and clients receive tailored, competent advice to all of their queries. The opening of a new, onsite telephone service centre in 2014 has enabled us to further improve the quality of our customer service.

The focus on customer wishes is also mirrored in our internal processes: our initiative with the motto “Der Kunde im Fokus” [the customer in focus] encourages our staff to focus squarely on customer requirements in all that they do. This commitment has paid off: in April 2015, our customer service was awarded the “TOP SERVICE Deutschland” customer service award for being one of the TOP 50 companies in Germany. We will continue to further develop and improve our dialogue with customers and interested parties based on this success.

WETTBEWERB TOP SERVICE DEUTSCHLAND 2015 telecolumbus Handelsblatt ServiceRating

Partner to the housing sector

Trust and reliability are of primary importance to Tele Columbus as a full service network provider. We master the technology required to make broadband cable and its advantages fully usable. We also ensure that residential properties become more attractive and maintain their value due to a multimedia connection. We have been the first company in the German market to create a housing industry advisory board, which is an important instrument that underlines commitment to our partners alongside our activities in regional and national housing associations since 2011, promotes relationships to the housing sector that are based on trust and stimulates the exchange of ideas.

2011

For around 4 years, we have been promoting an open exchange with our partners through an independent advisory board for the housing associations

Reliability and trust

As a full service network provider, we create custom infrastructure solutions for our clients and partners.

Our clients and partners can rely on us, and on stable data transmission

Martin Lukaschewitsch
Regional Director
North-East region

> The close partnership with the housing associations is the basis for our business, and our drive to continue developing the Company.

However, housing associations and property management companies are not the only beneficiaries of our tailored infrastructure solutions; developers, communities and public utilities can also profit from the experience and technical know-how that Tele Columbus can bring. We also offer programme providers a high-coverage method of transporting and using classic TV contents and new types of product offerings. Also, our high-performance broadband connections help us guarantee that as many people as possible are able to easily use the whole spectrum of state-of-the-art multimedia and telecommunication services in their own homes.

Social commitment

For Tele Columbus regionality does not just mean that we are active as a service provider and as a cable network operator, we also act as a committed partner and support individuals and communities. Alongside our commitment as sponsor of large sports teams, such as Dynamo Dresden, Turbine Potsdam, Science City Jena or Berliner Eisbären, we are also active as a promoter of various regional initiatives and teams as well as social institutions, especially for children and young people.

Berlin
From our headquarters in Berlin, we advise numerous customers and consumers in the metropolitan region

Top-Service

Technical service partners solve problems on-site if needed

We offer our clients help and advice in shops and service centres

Even public administrations and municipalities can benefit from our know-how as a network operator


For Thomas F. from Jena, being at home means:
top service and consistent Internet.
Jena

AT HOME, WE WANT

TO BE CONVINCED BY PERFORMANCE.

We support the housing associations with our comprehensive service.

Ready for a media-friendly future

We are meeting the need for faster data communication with our technology.

Telecommunication of the future

A major focus of our activities as a cable network operator is to continuously improve the performance of our networks. Tele Columbus has expanded its networks using a hybrid fibre-optic structure and, in doing so, has guaranteed state-of-the-art multimedia applications deep into the future for all apartments connected to such networks. We transmit signals via a fibre-optic backbone in what is known as a fibre-to-the-curb or a fibre-to-the-building structure to household networks, whereupon these are transmitted to individual households via a coax cable. If required, the network can be extended to a fibre-to-the-home structure at any time. Even at this moment, our existing network structure has a technical data rate of up to 5 gigabytes per second for providing television, Internet, telephone and other additional services.

Genuine flat rates
This means:
no volume limits,
no data reduction

Hannes Lindhuber
Director of Company Communication

“The market for media and telecommunication is developing rapidly and offers us great opportunities. In order to take advantage of them, we just have to listen to our clients.

>110–120

million Euros will be utilised in 2015 for further network expansion

Strong performance – in quantity and quality

Compared to the traditional DSL standard, our supply networks provide excellent, stable performance, even over longer distances. The key reason for this is the modern DOCSIS 3.0 transmission standard, which is used in almost all integrated, Internet-ready networks owned by Tele Columbus. Tele Columbus can offer its customers numerous advantages based on this:

- As the frequency ranges for radio and Internet transmission are separate from each other with broadband cable, **television reception for cable customers does not impact the stated Internet bandwidth.**
- With Tele Columbus customers receive **genuine Internet flat rates without volume restrictions or data throttling** – for pure, uninterrupted surfing pleasure.
- Tele Columbus was the first German provider to offer an Internet service with a **top speed of 400 mbit/s,** a record in the German market. The offer has been available in the Potsdam cable network since April 2015, and expansion into other regions is in the pipeline.

Jena
In Jena alone, Tele Columbus supplies around 35,000 households.
In total, the market share in the core East German regions is 36%

Innovative investments

We will continue to extend our infrastructure and hence cement our advantages in performance over the coming years. The economic foundation for this was set out with a successful listing on the Stock Exchange in January 2015: we are ready for the future with a transparent company structure, a solid capital foundation and greater financial flexibility. Investments of over € 110 million to upgrade and expand networks are planned for 2015 alone, which will also directly benefit our partners and customers. Tele Columbus is now the largest cable network operator in Germany that is not controlled by international telecommunications or cable groups but is instead active for the region as a regional provider. This regional perspective and our high-performance networks ensure that we are a reliable, local partner for end customers, housing associations and communities.

400

A top speed of 400 Mbps is offered to clients by Tele Columbus in the Potsdam region – a new record in the German consumer market

To us at Tele Columbus, working means:
being at home in an exciting market.

Our success is based on a particular business culture and on employees, who passionately shape the future of the Company.

IN OUR HOME,

WE ARE A TEAM!

Our Values

In conjunction with our employees, we determined the central corporate values for Tele Columbus in 2014

Jörn Fiebig
Director of Human Resources and Central Services

Our employees are the key to our Company's success. Innovation and progress can only come from an enthusiastic team.

Tele Columbus as an Employer

Whether in the commercial or technical areas, in sales, marketing or customer service: Tele Columbus is a multi-faceted employer, which has a lot to offer to enthusiastic employees. They benefit from attractive payment models and can use their time very flexibly and work on their own initiative. In addition to this, Tele Columbus has created a working environment that provides an ideal breeding ground for exchange and productive cooperation. We want to consolidate our position as an attractive employer further and we want to continue to develop the culture of the organization. The opinions of our employees are important in this regard. Therefore, we regularly conduct surveys on employee satisfaction. In this way, we do not only receive confirmation from independent third parties of the positive aspects of our Company. On the basis of information collected, we also exploit improvement potentials. In 2014, for example, we received the grade of "good" from the Institut für Strategische Personalführung und Arbeitszeitgestaltung (Institute for Strategic Personal Management and the Organisation of Working Time) – a result that confirmed our course and motivated us to do even better.

A multi-faceted employer

Age distribution of Tele Columbus employees in %

21 (20–35 years) **48** (35–50 years) **31** (50–65 years)

49 % female 51 % male

Loyalty

Passion

Consistency

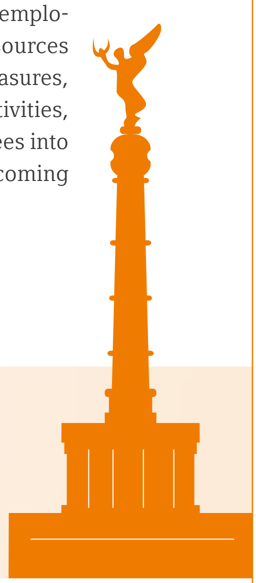
Flexibility

Quality

Firmly Rooted Company Values

With a company history dating back to 1972, Tele Columbus has developed a mature corporate culture. That is why we systematically defined the values represented by the Company for the first time in 2014, in a process that involved employees and management from various areas. By doing so, we have defined how we interact with each other, what we represent to our customers and partners and how we achieve our goals: we develop new products and solutions with passion on behalf of our customers and partners from the housing sector, always striving to ensure the best possible result and guaranteeing solutions appropriate to requirements through flexibility, while at the same time staying true to our principles. This is how we are successful in the telecommunications and media market, one of the most dynamic markets in Germany.

Our management and employees are supporters of and contributors to these values and therefore to this success. Their daily commitment helps to ensure that Tele Columbus continues to be one of the leading telecommunications and multimedia providers, also in the future. With their know-how, they find the right answers to the challenges posed by our customers and housing sector partners now and in the future. Because of this, Tele Columbus has also set itself the goal of providing its employees with the best possible support. The position for Human Resources Development, newly created in 2014, a variety of team building measures, company internal events and celebrations as well as sporting activities, where where we focus on the health and team spirit of the employees into consideration, are examples of our commitment on the way to becoming a top employer.



GOOD!

In terms of employee satisfaction, which we have had evaluated in a survey conducted by an independent institute, Tele Columbus was described as “good” in 2014

Report of the Supervisory Board

Dear shareholders of the company,

In the following, we shall provide an overview of the activities of the Supervisory Board of Tele Columbus AG ("Tele Columbus AG", "Tele Columbus" or the "Company") and report on the composition and number of meetings of the Supervisory Board and its committees.

Overview of activities of the Supervisory Board

Since its formation on 10 September 2014 until 31 December 2014 (the "reporting period"), the Supervisory Board discharged its tasks imposed by the law, the articles of association and rules of procedure with great care. The Supervisory Board accompanied and supervised the Management Board continuously in its management and advised it regularly on its decisions regarding the management of the Company. In all decisions of fundamental importance for the Company, the Supervisory Board was involved at an early stage.

The Supervisory Board was regularly informed promptly and comprehensively during the reporting period by the Management Board in writing and verbally about all key issues associated with the management of the Company. The Management Board regularly reported to the Supervisory Board in particular about corporate planning, strategic development, business operations and the situation of Tele Columbus AG and the Group, including the risk situation of the Company. In addition, the board kept the Supervisory Board informed about current developments of the Company also outside of meetings. The Supervisory Board Chairman in particular was kept informed about current developments and the present state of business as well as significant transactions, projects and plans. Any deviations

The Supervisory Board f. l. t. r.: Christian Boekhorst, Catherine Mühlemann, André Krause, Frank Donck, Yves Leterme, Robin Bienenstock

in the development of the course of business from the plans and objectives were explained to the Supervisory Board by the Management Board in detail. Any resolutions proposed by the Management Board were agreed by the Supervisory Board in each case after thorough examination and consultation.

The Supervisory Board reviewed the activities of the Management Board in all meetings on the basis of the reports received. The topics for discussion in the regular consultations with the Management Board were in particular the revenue, profit and employment trends of the Group as well as the exchange of views on the situation and strategy of the Company. The regularity, usefulness and efficiency of the company management by the Management Board were not objectionable. The Supervisory Board also assured itself that the Management Board formed an effective risk management system and an effective compliance programme. Significant focal points which the Supervisory Board discussed during the reporting period, were the preparations for the successful IPO of the Company on 23 January 2015 and the continued implementation of the growth strategy.

The Supervisory Board is not aware of conflicts of interest of the Management or Supervisory Board members, which must be disclosed to the Supervisory Board and the Shareholders' Meeting.

Members of the Supervisory Board and the Management Board

The extraordinary general meeting of the legal predecessor of Tele Columbus AG elected on 10 September 2014, as part of the decision on the change of legal form of the Company into a German public limited company, Messrs Frank Donck, Christian Boekhorst, Yves Leterme and André Krause as well as Ms Catherine Mühlemann and Ms Robin Bienenstock to the Supervisory Board of the Company. The election of André Krause, Catherine Mühlemann and Robin Bienenstock was subject to the condition of the admission of the Company's shares to trading on the Frankfurt Stock Exchange (Prime Standard). In its inaugural meeting on the same day, the Supervisory Board appointed Ronny Verhelst and Frank Posnanski to the Management Board of the Tele Columbus AG and chose Frank Donck as Chairman of the Supervisory Board. On 18 December 2014, the condition precedent for the election of Robin Bienenstock was waived and Robin Bienenstock was elected with immediate effect to the Supervisory Board of the Company. With the admission of the Company's shares for trading on the Frankfurt Stock Exchange on 21 January 2015, the condition precedent regarding the choice of André Krause and Catherine Mühlemann was fulfilled.

Supervisory Board Committees

In order to perform its duties efficiently, the Supervisory Board has formed two permanent committees: the General Committee and the Audit Committee.

The task of the **General Committee** is to prepare the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of Management Board members, the appointment of the Chairman and decisions on management remuneration. The General Committee consists of the Chairman of the Supervisory Board, who is also Chairman of the General Committee, and two other members. These are Frank Donck as Chairman, as well as Yves Leterme and Catherine Mühlemann. The General Committee also assumes the function of a **nomination committee,** whose role is to recommend suitable candidates to the Supervisory Board for election at the Annual General Meeting.

The **Audit Committee** concerns itself particularly with proper accounting, the independence of the auditor, the system of the internal company controls, risk management and compliance. The Audit Committee works closely together with the auditors. It issues the audit mandate to the auditor, including the determination of key audit priorities and the agreement on fees. It prepares in particular the decisions of the Supervisory Board on the adoption of the annual financial statements and, to this end, undertakes the preliminary examination of the financial statements, the management report, the profit distribution proposal, the consolidated financial statements and consolidated management report and discusses the audit report with the auditor. The Audit Committee consists of three members. These are André Krause, Christian Boekhorst and Robin Bienenstock.

Meetings of the Supervisory Board and its committees

In the reporting period, the Supervisory Board held three meetings. After the inaugural meeting on 10 September 2014, the remuneration structure for the Management Board was decided in a second meeting of the Supervisory Board on 8 October 2014. All details are given in the Remuneration Report on the Company's website. Besides the regular reporting, preparing for the IPO on 23 January 2015 and the implementation of the growth strategy were the main topics of the meeting. Here, the Supervisory Board also dealt with other management issues, such as operational management, sales and marketing, customer satisfaction, network expansion projects, corporate governance documents and guidelines relating to capital market requirements. In addition to the status of preparations for the IPO, the corresponding analyst presentations were discussed and reviewed. The third meeting of the members of the Supervisory Board on 17 December 2014 dealt in particular with the optimisation of the capital structure of Tele Columbus AG.

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

In addition, resolutions were adopted, as needed, outside of regular meetings, especially regarding urgent matters that require the approval of the Supervisory Board.

There were no meetings of the committees in the reporting period.

Corporate Governance

The Supervisory Board takes the German Corporate Governance Code very seriously and has dealt extensively with the corresponding recommendations of the Governance Committee. In April 2015, the current annual declaration of compliance pursuant to § 161 AktG (German Stock Corporation Act) was adopted together with the Management Board. This declaration of compliance is available on the Company's website.

Audit of annual and consolidated financial statements 2014

The auditing firm KPMG AG was appointed to audit the annual and consolidated financial statements. The auditor audited the annual financial statements and the management report of Tele Columbus AG as well as the consolidated financial statements and the consolidated management report on 31 December 2014 and issued each with an unqualified audit opinion. The financial statements of Tele Columbus AG and the management report as well as the group management report were prepared on the basis of the principles of the German Commercial Code (HGB). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union, and the additional requirements of § 315 para. 1 of the Commercial Code.

The report submitted by the Management Board on relations with affiliated companies for the period from 12 September 2014 to 31 December 2014, concluded with the declaration of the Management Board according to § 312 para. 3 AktG (dependency report) was also subject to examination by the auditor, who provided the following opinion: "After our conscientious audit and assessment we confirm that the statements of fact in the report are correct, the consideration paid by the Company for the legal transactions listed in the report was not unreasonably high, and with respect to the measures listed in the report, no circumstances indicate an evaluation essentially different from the evaluation of the Management Board."

The financial statement documentation and the audit reports were submitted to all Supervisory Board members in good time. The members of the Audit Committee at their meetings on 26 February 2015, 25 March 2015 and 31 March 2015 discussed in detail and audited the abovementioned statements and the dependency report in a joint meeting with the CFO and the auditor, and reported on this to the full Supervisory Board in its session on 7 April 2015. The Supervisory Board, in knowledge and in consideration of the audit reports of the auditor, discussed and examined in detail the annual financial statements and management report and the dependency report of Tele Columbus AG, the consolidated financial statements and the group management report and the Management Board's dependency report in its meeting on 7 April 2015. The Management Board also provided oral explanations, where requested, on the financial statements documentation and the dependency report. The auditor participated in these meetings, reported on the essential results of the audit and was available to answer questions and to provide supplementary information to the Supervisory Board. Through this and on the basis of the report presented from the previous meeting of the Audit Committee, the Supervisory Board was able to satisfy itself as to the correctness of the audit.

The Supervisory Board raised no objections to the annual financial statements and the management report and the consolidated financial statements and the group management report in knowledge of and in consideration of the report of the Audit Committee and the audit reports of the auditor. The Supervisory Board also raised no objections to the statement of the Management Board at the end of the dependency report in accordance with § 312 para 3 AktG.

The Supervisory Board thus concurred with the results of the audit by the auditor and approved the annual finanial statements compiled by the Management Board of Tele Columbus AG and the consolidated financial statements as at 31 December 2014. The annual financial statements of Tele Columbus AG as at 31 December 2014 are thus adopted.

The Supervisory Board wishes to thank the Management Board and all employees for the Company's strong performance in 2014, their daily dedication and their outstanding performance in the preparation of the Company for the IPO.

Frank Donck
Chairman of Supervisory Board

Members of the Supervisory Board:

Frank Donck

Chairman of the Supervisory Board
of the Tele Columbus Group

Managing Director of 3D NV; Chairman of Atenor Group; Director of KBC Group, Elia, Greenyard Foods
Past experience: Chairman of Telenet and Zenitel NV; Investment Manager Investco (KBC)
Academics: Master's in Law from University of Ghent, Master's in Finance from Vlerick Business School

Christian Boekhorst

Member of the Supervisory Board
of the Tele Columbus Group

Partner at Pamplona Capital Management
Past experience: Equity Analyst at York Capital, Partner at Sequoia Capital, M&A at Merrill Lynch, Loyens & Loeff
Academics: MBA from the Kellogg School of Management, Master's in Dutch Law and Business Sciences from the Radboud University Nijmegen, and Bachelor's in Law from Université René Descartes

André Krause

Member of the Supervisory Board
of the Tele Columbus Group

Chief Financial Officer at Sunrise Communications AG
Past experience: CFO and VP of Strategy & Consulting at O2 Germany, McKinsey & Company, Arthur Andersen
Academics: Studied business administration in Bielefeld and Budapest

Catherine Mühlemann

Member of the Supervisory Board
of the Tele Columbus Group

Partner at Andmann Media Holding GmbH
Past experience: CEO and EVP Viacom/MTV Networks Central and VIVA Media Group; Programme Director for TV3; Programme Specialist and Director of Media Research for Swiss public TV broadcasting station SF DRS
Academics: German Studies, Media Sciences and Constitutional Law at University Berne and PR and Marketing at the SAWI and Management School St. Gallen

Robin Bienenstock

Member of the Supervisory Board
of the Tele Columbus Group

Partner at Gladwyne Partners and Senior Research Analyst at Sanford C Bernstein
Past experience: Associate Principal at McKinsey; investment banking at SG Warburg
Academics: B.A in politics, philosophy and economics from University of Oxford; M.A in International Relations from University of Toronto

Yves Leterme

Member of the Supervisory Board
of the Tele Columbus Group

Minister of State, Belgium; President of the International Institute for Democracy and Electoral Assistance (IDEA)
Past experience: Prime Minister of Belgium, Minister of Foreign Affairs, Minister President of the Flemish Government, Vice President of OECD, Group Chairman and National Secretary and Chairman of the CD&V party, Deputy in the Chamber of Representatives
Academics: Degrees in Law and Political Science from the University of Ghent

Corporate Governance Report

Tele Columbus AG attaches great importance to the responsible and sustainable management of the Company in compliance with the rules of proper corporate governance. The Management Board and Supervisory Board are convinced that good corporate governance leads to more focus of on long-term and sustainable success of the Company. Corporate governance is designed to ensure target-driven and efficient cooperation between the Management Board and the Supervisory Board, consideration of the interests of our shareholders and employees, appropriate risk management, and transparency and responsibility in all business decisions. The Management Board and Supervisory Board understand corporate governance to be a process integrated into the company development that must be continuously pursued.

There is a close content-related connection between the corporate governance report to be submitted in accordance with Section 3.10 of the German Corporate Governance Code, as amended on 24 June 2014 ("Code") and the Declaration on Corporate Governance pursuant to § 289a of the German Commercial Code ("HGB"). For this reason, the Management Board and Supervisory Board of Tele Columbus AG submit both declarations concomitantly below.

1. Declaration of conformity with the German Corporate Governance Code pursuant to § 161 para 1 AktG

Pursuant to § 161 para 1 German Stock Companies Act (Aktiengesetz; "AktG"), the Management Board and the Supervisory Board of a publicly listed stock company must declare every year that the recommendations of the code have been and are being complied with or which recommendations have not been or are not being applied and why not. Any deviation from the recommendations of the core must be explained in detail. The compliance declaration should be publicly accessible permanently on the Company's website.

Tele Columbus AG has been listed at the Frankfurt Stock Exchange on the regulated market since 23 January 2015. It therefore has not submitted any compliance declaration in the sense of § 161 para 1 AktG yet. In the stock exchange prospectus, it was stated that the Company meets or will meet the recommendations of the Code at the time of publication of the stock exchange prospectus.

The Management Board and the Supervisory Board have dealt in detail with the recommendations of the Code and declare according to § 161 para 1 AktG that Tele Columbus AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" (Code Commission) published by the Federal Ministry of Justice in the official part of the electronic Federal gazette as amended on 24 June 2014 with the following exceptions and will continue to do so in future:

1. Pursuant to item 5.4.1. of the German Corporate Governance Code ("Code"), the supervisory board is to designate specific targets for its composition and consider them in its election suggestions. The objectives of the supervisory board and the status of implementation are to be published in the Corporate Governance report. The Company is not compliant with these recommendations, except for the naming of an age limit. The composition of the Supervisory Board of Tele Columbus AG is based on the corporate interests and must ensure effective consulting and supervision of the Management Board. Therefore, the composition of the Supervisory Board primarily observes the knowledge, skills and technical experience of the individual as required to perform the tasks properly. In the absence of the naming of specific objectives, with the exception of the age limit, publication in the Corporate Governance Report is also waived.

2. Since the Company has only been listed on the stock market since 23 January 2015, no efficiency audit has taken place so far (deviating from item 5.6 of the code). However, the Supervisory Board intends to comply with the recommendations of item 5.6 of the Code in future.

3. Pursuant to item 7.1.2 of the Code, the consolidated financial statements will be publicly accessible within 90 days after the financial year end. Since the Company has only been listed on the stock market since 23 January 2015, the publication of the consolidated financial statements for the financial year 2014 will not be made publicly accessible within 90 days after the financial year end. The Company is not compliant with the recommendation of item 7.1.2 in this respect. However, it is intended that the recommendation of item 7.1.2 of the Code be complied with in future.

Berlin, 7 April 2015

For the Board:

Ronny Verhelst Frank Posnanski

For the Supervisory Board:

Frank Donck

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

2. Relevant information on corporate governance

The corporate governance of Tele Columbus AG is largely, but not exclusively, determined by the provisions of the AktG and takes guidance also from the recommendations of the Code, all of which Tele Columbus AG complies with. Compliance is a top priority for Tele Columbus AG and is considered by the Management Board to be a key management task.

2.1 Internal control system

The Management Board of Tele Columbus AG has implemented numerous organisational measures to establish an internal control system and fulfil its duties responsibly and transparently. This includes, besides a general compliance management system (CMS) and a risk management system, also the establishment of a capital market department dedicated to issues of capital market compliance. Furthermore currently is being discussed internally whether in terms of a future internal audit, an internal or external solution would be more applicable for the Company.

Tele Columbus AG has an internal control system oriented to the specific needs of the Company, the processes of which guarantee the regularity of internal and external accounting processes and ensure the efficiency of the Company's business activities and compliance with relevant legal regulations and internal policies. These control processes include the evaluation of potential risks which might impact on the business and the financial stability of the Company. Market developments and changes to the regulations that are relevant to us as well as accounting principles are continually observed and analysed with regard to potential impact on the business activity and financial position of the Company. Appropriate structures and processes have been defined for Tele Columbus AG's financial reporting process within the framework of the internal control and risk management systems. Besides defined control mechanisms, the fundamentals of these include automated and manual coordination processes, a clear separation of functions, strict adherence to the two-man rule and guidelines and operating procedures.

The Supervisory Board and, in particular, the Audit Committee of the Supervisory Board are informed about the processes established under the internal control system and are satisfied as to their effectiveness.

Tele Columbus AG has also introduced a comprehensive compliance management system (CMS) to ensure uncompromising attention to full compliance. The compliance management system provides employees with comprehensible guidelines for ethical, value-oriented and law-abiding business operations. The aim is to make all employees aware of the relevant laws, regulations and internal guidelines. The focuses of the compliance management system are sound business operations, thereby prohibiting improper payments and anti-competitive and discriminatory behaviour as well as data protection.

As a component part of the compliance management system, the Company has set up a compliance department which consists of a chief compliance officer and a compliance officer. In addition, a Compliance Committee has been established comprising staff from the compliance, legal, human resources, financial control, finance and tax departments and a representative of the works council. The Compliance Committee is responsible for monitoring the compliance department and reviewing and remedying any compliance violations. The compliance department reports regularly and on an ad hoc basis to the Compliance Committee and the Management Board on general compliance issues and any compliance violations. The compliance department is also responsible for the initiation of investigations into possible compliance violations.

All employees of the Tele Columbus Group have the opportunity to report any compliance violations, including anonymously, if so desired, via a compliance hotline which is managed by an external ombudsman. The ombudsman reports any compliance violations to the chief compliance officer or directly to the Compliance Committee, the Management Board or the Supervisory Board.

The compliance management system and the application of this is regularly reviewed and further developed by the Company.

2.2 Audit-related processes

The financial statements and management report prepared by the Management Board of Tele Columbus AG and the consolidated financial statements and group management report are examined by the auditor, discussed by the Audit Committee and approved by the Supervisory Board.

The condensed consolidated interim financial statements and the interim group management report for the half-year financial report are reviewed by the auditor. All interim reports are discussed by the Management Board with the Audit Committee prior to publication.

2.3 Avoidance of conflicts of interests

Conflicts of interest of executive bodies and other decision-makers of the Company or major shareholders are contrary to the principles of good corporate governance and are harmful to the Company. Tele Columbus AG and its executive bodies therefore adhere strictly to the recommendations of the Code. The employees of Tele Columbus AG and its affiliated companies are aware of the problem of conflicts of interest and have binding behavioural requirements for the event of actual or potential conflicts of interest.

3. Operating principles of the Management Board and Supervisory Board and operating principles and composition of the committees of the Supervisory Board

There is a close and trusting cooperation between the Management Board and the Supervisory Board of Tele Columbus AG that is focused on the long-term success of the Company. The members of the Management Board attend the meetings of the Supervisory Board, unless the Supervisory Board chairman, after prior consultation with his/her deputy, decides otherwise or the Supervisory Board decides to meet without the Management Board. The Management Board informs the Supervisory Board promptly, comprehensively and regularly about the development of the business operations of Tele Columbus AG.

3.1 Operating principles of the Management Board

The Management Board of Tele Columbus AG consists of at least two members. The number of board members is determined by the Supervisory Board. Members of the Management Board since the change in legal form to a stock corporation were the CEO Ronny Verhelst and Frank Posnanski. The Management Board runs the Company with the objective of sustainable value creation under its own responsibility and in the interest of the Company, i.e. taking into account the interests of shareholders, its employees and other groups associated with the Company. Further details are contained in particular in the rules of procedure adopted by the Supervisory Board. The Management Board determines the Company's strategic direction, agrees this regularly with the Supervisory Board, and is responsible for the implementation thereof. The CEO is responsible in the course of this for coordinating all business areas of the Management Board. He is in regular contact with the chairman of the Supervisory Board and represents the Management Board and the Company with respect to the public.

The division of responsibilities between the current two members of the Management Board can be seen from the organisational chart. Each member of the Management Board manages the business area assigned to him/her under his/her own responsibility and keeping the overall interests of the Company in mind at all times. Notwithstanding this, the members of the Management Board have joint overall responsibility for the management of the Company and its subsidiaries. Decisions on the Company's strategy, key issues of corporate policy and all matters that pertain to multiple business areas or are of fundamental importance to the Company and/or its group companies are thus reserved for the Management Board as a whole body. Particularly important transactions and measures also require the prior approval of the Supervisory Board. Meetings of the full Management Board take place as needed, but usually at least once every two weeks and are chaired by the CEO.

Resolutions of the Management Board can also be taken outside of meetings by order of the CEO, particularly in writing, by fax or by e-mail.

The Management Board reports regularly, at least quarterly, on the course of the Company's business operations. Transactions which may be of considerable importance for the profitability or liquidity of the Company must, furthermore, be reported to the Supervisory Board in sufficient time that the latter has the opportunity to comment on these prior to the transaction taking place. Finally, the Chairman of the Supervisory Board must be informed about important events within the meaning of § 90 para. 1 sentence 3 AktG.

3.2 Operating principles of the Supervisory Board

The Supervisory Board of Tele Columbus AG is composed of six members who were elected by resolution of the Annual General Meeting of 10 September 2014. These are Frank Donck, Christian Boekhorst, Robin Bienenstock, André Krause, Yves Leterme and Catherine Mühlemann. André Krause and Catherine Mühlemann were elected under the condition precedent that the shares of Tele Columbus AG are admitted for trading on the Frankfurt Stock Exchange, and thus have been performing their work as Supervisory Board members only since 21 January 2015. Robin Bienenstock was also initially elected subject to the condition precedent that the shares of Tele Columbus AG are admitted for trading on the Frankfurt Stock Exchange. By resolution of the General Meeting of 18 December 2014, this condition precedent was repealed. She has thus been performing her work as a member of the Supervisory Board since 18 December 2014.

The Supervisory Board of Tele Columbus AG advises the Management Board on the management of the Company and oversees the work of the latter. The Supervisory Board is involved at an early stage in all measures of fundamental importance to Tele Columbus AG.

The members of the Supervisory Board are elected by the Annual General Meeting of the Company by simple majority. Tele Columbus AG is subject neither to the Mitbestimmungsgesetz (German Co-determination Act) nor to the Drittelbeteiligungsgesetz (German One-third Participation Act).

The Supervisory Board has, as a supplement to the requirements of the Articles of Association, adopted a set of procedural rules for its work, in which the committees of the Supervisory Board are also defined. In accordance with this, the chairman of the Supervisory Board coordinates the work of the Supervisory Board and its cooperation with the Management Board, chairs its meetings and attends to the affairs of the Supervisory Board externally. The Supervisory Board adopts its resolutions in attended meetings held at least twice per calendar half year. Outside of attended meetings, a resolution in writing, by telephone or in any other similar manner suitable for a resolution is permissible if the chairman or, if he is unable to do so, his deputy decides this in the individual case. Resolutions of the Supervisory Board are passed by a simple majority of the votes cast, unless otherwise prescribed by law.

3.3 Composition and operating principles of the committees of the Supervisory Board

So that the Supervisory Board is able to carry out its tasks optimally, the rules of procedure of the Supervisory Board provide for two permanent committees, the General Committee and the Audit Committee. The tasks of the Nominating Committee to be set up in accordance with Section 5.3.3 of the Code are performed by the General Committee.

General Committee

The General Committee consists of three members. The General Committee prepares the Supervisory Board meetings and handles ongoing matters between Supervisory Board meetings. In addition, the General Committee also prepares the decisions of the supervisory board on corporate governance, in particular on adjustments of the Company's compliance declaration pursuant to § 161 AktG to changing factual circumstances, as well as verification of adherence to the compliance declaration. In addition, the General Committee prepares the submissions for the Supervisory Board for intended appointment and dismissal of members of the Management Board and, where applicable, the appointment of a CEO. Submissions on all topics relating to the compensation of members of the Management Board that is to be decided upon by the Supervisory Board are also prepared by the General Committee. The General Committee is also responsible for taking decisions on the conclusion, amendment and termination of employment, pension, severance, consulting and other contracts with members of the Management Board and all issues resulting from these, insofar as they do not concern remuneration issues. In addition, the General Committee is responsible for taking decisions on the granting of loans to persons within the meaning of §§ 89 and 115 AktG and decisions on the approval of contracts with members of the Supervisory Board pursuant to § 114 AktG. The General Committee is expected to consult regularly – with the involvement of the Management Board – on long-term succession planning for the Management Board.

Members of the General Committee are Frank Donck (Chairman), Yves Leterme and Catherine Mühlemann.

Audit Committee

The Audit Committee consists of three members, elected by the Supervisory Board. The responsibility of the Audit Committee is, inter alia, to prepare the balance sheet meeting of the Supervisory Board. It also deals with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and internal audit system, the auditing of annual accounts, in particular here the independence of the auditor, the additional services provided by the auditor, the issuing of the audit mandate to the auditor, the determination of the audit key points and the fee agreement and – provided no other committee is entrusted with this – compliance.

Members of the Audit Committee are André Krause (Chairman), Robin Bienenstock and Christian Boekhorst.

The committee chairman André Krause has as an independent member of the Audit Committee the expertise in the field of accounting and auditing required under §§ 100 para 5, 107 para 4 AktG.

4. Further details relating to corporate governance

4.1 Transparency through communication

A key element of good corporate governance is transparency. For this reason, Tele Columbus AG uses almost all the available channels of communication to inform shareholders, (potential) investors, journalists and the interested public about business developments on a regular basis and when special events necessitate. The website www.telecolumbus.com in particular provides a wealth of information about the Company, its development in the past and prospects for the future. The key dates for the Company are published in a financial calendar on the homepage. All business and financial press releases, investor relations news and financial reports (in German and English) are available on the Internet. We also offer press and capital market representatives the opportunity to receive company news after registering in electronic form. In addition, our investor relations team is in regular dialogue with capital market participants. For each quarterly and annual financial reporting we hold conference calls in which we inform investors and analysts about business developments. Regular meetings with journalists complete our comprehensive range of information offered to the public.

4.2 Shareholders and Annual General Meeting

At the Annual General Meeting, shareholders of Tele Columbus AG can exert their rights, especially their right to information, and exercise their voting rights. They have the opportunity to exercise their voting right themselves at the Annual General Meeting or to allow a representative of their choice to vote on their behalf, e.g. a proxy appointed by the Company with authorisation to cast votes on their instructions. To facilitate the exercise of their rights and to prepare shareholders for the Annual General Meeting, we make the invitation, agenda and reports as well as documents and other information about the meeting available on the Tele Columbus AG website (www.telecolumbus.com) under the following path: Investor Relations/Annual General Meeting. The attendance and voting results are also published on the Internet immediately after the Annual General Meeting. This facilitates the exchange of information between Tele Columbus AG and the shareholders.

4.3 Financial accounting and auditing of annual statements

The consolidated financial statements of the Tele Columbus Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), as they are to be applied in the European Union, and in accordance with the provisions of commercial law to be applied pursuant to § 315a para 1 HGB. The separate annual financial statements of Tele Columbus AG are prepared in accordance with the provisions of the HGB and the AktG as well as supplementary provisions of the Articles of Association.

In the resolution to change the legal form on 10 September 2014, the auditing firm KPMG AG, Berlin, was appointed as auditor for the financial year ending 31 December 2014.

4.4 Compensation for the Management Board and Supervisory Board

The remuneration report details the principles regarding the compensation of the members of the Management Board and the Supervisory Board and shows the compensation of members of the Management Board in the financial year 2014 in individualised form, in accordance with statutory requirements, broken down according to non-performance-based components (fixed base salary and fringe benefits) and performance-related components (long-term variable compensation components) and components with long-term incentive effect (long-term incentive plan).

The compensation of the Supervisory Board was determined at the Annual General Meeting of shareholders on 10 September 2014 within the context of the resolution to change the legal form and is regulated under § 18 of the Articles of Association of Tele Columbus AG. The compensation of the Supervisory Board is reported in individualised form in the remuneration report.

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

Share holdings and reportable securities transactions of the Management Board and Supervisory Board

Share holdings

The members of the Management Board and some members of the Supervisory Board hold indirect shares in the Company via Tele Columbus New Management Participation GmbH & Co. KG, Berlin and directly via the latter's participation in Tele Columbus Holdings SA, Luxembourg and the latter's participation in Tele Columbus Management S.à.r.l., Luxembourg, the sole shareholder of Tele Columbus AG as at 31 December 2014.

As at 31 December 2014, the total indirect ownership of the members of the Management Board of shares of Tele Columbus AG or related financial instruments was on the basis of recalculation 9.77 % of all shares issued by the Company at that time.

As of 31 December 2014, the total indirect ownership of the members of the Supervisory Board of shares of Tele Columbus AG or related financial instruments was on the basis of recalculation 3.48 % of all shares issued by the Company at that time.

Reportable securities transactions ("directors' dealings")

The members of the Management Board and Supervisory Board and related persons are obligated in accordance with § 15a of the Wertpapierhandelsgesetz (German Securities Trading Act; "WpHG") to disclose reportable transactions with shares of the Company or related financial instruments, such as derivatives, if the value of these transactions reaches or exceeds the sum of € 5,000 in any given calendar year. Tele Columbus AG has been listed in the regulated market on the Frankfurt Stock Exchange since 23 January 2015. As at 31 December 2014, the Company had thus received no notifications pursuant to WpHG.

After the end of the reporting period, the Company was informed of the following reportable transactions:

- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks, reported an off-market securities loan of 333,333 shares on 4 February 2015.

- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks, reported the purchase of 1,500,000 shares at a price of EUR 10.00 per share, with a total price of EUR 15,000,000.00 on 26 January 2015.

Investor Relations

2014 was a very exciting year for Tele Columbus AG, as it prepared intensively for its stock exchange listing. The necessary preparations began at the start of the year, so that the required standards for a stock exchange listing could be met. These extensive preparations involved, for example, the introduction of the International Financial Reporting Standards (IFRS) and the introduction of segment reporting, a management information system and internal control systems. Furthermore, the Company adopted rules regarding insider and ad hoc guidelines as well as a risk matrix.

Within this context, an Investor Relations Department was also established in June 2014. In order to make the capital markets aware of Tele Columbus as a stock exchange candidate, Tele Columbus participated in the following conferences shortly after the Investor Relations activities were established:

- 17 June 2014: Goldman Sachs Fourth Annual Cable & Convergence Conference in London
- 24 June 2014: J.P.Morgan Cazenove Media CEO Conference in London

With effect from12 September 2014, Tele Columbus Holding GmbH became a stock corporation named Tele Columbus AG and a Supervisory Board was constituted. A few days later, on 30 September 2014, the Company announced that it would strive to achieve a stock exchange listing on the Frankfurt Stock Exchange by the end of 2014. Goldman Sachs International and J.P. Morgan as Global Coordinators and BofA Merrill Lynch and Berenberg as Joint Bookrunners were appointed as accompanying IPO banks.

Initially, development of the stock markets was generally positive in 2014. However, increasing uncertainties emerged in the second half of the year, such as concerns regarding worldwide economic growth, the escalation of the Ukraine conflict, the annexation of the Crimean Peninsula by Russia, subsequent sanctions by the West against Russia and the resulting devaluation of the rouble as well as the first signs of normalisation of monetary policies in the USA, which led to a strengthening of the U.S. dollar.

Against this background, the stock markets passed through a period of weakness from the beginning of October 2014, so the management of Tele Columbus AG, together with its advising banks, decided on 13 October 2014 to postpone the stock market listing planned for 2014 until further notice and to continue to monitor the capital markets.

By the beginning of 2015, the stock markets had recovered after the European Central Bank announced that it would support the European economy and prevent deflation by purchasing government bonds. The purchase programme started in March 2015 and should run until September 2016.

Under these brightening stock market conditions, Tele Columbus AG became the first company in Europe to achieve a successful stock exchange listing at the beginning of 2015. Following the announcement of the stock exchange listing on 2 January 2015 and the price range of 8 to 12 Euro for the shares on 12 January 2015, the share has been listed on the Frankfurt Stock Exchange in Prime Standard since 23 January 2015. The issue price determined jointly with the banks was at 10 Euro per share. The first quoted share price for the Tele Columbus share on 23 January 2015 was 10.70 Euro, an increase of 7% on the issue price.

Since the stock market launch on 23 January 2015, the share has developed very positively. The lowest price up until and including 31 March 2015 was 10.70 Euro, which corresponded to the first trading share price. The highest price of 15.80 Euro was achieved on 16 March 2015.

Great pleasure following the successful start of trading in Tele Columbus shares:
Frank Donck, Chairman of the Tele Columbus AG Supervisory Board,
Ronny Verhelst, CEO, and Frank Posnanski, Director of Tele Columbus AG,
Gregor Pottmeyer, CFO of the Deutsche Börse AG (from left to right).

Development of the share up until 31 March 2015

Upon initial listing on the stock market, 51,022,500 registered shares were placed, of which 33,333,334 were shares from a capital increase (primary) and 14,355,833 were shares from existing shareholders (secondary). A further 3,333,333 shares were placed from an overallotment option (Greenshoe), which was exercised seven days later, on 30 January 2015. Following the successful stock exchange listing and the overallotment option, the nominal capital of Tele Columbus AG is now 56,691,667 registered shares.

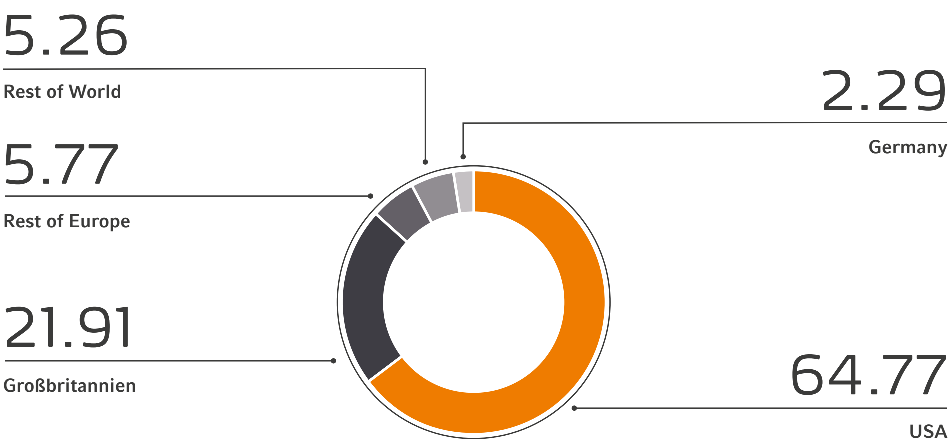
Development of the Tele Columbus share

Positioning:

Of the shares offered, nearly 65% were placed with US investors. German investors, on the other hand, only accounted for around 2% of the shares offered in the IPO.

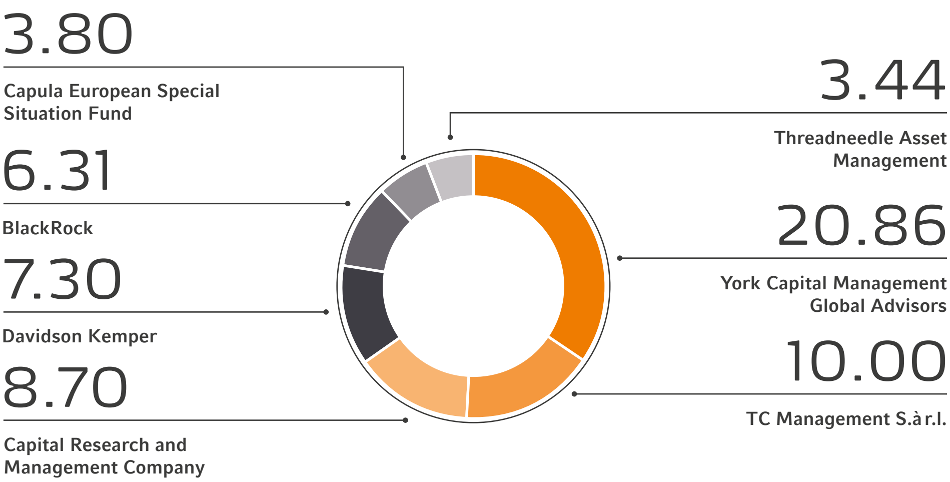
Distribution of shares in Tele Columbus AG

%



The largest shareholders (as of 31 March 2015)

%



Data and Facts on the Shares in Tele Columbus AG:

Type of shares	Registered shares
ISIN	DE000TCAG172
WKN	TCAG1
Bloomberg Code	TC1:GR
Reuters Code	TC1n.DE
Ticker	TC1
Sector	Telecommunications
Number of shares	56,691,667
Admission segment	Prime Standard
Stock exchange	Frankfurt Stock Exchange, Germany

Communication with the participants in the capital market

Contact with our analysts and investors is an essential element in our communication. By filling the IR position with an experienced capital market expert known in the TMT sector, we have been able to quickly establish an intensive dialogue with the relevant capital market participants.

It is our goal to develop this intensive and proactive dialogue further. Before the stock exchange listing, our management visited selected institutional investors on several occasions and, in addition to informing them about Tele Columbus AG business activities, they also provided information on the market environment, financial development and future strategy of the Company. Beginning of September 2014, the Company made an analysts' presentation to the analysts at the IPO consortium banks. Although management was already engaged in making roadshow presentations for the stock market listing in January 2015, after the announcement of the preliminary annual figures for 2014 on 3 March 2015, we visited our investors in New York and London once again as well as participating in various conferences in London. On these occasions the Company again met a large number of its current credit and share investors in person.

In the future, all of our capital market activities will also aim to hold continuous dialogue with our analysts and investors as well as other partners such as rating agencies. All relevant data on historical business figures, information on our share as well as analysts'recommendations, Investor Relations releases, company presentations, our financial calendar and an overview of our upcoming IR activities are available on our website www.telecolumbus.com under Investor Relations.

Your permanent point of contact for all matters concerning the share is Elmar Baur, Head of Investor Relations at Tele Columbus AG (e-mail: Elmar.Baur@telecolumbus.de).

Elmar Baur
Head of Investor Relations
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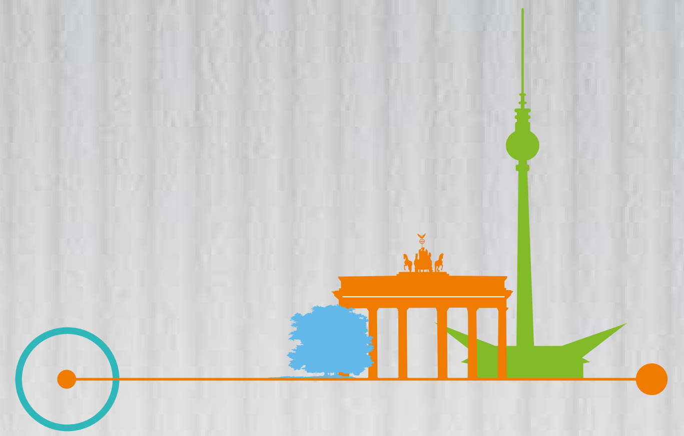
Group Management Report

for the fiscal year 2014



Group Management Report

Introduction

The following Group Management Report refers to the financial situation of Tele Columbus AG (hereinafter referred to as 'Tele Columbus', 'Tele Columbus Group' or the 'Group') before its stock exchange listing on 23 January 2015 and presents the asset, financial and profit status for the fiscal year 2014. We refer to further explanations in the Supplementary Report and the Notes to the Consolidated Financial Statements for Tele Columbus AG.

1. Fundamentals of the Group

1.1 Business Model of the Group

1.1.1 Organisational Structure of the Group

The Tele Columbus is based in Berlin and holds – directly or indirectly – 17 active subsidiaries which are fully consolidated in the Group's consolidated financial statements. It also holds four other associated companies.

A complete overview of all companies as well as changes to the company structure in 2014 are presented in the Notes to the Consolidated Financial Statements.

See Notes to Consolidated Financial Statements on page 90

The Tele Columbus Group is one of the leading German cable network operators and therefore one of the most important service partners for consumers, landlords and housing associations. The Tele Columbus Group is a cable network provider primarily active in the East German federal states. Approximately 20% of the homes connected are based in the remaining part of the Federal Republic of Germany.

Today, the Tele Columbus Group offers its customers state of the art and efficient access to television, telephony and high-speed Internet services. The range includes services, maintenance and provision of the aforementioned products and services, care of the connected customers and the collection of payment.

Since 23 January 2015, Tele Columbus AG has been listed on the Frankfurt Stock Exchange (Prime Standard). In order to prepare for this stock exchange listing, the previous composition of the Group was changed. Within the context of the restructuring, all functional subsidiaries of Tele Columbus Beteiligungs GmbH (up until the 19 August 2014: Tele Columbus GmbH) as well as certain assets and certain financial liabilities were spun off to Tele Columbus Holding GmbH.

Share Purchase and Transfer Agreement According to Section 123 and Section 131 UmwG (German Transformation Act)

With the Share Purchase and Transfer Agreement dated 19 August 2014 and the entry under commercial law as of 22 August 2014, the company divisions "Cable TV" and "Internet and Telephony" along with almost all assets and liabilities of Tele Columbus Beteiligungs GmbH (formerly Tele Columbus GmbH) were transferred to Tele Columbus Holding GmbH in the form of a Share Purchase and Transfer Agreement (spin-off) in accordance with Section 123 and Section 131 UmwG. The spin-off was carried out with retroactive economic effect to 1 January 2014. The entry in the commercial register was made on 22 August 2014.

Tele Columbus Holding GmbH was a shell company without its own business operation. The assets of Tele Columbus Holding GmbH were contributed upon its foundation by Tele Columbus GmbH. In order to execute the spin-off, the share capital of Tele Columbus Holding GmbH was increased by EUR 20,000,000.00 to EUR 20,025,000.00 at the General Shareholders' Meeting on 19 August 2014 through the creation of a new share in the company with a nominal value of EUR 20,000,000.00.

Incorporation and Transformation to a Stock Corporation

As the sole shareholder in Tele Columbus Holding GmbH, Berlin, Tele Columbus Management S.à r.l., Luxembourg, resolved on 10 September 2014 to change the form of Tele Columbus Holding GmbH to a public limited company, the "Tele Columbus AG", in accordance with the regulations under Section 190 et seqq. UmwG and established the Articles of Association. It is, therefore, the founder of Tele Columbus AG stock corporation and agreed with the resolution to change the legal form notarised on 10 September 2014. Upon registration of the transformation of legal form in the commercial register on 12 September 2014, the form changing transformation became effective. The existing share capital of the company in the amount of EUR 20,025,000 became the nominal capital of Tele Columbus AG. The nominal capital is divided into into 20,025,000 no-par value registered shares with a pro-rata amount of nominal capital attributable to the individual shares of EUR 1.00.

Appointment of the Management Board and Supervisory Board

The Extraordinary Shareholders' Meeting of the legal predecessor to Tele Columbus AG elected Mr Frank Donck, Mr Christian Boekhorst, Mr Yves Leterme, Mr André Krause, Ms Catherine Mühlemann and Ms Robin Bienenstock to the Supervisory Board of the Company on the 10 September 2014. The election of André Krause, Catherine Mühlemann and Robin Bienenstock was subject to the condition precedent of the admission of the shares in the Company to trading on the Frankfurt Stock Exchange (Prime Standard). In its constituting session of the same day, the Supervisory Board appointed Mr Ronny Verhelst and Mr Frank Posnanski to the Management Board of Tele Columbus AG and elected Frank Donck as Chairman of the Supervisory Board. On 18 December 2014, the condition precedent was waived for the election of Robin Bienenstock and Robin Bienenstock was elected to the Supervisory Board of the Company with immediate effect.

See Report of the Supervisory Board on page 24

1.1.2 Main Market and Core Business

The Tele Columbus Group is – in terms of number of customers – the third largest cable network operator in Germany and is the regional market leader in large areas of the East German federal states. The range of services offered are limited exclusively to the Federal Republic of Germany and predominantly to the states of Berlin, Brandenburg, Saxony, Saxony-Anhalt and Thuringia as well as to selected regions within the states of North Rhine-Westphalia and Hesse. In the fiscal year 2014, the Group maintained locations in Berlin, Hanover, Chemnitz, Dresden, Jena, Erkrath, Mönchengladbach and Gelsenkirchen.

In particular, the Tele Columbus Group operates cable networks at network levels 3 and 4. In the case of network level 3 – also referred to as NE3, Level 3 or L3 – this involves a cable network which distributes signals from regional distribution networks to the connection point outside of the housing unit of the customer. Network Level 4 – also referred to as NE4, Level 4 or L4 – describes a cable network inside the residential building which distributes signals from connection points outside the residential building to the cable socket within the residence of the customer. As an integrated network operator for both network levels, the Group specializes in the provision of high-quality, integrated end user services from a single source. In locations where the Group cannot rely on its own networks, corresponding network services are purchased.

Numerous services are offered to customers of Tele Columbus AG in the areas of television and telecommunications – in particular a basic package for cable TV channels (CATV), premium TV packages (Premium TV) as well as Internet and telephone services. On 31 December 2014, Tele Columbus reported approximately 1.7 million residential units (connected homes). Approximately 1.3 million of these households bought at least one of the products offered.

about **1.7** million

connected residential units

The Tele Columbus Group generates its revenue primarily from access fees that are paid by customers for the purchase of a CATV product. About 97% of the end users are tenants in multi-dwelling units (MDUs) which are owned by residential property management companies or housing associations or are managed by these for third parties. The Group has long-term concession agreements and signal delivery contracts, which guarantees a stable revenue base. The majority of the housing associations recover the costs for CATV access from their tenants through the utility bill. On 31 December 2014, this was true of around 66% of our CATV subscribers. For approximately 34% of the CATV subscribers, the signal delivery was provided on the basis of individual contracts.

1.1.3 Business Segments

Products and services from Tele Columbus AG are available in two operative segments: "TV" and "Internet and Telephony".

"TV" Segment

The Group offers both basic CATV and Premium TV services in the TV segment. Basic CATV services include analogue and digital TV and radio services. The Premium TV packages offered contain up to 50 additional digital TV channels, of which up to 32 are transmitted in HD quality.

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

"Internet and Telephony" Segment

In the Internet and Telephony segment, the Group combines Internet and telephony services.

The revenue is comprised of revenue from the conclusion of new contracts and installation services as well as the monthly contract and service fees.

1.2 Control System

In preparation for the stock exchange listing of Tele Columbus AG, a segmentation was introduced in August 2014, which forms the basis for the future control of the Tele Columbus Group. In this context, the segment reporting for the fiscal year 2013 was also prepared retroactively, even though the group of companies was not controlled according to the corresponding system in this period.

The Tele Columbus Group is run by the Management Board for Tele Columbus AG. The Management Board is responsible for the operational business and supervises the reportable "TV" and "Internet and Telephony" segments. For these segments, the Management Board receives and reviews internal management reports.

Within the context of these monthly reports, the "normalized EBITDA" is the central control benchmark and is reported separately for each operational segment. It presents the earnings before the financial result (result from subsidiaries accounted for using the equity method, interest earnings, interest expenditure and other financial results), taxes on income as well as write-offs and depreciation of intangible assets and goodwill.

Furthermore, it is adjusted for the so-called "non recurring items". These are defined by the Management Board as non-recurring, rare or extraordinary expenses or earnings stemming from an event which presumably will not occur again in the following two fiscal years and has not already occurred in the previous two fiscal years. Moreover, the "normalized EBITDA" is not adjusted for expenses or earnings which do not predominantly result from ordinary operative business or are of a restructuring nature and therefore cannot be used to assess operative success.

Furthermore, the Management Board uses certain financial and non-financial indicators (Key Performance Indicators, KPIs) such as RGUs (Revenue Generating Units), the normalized contribution margin as well as the ARPU (Average Revenue Per User) in order to track the financial efficiency of the business.

RGUs (Revenue Generating Units)

The development of the RGUs per end user is the primary focus of internal control. The RGUs describe the revenue-generating units, meaning all units that an end user purchases; each subscribed service is counted as a RGU. The Management Board looks at the RGUs for every single service by the segments, both for CATV and Premium TV services and for Internet and telephony services.

ARPU (Average Revenue Per User)

There are three different definitions of ARPU (average generated revenue per end user):

- Monthly ARPU – also referred to as the annual average ARPU – is calculated as revenues from access fees for the year (including discounts, credits and installation fees) divided by the sum of the monthly total number of unique subscribers/RGUs during the year.

- Year-end ARPU is calculated as revenues from access fees in December (including discounts, credits and installation fees) divided by unique subscriber/RGUs in December).

- Quarterly average ARPU is calculated as revenues from access fees for the relevant quarter (including discounts, credits and installation fees) divided by the sum of the monthly total number of unique subscribers/RGUs during the relevant quarter.

Further relevant control parameters include personnel figures (measured in Full Time Equivalents/FTE), capital expenditures (Capex) and cash flow. In the case of personnel, besides costs, the qualification and the necessary know-how of the employees is considered to be of great importance in order to achieve the targets set regarding marketing, sales and technology. In the case of network investments, Tele Columbus focuses on economically attractive projects which are best suited to sustainably contributing to achieving targets and increasing the value of the Company, given there are many potentials on the market. Cash monitoring is closely connected to this. The aim of the Company is to finance the means necessary for growth from the operative business – with the exception of catch up investment in the network infrastructure in the next two years. In order to ensure this, the required cash flow is determined on a monthly basis and the short- and medium-term financial planning is adjusted to the current circumstances.

In addition to the key indicators listed, the Management Board monitors further non-financial performance indicators. These include the total number of end users, the number of residential units connected to the Group's own cable networks as well as the number of feedback channel-enabled residential units that are also connected to their own, independent signal supply.

1.3 Goals and Strategies

The strategy of Tele Columbus AG is aimed at sustainable and profitable growth. The following three key indicators are at the centre of these objectives:

1. the RGUs (Revenue Generating Units) per unique subscriber,

2. the percentage of homes which are connected to their own integrated Level 3/ Level 4 – and two-way upgraded networks and

3. the ARPU (Average Revenue Per User) per month.

The RGUs provide information on the number of services sold. If a customer not only purchases basic cable television via the Tele Columbus network but also other services such as an Internet access for example, each individual service counts as a RGU. The Tele Columbus Group strives to achieve 1.7 RGUs per unique subscriber in the medium term. At the end of the fiscal year 2013, the indicator was still at 1.40 RGUs per unique subscriber. In the course of the fiscal year 2014, the Group was able to increase the RGUs per end user to 1.44 by 31 December 2014.

The share of homes connected on own and two-way upgraded networks is to increase to 70% of the entire portfolio in the medium term. By the end of the fiscal year 2014, the Group was already able to achieve 55%; by the end of the fiscal year 2013, the key indicator was still at 51%.

The average revenue per unique subcriber (ARPU) per month from all services should grow to EUR 17 in the medium-term. By the end of the fiscal year 2014, this was at EUR 13.91; by the end of the fiscal year 2013, the figure was still at EUR 13.36.

These three goals are to be achieved using the following strategic measures:

- Special offers to our existing cable TV customers for Internet, telephony and Premium TV should further increase the sales of additional and higher quality services per TV customer (cross and upselling).

- Permanent and continuous expansion of the cable networks and further development of the Level 3/Level 4 network infrastructure. Tele Columbus believes it makes economic sense to migrate households not yet connected to its own network in order to achieve savings in the area of the signal fees as well as to be able to generate further revenue from the existing range of additional services. In order to expand its own network Level 3 infrastructure, Tele Columbus also plans extensive investments (CAPEX) in the future.

- Launch of further innovative and comprehensive multimedia services in order to further increase the attractiveness of the product portfolio.

- Continuous work on operative improvements, focussing on qualitatively high-value services and clear customer orientation.

- Defence and expansion of regional dominance in the market for Level 4 operators in the case of signal transmission within the real estate and buildings (on the "last mile" to the customer) through close partnership with housing associations.

Our goals and strategies are reflected in our control system and the monitoring of key indicators.

2. Economic Report

2.1 National Economic and Industry Related General Conditions

Consumer spending supports German business

The German economy – following a buoyant start to the year and a brief lull in the summer – managed to gain momentum again by the end of 2014. For the whole year, there was an increase in the price-adjusted gross domestic product (GDP) of 1.6% – clearly greater than in the preceding year, in which the GDP only managed to increase by around 0.1%.

The German economy managed to assert itself in a difficult global economic environment, which was marked in particular by geopolitical unrest such as the Ukraine conflict and the Greek debt crisis.

In the year under review, the German economy profited, above all, from strong domestic demand. Price-adjusted private consumer spending increased by 1.1% and government expenditure increased by around 1.0%. The employment figure for 2014 was 42.7 million – approximately 371,000 people or 0.9% more than in the preceding year – thus reaching a new peak for the eighth year in succession. In 2014, the disposable income of private households increased by 2.2% in comparison to the preceding year.

General consumption trends also affected consumer behaviour with regard to the products offered by Tele Columbus AG.

Sector Related General Conditions

Germany is the biggest cable market in Europe, with 17.86 million households using cable TV; this number has been stable since 2013. The second most important infrastructure for TV services is satellite distribution. More than 17 million households used satellite reception in the year under review, so that both infrastructures have a share of more than 46% each in the total market.

17.86 million

households use cable-TV

The structure of the German cable market developed at the beginning of the 1980s on the basis of a historic separation into Level 3 network operators and Level 4 network operators. While the Level 3 infrastructure was built by Deutsche Bundespost, the roll out of the Level 4 network was executed by private-sector including craftsmen, small and medium enterprises (SMEs) and larger corporations. In order to provide services, broadcast signals were delivered by Level 3 operators to a delivery point outside the house and were fed in from there by the Level 4 operators to the household network.

After privatization of Deutsche Bundespost and as a result of the German Telecommunications Act of 1996, Deutsche Telekom AG (DTAG) was obliged to open the Level 3 cable network provided by Deutsche Bundespost to competitors and to sell to competitors. Following numerous transactions, the largest share of the regional Level 3 networks belongs to what have in the meantime become the two largest cable network operators, Kabel Deutschland Holding AG (KD, following the takeover by the Vodafone Group Vodafone/KD) and Unitymedia, who also supply their own Level 4 networks.

In competition with these suppliers, who control the former Deutsche Bundespost Level 3 networks, the traditional Level 4 operators also built Level 3 network, thus, creating an integrated network infrastructure. In the case of Level 4 operators, the market was fragmented for historic reasons. However, in recent years a consolidation of Level 4 network operators occurred. In the Tele Columbus AG areas, four other larger integrated network operators are currently active: Vodafone/KD, Unitymedia, PrimaCom and Pepcom.

In competition between cable network operators, Tele Columbus holds a strong market position in the East German federal states: in 2014, in Berlin and Brandenburg around 38% of the cable households were supplied by Tele Columbus, 26% in Saxony, 27% in Thuringia

36%

of cable households in the core East German region are supplied by Tele Columbus

and even 63% in Saxony-Anhalt. Tele Columbus market share of cable households in these regions was about 36% in 2014. In selected East German regions, for example the cities of Erfurt, Jena or Halle, Tele Columbus is the clear market leader and has a strong regional identity. In West Germany, the Company is focused on individual network islands – in particular in the states of North Rhine-Westphalia and Hesse – which, in the future, are to be further expanded through targeted, economically beneficial investments and acquisitions.

While the cable network in Germany was originally primarily used for the transmission of broadcast signals and for the reception of cable television and radio, today it also enables the provision of telephony and Internet connections. The business of the Tele Columbus Group as a cable network provider therefore depends, on the one hand, on the contracts concluded with housing asscociations for the cable access provided and, on the other hand, on the demand from German customers for TV, Internet and telephony services.

The German telecommunications and media market is increasingly characterized by convergence, the merging of various services and contents. Broadband cable delivers the entire spectrum of multimedia applications demanded by the customer from a single source: because of this, not only can today's cable customers watch television in many different ways, they can also use their cable connection for Internet and telephony services thanks to higher bandwidths. More and more customers prefer to get all of their services from a single provider at an attractive price-performance ratio. As a result, the suppliers market several bundles of services, which include digital TV, broadband Internet access and telephony.

This market offers future growth potential through increasing digitalisation. In summer 2014, approximately 11.2 million cable households – corresponding to 62.9% of all households with cable connections – used the broadband cable digital TV offerings. In contrast to the preceding year, this is an increase of approximately 1.4 million cable households. The drivers for the uptake of digital offers are HDTV, 3D TV, video-on-demand and time-shift television. 6.47 million cable households are already in possession of a HDTV screen and a HD receiver, thus receiving their channels in high-definition quality.

An important trend in the German TV market is also the increasing distribution of Pay TV, i.e. digital TV services that can be purchased in addition to existing cable or satellite television. The number of Pay TV customers increased to 3.50 million in 2014 (previous year: 3.12 million subscribers) showing the market potential for cable network operators.

In addition to the analogue and digital TV offer, Internet and telephony services via the cable connection are also in demand. By the end of 2014, approximately 6.0 million households in Germany were already using their cable connection for Internet access and telephony (previous year: 5.0 million).

The Group estimates that, by the end of 2014, a total of approximately 29.4 million broadband connections were in operation (previous year: 28.7 million) whereby the dominant connection technology continued to be DSL with a share of approximately 80%.

The German Internet market is distinguished, on the one hand, by growing demand for higher bandwidth and, on the other, by a switch from DSL to cable. The cable segment, with approximately 20% of all Internet connections at the end of 2014, is the fastest growing Internet access option and is increasingly taking market shares from the DSL segment. Moreover, the German Federal Government is pursuing the target of making broadband Internet access with a bandwidth of at least 50 Mbit/s available to almost the entire population by 2018. The European Commission is even striving for a bandwidth of 100 Mbit/s for 50% of the EU population by 2020. Various state subsidy programmes exist for the expansion of the infrastructure in certain parts of Germany.

In the year under review, the broadband cable network already provides a large number of German households with so-called high speed Internet: around 64% of all cable customers have already booked Internet bandwidths over 30 Mbit/s. On the basis of their high-performance infrastructure, today cable network operators can offer its customer connections with

100 Mbit/s and more: these bandwidths were booked by approximately 21.7% of the German cable households in 2014. Within a few years, the next transmission standard DOCSIS 3.1 – in combination with the existing fibre optic and coaxial cable networks – will provide bandwidths in the Gigabit range possible.

In 2014, the Tele Columbus Group increased the share of households connected to its own two-way upgraded network, allowing the marketing of telephony and Internet services, from 51% to 55% through targeted investments, particularly at network Level 3. Internet penetration in own two-way networks increased from 18.5% to 20.5%.

In the case of cable fixed line telephony, growth in Germany is also increasingly dependent on a high-quality broadband service, as telephone services are increasingly bundled with broadband services and are provided on the basis of the Internet protocol technology (Voice-Over-IP). Fixed line telephony services have seen a considerable drop in prices based on the increasing range of flat rate products. Competition in fixed line has grown stronger through the emergence of resellers, alternative operators, decreasing mobile phone charges (and the resulting substitution using mobile phones), alternative access technologies and providers of other services such as Skype. Even under these market conditions, the cable network operators' market share of the fixed line services grew steadily and came to 15.5% or 5.7 million users at the end of 2014 (previous year: 13.5% or 5.0 million users).

2.2 Business Development

The fiscal year 2014 was notable for the restructuring of the entire Group, in particular in preparation of the planned stock exchange listing, which took place in January 2015. In this context, reference is made to the statements in the report Section 1.1 of the Group's business model.

In the fiscal year 2014, Tele Columbus AG further implemented its growth strategy successfully. The basis of its success was the efficient network infrastructure in particular. The number of homes connected on our own and two-way upgraded network increased by approximately 42,000 to about 933,000 homes. The share of homes connected increased by approximately 4% to 55% of the total homes connected. Moreover, by the end of the reporting year, approximately 96 percent of the networks with hybrid fibre optic structures was upgraded to the DOCSIS 3.0 Internet transmission standard, which enables technical transmission rates of up to 400 Mbit/s. The number of homes connected to the Group's cable network at the end of 2014 came to approximately 1,697 thousand, showing a slight decrease in comparison to the previous year (2013: 1.749 thousand). This decrease was primarily due to the end of the contract for some larger housing association agreements (including HOWOGE among others). The successful sale of new products to existing customers was the strongest driver of growth. The potential of the Group's existing customer base to upsell and cross-sell additional products, such as Premium TV, Internet and telephony, via the traditional cable connection was successfully exploited in the reporting year.

400 Mbit/s

Transmission standard Docsis 3.0 enables Tele Columbus to achieve a transmission rate of up to 400 Mbps

Furthermore, new product launches also contributed to increasing sales of additional services to cable access. New contract offers in combination with free tablets, one of the top premium gateway routers currently available on the German cable market, as well as the increased bandwidth of up to 150 Mbit/seconds and triple play packages for new customers have increased the number of Internet customer subscriptions and have contributed to the strong growth of the Group.

The Tele Columbus customer base remained almost stable in comparison with the end of the year 2013 at 1.3 million. The sum of Revenue Generating Units (RGUs) increased for all services in the reporting year to 1.84 million (2013: 1.82 million). The growth achieved resulted mainly from the increasing penetration of the customer base with additional products via the classic cable TV connection. In particular, business in the area of fast Internet and telephony connections developed quite dynamically. The RGUs for Internet services increased by about 16% to approximately 202,000 (2013: 174,000). Telephone services also recorded an increase of 16.4% to 170,000 RGUs (2013: 146,000). The RGUs for cable TV, on the other hand, fell slightly to approximately 1,311,000 (2013: 1.338.000); Premium TV also experienced slight negative development on the basis of changed legal requirements due to the exclusion of the negative option, i.e. automatic booking following a free trial period: this came to 161,000 units (2013: 164,000).

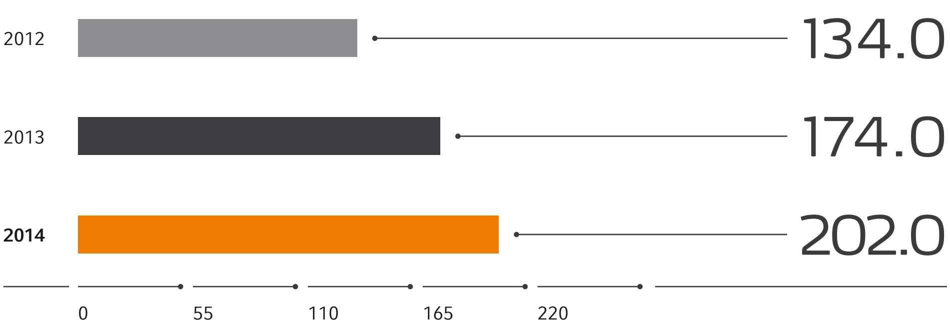
The average number of the products (RGUs) per unique subscriber developed positively in the fiscal year. The value increased by the end of 2014 to 1.44, having still been at 1.40 by the end of 2013. Thus, the development of the RGUs per unique subscriber corresponded to the strategic goals for Tele Columbus AG.

The average earnings per unique subscriber and month from all services – the monthly "Average Revenue Per User" (ARPU) or the "Annual Average ARPU" – came to EUR 13.91 in 2014 and was therefore around 4.1% higher than in the previous year (2013: EUR 13.36). The monthly ARPU for bundled Internet and telephone services grew to EUR 22.04 (2013: EUR 22.89), for TV services EUR 9.60 blended (2013: EUR 9.55). In comparison to this, the quarterly average ARPU for bundled Internet and telephone services was EUR 21.72 (2013: EUR 22.49), for TV services EUR 9.57 blended (2013: EUR 9.54).

The revenue and EBITDA targets forecast prior to stock exchange listing at the end of January 2015 were achieved for the fiscal year 2014.

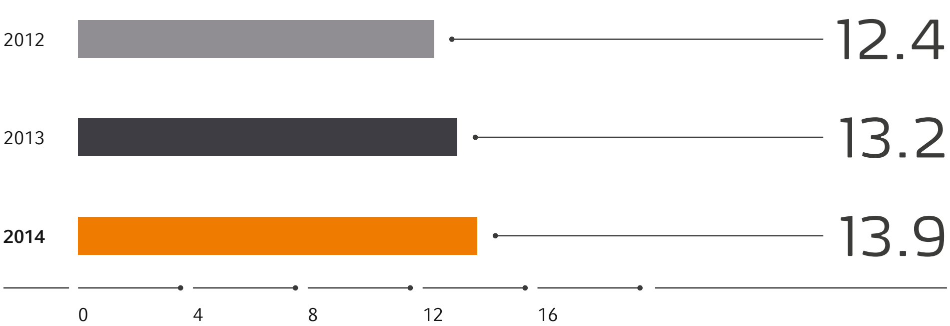
RGUs/Internet

in thousands



ARPU – Average Revenue Per User

in Euro



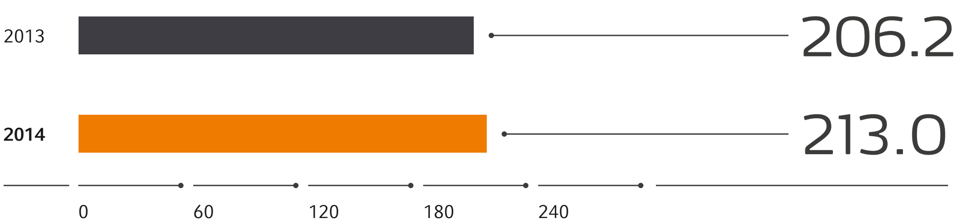
2.3 Situation

2.3.1 Profit Situation

Tele Columbus was able to implement its strategy successfully in the fiscal year 2014. The revenue for the fiscal year 2014 increased in comparison with the preceding year by around 3.3% to TEUR 213,094 (2013: TEUR 206,222).

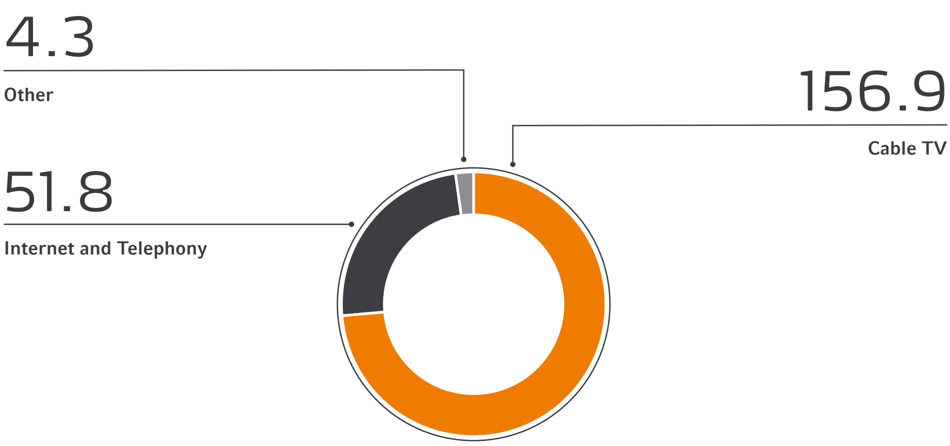
Revenue

in € million



Revenue 2014 by segments

in € million



While the proceeds from the TV segment also fell as a result of a portfolio decline by 1.2% to TEUR 156,929, the revenue in the "Internet and Telephony" segment significantly increased from TEUR 43,254 to TEUR 51,837. Other sales revenue changed only insignificantly in comparison with the preceding year and came to TEUR 4,328.

The business performance, defined as the sum of sales revenue, other earnings and own work capitalized, fell in the year under review by approximately 1.6% to TEUR 235,407 (2013: TEUR 239,167). The decrease resulted primarily from the decrease in other earnings from TEUR 26,068 to TEUR 15,664, particularly as a result of lower earnings from the sale of reserves and the write-off of liabilities for the amount of TEUR 3,031 (2013: TEUR 14,448).

235,407

The operating revenue was T€ 235,407

Gross profit amounted to TEUR 159,357 (2013: TEUR 155,384); the gross profit margin was 74.8% (2013: 75.3%).

Material costs in the fiscal year 2014 came to TEUR 76,050 (2013: TEUR 83,783). The decrease resulted primarily from decreased expenses on goods/services procured. The related decreased in third party signal fees can be attributed to progressive provision of own satellite headends and higher fibre lease capitalization.

Employee benefits increased by TEUR 2,009 to TEUR 33,754 (2013: TEUR 31,745). The increase is primarily due to the personnel incentive concept for achieving the Group's targets as well as in regard to preparation for and successful stock exchange listing. To this end, Tele Columbus has increasingly invested in its personnel.

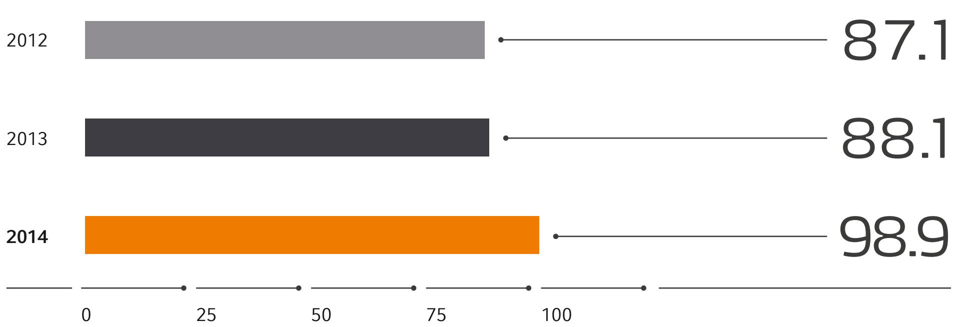
Other expenditure for the fiscal year 2014 came to TEUR 41,449 (2013: TEUR 32,473). The increase resulted primarily from higher legal and consulting costs of TEUR 13,880 (2013: TEUR 7,410), which were incurred in connection with the stock exchange listing. In doing so, expenses of TEUR 4,150 were offset by the active accruals and deferrals for the amount of the costs directly connected to the capital increase in connection with the stock exchange listing and were therefore used for offsetting against the equity capital.

Furthermore, the Group incurred an increase in costs of around 28% to approximately TEUR 8,797 (2013: TEUR 6,867) for public relations work and customer acquisition.

The "normalized EBITDA" was significantly improved in comparison with the preceding year by 12.3% to TEUR 98,936 (2013: TEUR 88,077). In the year under review, the operative margin therefore increased to 46.4% (2013: 42.7%).

Normalized EBITDA

in € million



Depreciation and amortisations decreased to TEUR 50,789 (2013: TEUR 62,832). The decrease resulted in particular from lower amortisation of customer contracts to the amount of TEUR 5,888 (2013: TEUR 13,832) and technical facilities to the amount of TEUR 40,485 (2013: TEUR 45,091).

The interest expenses increased from TEUR 28,321 to TEUR 45,837. The increase essentially resulted from an increase in the interest margin of 3.25% p.a. to 3.75% p.a. as well as an extra PIK (Payment in kind) margin of 2.75% p.a. on capitalized interest deferrals.

The fiscal year 2014 was concluded in particular on the basis of the higher interest expenses and expenses of the stock exchange listing with a net loss of TEUR 21,894 (2013: TEUR 8,638).

The taxes on the income and revenue of TEUR 8,009 remained at approximately the same level as the previous year (TEUR 8,593).

The non-recurring expenses/revenues in the fiscal year 2014 included consulting costs incurred in connection with the planned stock exchange listing, other legal and consulting costs categorized as non-recurring, one-time rental expenses incurred within the context of moving the Company to the new company headquarters, as well as expenses from reserves for anticipated losses in connection with a long-term signal delivery contract. Moreover, revenue was received from recoverable IPO costs, revenue from asset disposal and revenue from the dissolution of reserves for anticipated losses in connection with a long-term signal delivery contract. In 2013, the non-recurring expenses/revenues for the most part consisted of costs incurred within the context of a targeted Tele Columbus sales process, expenditure for severance payments and other one-time personnel costs, as well as revenue from the dissolution of reserves for anticipated losses in connection with a long-term signal delivery contract.

For that fiscal year 2014, the annual result came to TEUR –21,894 (2013: TEUR –8,638).

TEUR	2014	2013
Normalized EBITDA	98,936	88,077
Non-recurring expenses/revenue	–14,782	3,089
EBITDA	84,154	91,166
Financial result	–47,250	–28,379
Write-offs	–50,789	–62,832
Taxes	–8,009	–8,593
Net loss for the year	**–21,894**	**–8,638**

2.3.2 Financial Situation and Liquidity

The negative cash flow from investment activities (TEUR –50,234) as well as the negative cash flow from financing activities (TEUR –49,164) exceeded the positive operative cash flow (TEUR 52,943), so that cash and cash equivalents as at 31 December 2014 fell from TEUR 70,539 in the preceding year to TEUR 24,441.

The cash flow from investment activities included payments for the acquisition of new subsidiaries to the amount of TEUR –10,614 (2013: TEUR 0). Furthermore, cash flow from financing activities included payments for the acquisition of the minority shares in an already fully consolidated subsidiary in the amount of TEUR –18,369 (2013: TEUR 0).

While in the preceding year, interest payments for bank liabilities of TEUR –24,031 were incurred, interest payments in 2014 fell to TEUR –17,126, as they were already capitalised in February 2014.

The Tele Columbus Group entered into various fibre lease contracts for its infrastructure to facilitate the customers. These were classified as finance leasing in accordance with IAS 17. In the fiscal year 2014, payments of TEUR –6,112 resulted due to finance leasing (2013: TEUR –4,864).

In the fiscal year 2014, the Tele Columbus Group was in a position to meet its payment obligations at all times. The financial means required in 2014 for investments in network development, the acquisition of outstanding minority shares in BMB, the acquisition of BIG and the sales and marketing of new telephony and Internet services were financed by the operative business as well as cash reserves. The interest payments to be made for the Company's bank liabilities were also financed from cash. However, these have been significantly lower than in the preceding years due to the capitalized interest since February 2014. Utilisation of the available credit limit (RCF) of EUR 28.3 million was not necessary.

Company management reviews the liquidity situation at least once per month and, if necessary, introduces appropriate measures on time in order to prevent any liquidity bottlenecks (please refer to the statements in Section 5 "Risk Report").

Capital Structure

Interest-Bearing Liabilities Toward Credit Institutes

Lender	Borrower	Total in EUR by 31 Dec. 2014	Share	Total in EUR by 31 Dec. 2013	Share
Senior Tranche A	TC AG/TC GmbH	492,841,295	76.6%	475,544,244	76.5%
Second Lien Tranche A	TC AG/TC GmbH	37,627,277	5.9%	35,683,698	5.7%
Mezzanine Tranche A	TC AG/TC GmbH	35,630,085	5.5%	33,789,669	5.4%
Super Senior Revolving Facility	TC AG/TC GmbH	209,055	0.0%	212,000	0.0%
Super Senior Tranche 2	TC AG/TC GmbH	16,160,334	2.5%	16,386,056	2.6%
Senior Tranche A	TC Ost GmbH	36,292,298	5.6%	34,995,538	5.6%
Senior Tranche A	TC Sachsen-Thüringen GmbH	3,820,242	0.6%	3,683,741	0.6%
Senior Tranche A	TC Netze Berlin GmbH	9,550,605	1.5%	9,209,352	1.5%
SSK Gelsenkirchen	BMB KG	4,380,624	0.7%	5,585,271	0.9%
SSK Magdeburg	MDCC	4,611,427	0.7%	5,947,571	1.0%
Volksbank Magdeburg	MDCC	525,000	0.1%	600,000	0.1%
UniCredit & Diverse	BIG	1,524,743	0.2%	–	0.0%
VW-Bank	TC AG/TC GmbH			12,855	0.0%
Total		**643,172,985**		**621,649,994**	

On 5 February 2014, the comprehensive extension of the credit contracts of 19 January, 2011 in the Company Group and toward credit institutes took place. The prior-ranking Senior A Facilities and the Mezzanine A Facilities transferred to Tele Columbus Holding GmbH were extended by three years respectively. The term of the Senior A Facilities runs until 2017 and until 2018 for the Mezzanine A Facilities. Changes were made regarding the interest margin in the case of the Senior A Facilities, which was increased by 0.5% p.a. to 3,75% p.a. + 6 months EURIBOR. Furthermore, a PIK interest margin of 2.75% p.a. was introduced for this purpose, as well as the option of suspending payment of the interest liabilities at 7.70% p.a. + EURIBOR and the further interest payments of 0.05% following an interest period. The interest agreements outside the Senior A Facilities remain unchanged, interest is charged on the loans at 6 months EURIBOR +5.00%. This comprehensive extension of the credit contracts on 5 February, 2014 is not a substantial contract change as defined under IAS 39.40 in conjunction with IAS 39.A62 and is therefore not accounted for as an extinguishment. The incurred transaction costs resulted in an adjustment to the book value of the liabilities of TEUR 5,524 and are amortized over the remaining term of the changed liability.

No significant changes were made to the type and scope of the securities in comparison with 31 December 2013.

On 2 January 2015, Tele Columbus AG signed a new credit contract (IPO Financing Agreement). Please refer to further explanations in the Supplementary Report and the Notes to the Consolidated Financial Statements for Tele Columbus AG in this regard.

Development of the Equity Capital

The composition of the equity capital from TEUR –61,535 per 1 January 2014 to TEUR –107,316 on 31 December 2014 essentially resulted from the change to the group structure (cf. Section 1.1.1 Organisational Structure of the Group).

Significant changes to the equity capital in the course of the fiscal year resulted in particular from the negative total result of TEUR –22,663, of which TEUR –21,894 are attributable to the annual result. Resulting from pensions in the present year, TEUR 769 was recorded directly in the equity capital as Other Income.

The purchase of the non-controlling shares in the subsidiary "BMB GmbH & Co. KG" and "BMB Geschäftsführungs GmbH" had further influence on the equity capital. The previously balanced shares of non-controlling companies to the amount of TEUR 3,810 or TEUR 597 were offset by a purchase price of TEUR 21,280, so that an equity effect of TEUR –16,853 resulted.

Investments

In the expired fiscal year, the Tele Columbus Group again invested extensively in the technologies used as well as in the acquisition of participations. The investments (including the acquisition of BIG and the minority shares of BMB for TEUR 32,080 in total) increased by around 63.2% to TEUR 84,068 (2013: TEUR 51,464); this corresponds to 36.6% of our operating performance (2013: 23.0%).

63.2%

In 2014, investments increased to T€ 84.068

The focus of the investments are the consistent continuation of the migration strategy, i.e. the replacement of third party signal suppliers by building own Level 3 network as well as the development of the existing HFC networks for the marketing of IP services with a high speed in order to thus be able to satisfy the increasing demand for high-speed Internet connections. Investments for the existing expansion commitments regarding the housing sector within the context of new acquisitions and contract prolongations were primarily made in the regions of Berlin/Potsdam, Dresden and other locations in Saxony.

In order to strengthen the Company's presence in the North Rhine-Westphalia region, the company BIG with approximately 14,600 households was acquired. For the same purpose, all outstanding minority shares in the investment company BMB were acquired from the Vivawest services group. We refer to the statements in the report Section 1.1 on Changes to the company.

The investment obligations entered into in the fiscal year 2014, which led to a cash outflow of around TEUR 8,386 in 2015 and in the subsequent years, are covered by existing cash holdings.

2.3.3 Asset Situation

In the past fiscal year 2014, TEUR 7,079 (2013: TEUR 6,731) was invested in intangible assets and TEUR 41,188 (2013: TEUR 51.757) in tangible assets. Furthermore, in 2014 there were additions from the change to the scope of consolidation of TEUR 16,029 (2013: TEUR 0). As the investment volume in 2014 was higher than current depreciation of TEUR 50,789 (2013: TEUR 62.832), assets had increased by the 31 December 2014 to TEUR 591,744 (31 December 2013: TEUR 579,994).

The supplies had increased as at 31 December 2014 to TEUR 3,342 (2013: TEUR 1,693). The increase resulted primarily from fluctuations resulting from varying order times.

The short-term receivables from deliveries and services remained almost unchanged in regard to the preceding year and came to TEUR 19,115 (2013: TEUR 18,931).

The other short-term receivables amounted to TEUR 13,082 (2013: TEUR 903). Of this, TEUR 10,644 was mainly used as a security for the re-financing banks as a cash deposit for the debit limit at the NET M-Bank and Postbank and is therefore not freely available.

The consolidated equity capital of Tele Columbus AG on 31 December 2014 came to TEUR 107,316 (2013: TEUR –61,535).

The pension and other services to employees came to TEUR 10,615 (2013: TEUR 9,791), thus remaining almost unchanged in regard to the preceding year.

The other long-term reserves – these primarily include anticipated loss provisions – were at almost the same level as the preceding year and came to TEUR 11,883 (2013: TEUR 11,361).

The long-term interest-bearing liabilities came to TEUR 640,547 (2013: TEUR 43,507), the long-term liabilities toward associated companies were TEUR 0 (2013: TEUR 13,229).

The Group's debt from interest-bearing loans in regard to both external lenders and the parent company on the 31 December 2014 came to TEUR 643,173 (2013: TEUR 621,650). This corresponds to a share of 96.4% (2013: 89.3%) of the balance sheet total.

The short-term liabilities from deliveries and services decreased in regard to the preceding year by TEUR 2,204 to TEUR 41,025 (2013: TEUR 43,229).

The other short-term liabilities increased in the reporting year to TEUR 12,565 (2013: TEUR 8,042).

2.3.4 Overall Statement

Net assets, financial position and results of operations reflect the position of the Tele Columbus Group before the parent company, Tele Columbus AG, was listed on the stock exchange. Tele Columbus has sufficient liquidity and is solidly financed. As a result of the stock exchange listing in January 2015 and the improvements to the business situation in connection with this, the Company is excellently positioned to meet the challenges of the future, especially the implementation of the planned investments within the context of the strategic targets, which are necessary for the profitable growth of the entire Group.

3. Supplementary Report

The following significant events occurred after the end of the fiscal year 2014:

Stock Exchange Listing and Increase in Capital for Tele Columbus AG

At the General Meeting on 11 January 2015, it was resolved that the nominal capital was to be increased for the stock exchange listing by up to 37,500,000 no-par value registered shares against cash contributions (authorised capital).

With the resolution of 20 January 2015, the Management Board executed the increase in capital by 33,333,334 shares plus the overallotment – so-called greenshoe option – to the amount of 3,333,333 – thus providing a total of 36,666,667 shares – from the authorised capital. By the stock exchange listing, an increase in capital had therefore been carried out.

EUR 10.70

was the first quoted price for the Tele Columbus share

Tele Columbus AG is listed in the Prime Standard of the Frankfurt Stock Exchange since 23 January 2015. The issue price was EUR 10.00 per share and the initial stock exchange price was EUR 10.70 per share.

From the share placement, total gross proceeds of TEUR 367,000 were achieved. A large part thereof – about TEUR 250,000 – was used to improve the capital structure of the Company and to reduce liabilities. The remaining TEUR 117,000 is available to the Company for investment in the infrastructure and in particular in the further migration of the cable network and the connection of additional households to its own integrated Level 3 network Level, in order to be able to continuously develop the range of services as a reliable service provider to housing associations and end customers.

The one-time expenses arising from the stock exchange listing were TEUR 13,450 by 31 December 2014. Of this, a sum of TEUR 4,090 was deferred via the accruals and deferrals adherent to IFRS and TEUR 2,446 was passed on to the majority stockholder TC Management S.à r.l., Luxembourg. In the current year, costs arising from the stock exchange listing were a further TEUR 11,723 on 12 March 2015. A large part thereof can be passed on or offset against the equity capital.

Changes to Financing and Credit Contracts

Based on the new capital structure, loans with a nominal value of TEUR 639,000 were repaid on 26 January 2015 and new loans with a nominal value of TEUR 375,000 were taken out at the same time. Therefore the loan liabilities (nominal values) were reduced in total by TEUR 264,000.

On 2 January 2015, Tele Columbus AG signed a new credit contract (IPO Financing Agreement, 2nd Version of 19 February 2015). The contract was arranged by BNP Paribas, J.P. Morgan and Goldman Sachs Bank USA.

The level of credit amounts to TEUR 500,000 and is divided into Facility A (Term Loan) of TEUR 375,000 and the two lines of credit not availed of yet, Facilities B and C, of TEUR 75,000 for investments in the fixed assets as well as TEUR 50,000 for general costs. The term of Facility A is six years and five years for Facilities B and C. The current margin comes to 4.5% plus EURIBOR for Facility A and 3.75% for Facilities B and C. The provision fee for Facilities B and C is calculated at 35% of the margin for both lines of credit and is due on a quarterly basis.

The refinancing (Facility A) was used exclusively to repay "old liabilities" under the Senior Facility Agreement and the Mezzanine Facility Agreement. Together with the proceeds from the stock exchange listing, all liabilities from the old financing contracts were repaid in full. Therefore, the credit limit under the Senior Facility Agreement of EUR 28.3 million also no longer applies.

Acquisition of RFC Radio-, Fernseh- und Computertechnik GmbH

With the purchase contract of 22 January 2015, the Group acquired its 100 percent participation in RFC from Tele Columbus Beteiligungs GmbH via Tele Columbus Multimedia GmbH. The preliminary acquisition price was TEUR 500.

Acquisition of WoWiSat GmbH

On 27 March 2015, Tele Columbus AG acquired 100% of the shares in WoWiSat GmbH, Düsseldorf. The acquisition price was TEUR 2,859.

4. Forecast

Purchasing Power in Germany is Growing

According to the "Institut für Weltwirtschaft" (IfW), Kiel, economic performance in Germany is expected to increase by around 1.7% in 2015 (2014: 1.5%). Private consumption in particular is stimulating this. Due to an increase in net income of about 4.4% on average, an increase in purchasing power is expected. In addition, the drop in oil prices has an effect on disposable income. However, this effect is counteracted in part by the sustained weakness of the Euro. According to estimates by the Institut für Weltwirtschaft (IfW), Kiel, the disposable income of private households is expected to increase by around 3.7% (2014: 2.7%). If the oil price remains at its low level, the buying power effects will probably extend far into the coming year. The international economy will also experience more dynamic growth in 2015 and worldwide production is expected to increase by 3.7% (2014: 3.4%).

Industry Forecast

According to Tele Columbus AG, the cable market will remain on course for success. Leading representatives of European cable companies expect annual growth of 6%, especially in the business areas of broadband, Business-to-Business (B2B) and mobile phones. The average revenue per user (ARPU) is expected to grow by more than 20%. The investment costs for long-term fixed assets (CAPEX) are on average about 20% of revenue.

For the broadband business segment, the industry expects the average broadband marketed in the new-customer segment to increase to 156 Mbit/s by 2016. In 2013, the average was about 48 Mbit/s. With regard to TV services, an overall decrease in customers is expected. However, the ARPU is expected to increase for these services. The main reason for this development should stem from increased revenue from Pay TV offers, also as a result of growing number of Pay TV customers.

Expected Development of the Group as well as Key Indicators

In accordance with its strategy, Tele Columbus AG will also invest further in its cable network in order to create the prerequisites for profitable and persistent growth. Thus, a significant increase in the strategic margins shall be pursued in the medium-term.

In the medium-term the Group expects that the number of homes connected along with the number of subscribers will develop stably. The share of homes connected supplied via its own Level 3 network should increase further. This will reduce the signal fees due to independence from third party suppliers and will therefore have a positive effect on earnings and margins development. The Group will upgrade additional households and assume that the share of homes connected to its own signal supply and two-way upgraded will increase to 70% of the entire portfolio.

The migration from cable television to transmission per satellite or to terrestrial television is generally declining. Tele Columbus additionally supports this positive tendency effectively through a diversified range of new services. The Group therefore expects the RGUs in the area of CATV to develop stably. The increasing penetration of the portfolio with Internet and telephony services and the resulting improvement of the product portfolio with a higher share of high-margin products should have a positive effect on the growth of revenue and earnings. Furthermore, RGU growth in the “Internet and Telephony” segment should also speed up. The Group is striving to achieve 1.7 RGUs per subscriber in the medium term.

4–6%

growth in revenue expected

According to strategy, the monthly ARPU for all services should develop to a value of EUR 17.00 in the medium term. This is essentially based on the increase in the area of Internet and telephony. Against this background, we expect medium-term revenue growth in the middle to high single-digit percentage range. The normalized EBITDA margin should move to a level of approximately 50% in the medium term. For the fiscal year 2015, the Tele Columbus Group expects revenue growth of 4% to 6%. The operative indicators should develop to values slightly above those for that fiscal year 2014. Based on the forecasted growth, the Company also expects a slight increase in the normalized EBITDAs. The normalized EBITDA margin should exceed 47.5%.

According to its strategy, the Tele Columbus Group plans to migrate and upgrade its own existing network, so that in the fiscal year 2015, the Group capital expenditures are expected to increase to between TEUR 110,000 to TEUR 120,000. Medium term, investments should fall to standard market level in Germany.

The Group is continuously examining opportunities for selective acquisitions in order to expand the existing customer base or to gain new customer groups.

Due to the planned investments and the intended expansion of sales and marketing as well as satisfying the required organisational and general public obligations as part of the stock exchange listing, the number of personnel will further increase slightly in 2015. Depreciation as a result of investments made is also expected to increase.

Due to the stock exchange listing carried out in January 2015 and the stable capital situation, the Company will have better access to human resources. Furthermore, the improved balance sheet and financing structure as well as greater transparency as a listed company will also positively affect the relationship with the housing associations.

Tele Columbus will be the first provider on the German market to offer customers a high-speed Internet connection with up to 400 Mbit/s. The new top speed in the German market will be available as of April 2015 in the Tele Columbus cable network in Potsdam and can be implemented for a larger customer base in further regions. With its strong focus on network investments, Tele Columbus AG is underscoring its position as a reliable and innovative infrastructure partner for the German housing sector.

Overall Statement

The successful Tele Columbus AG stock exchange listing in the beginning of 2015 represents a new chapter in the history of the Company. As a listed company, the Group will be able to exploit its growth potentials in an even more focused manner in the future. With direct access to the capital market, Tele Columbus AG is increasing its financial flexibility, thus creating the optimal prerequisites to further expand its market position in the coming years. With the acquisitions already made and future acquisitions as well as investment in the cable network, Tele Columbus will continue to implement its strategy for sustainable growth in order to reach the strategic goals.

5. Risk Report

5.1 Risk Management System

Tele Columbus AG has implemented a central risk management system for the identification, assessment and control of all significant risks of relevance to the Group, defined as circumstances that could lead to sustained impairment of the asset, financial and profit situation right up to threats to the existence of the Tele Columbus Group. With this risk management system, threat potentials are reduced, the safety of the portfolio is ensured and the successful further development of the Group is supported. Significant risks are simultaneously covered for the entire Group (consolidation group). The guidelines on risk management are binding for all organisational units within Tele Columbus AG: the risk management and compliance system was newly set up and further developed in preparation for the stock exchange listing with under observance of associated additional regulatory requirements. The ongoing updating and further development represents a continuous, high-priority management task.

The Tele Columbus AG Management Board is responsible for the thorough and appropriate organisation of the risk management process, which monitors the individual risk positions through monthly monitoring. In order to identify risks, the Management Board monitors the economic general conditions and development within the industry as well as the competitive environment. Moreover, the internal processes are monitored on an ongoing basis. Due to ever-changing relationships and requirements, risk identification is a continuous task that is integrated into the work flows. Each organisational unit must determine all potential risks arising due to current and future actions. Regular jours fixes, controlling meetings, departmental meetings, individual meetings and inquiries serve as the basis for risk determination.

5.2 Internal Control System and Risk Management Regarding the Group Financial Accounting Process

The propriety of accounting practices is ensured by the Tele Columbus AG internal control system. This is based on an extensively centralised accounting organisation, which in addition to IT supported control mechanisms – for example within the SoftM/Comarch accounting software – also includes manual coordination processes, especially between Accounting and Reporting as well as the separation of functions, the principle of risk-adjusted dual controls (four eyes principle) and compliance with guidelines and directions. A large part of the Group's financial statements are prepared by its own staff.

All of the financial statement figures for the individual companies in which Tele Columbus has either directly or indirectly a 100% stake, are reviewed at group level by financial accounting and are adjusted in accordance with budget specifications. The most important events are presented to the Tele Columbus AG Management Board in a monthly key indicators report. The fiscal year figures are reviewed by an external, independent auditing firm. During the audit of the annual financial statement, insofar as is required for the purpose of the audit, the Group's internal control system regarding accounting including the IT systems are reviewed. The Management Board and the Supervisory Board are informed of significant weaknesses and improvement potentials by the auditor.

5.3 Risks

The following risks could considerably impair the business, financial and revenue situation of the Group either alone or in combination with further risks and uncertainties which are currently unknown to the Company or may currently be seen as insignificant. The order in which the risk factors are presented does not say anything about the probability of occurrence or the significance and level of the risks or the extent of the potential impairment of the Group's business. The stated risks can occur individually or cumulatively.

5.3.1 Industry Risks

Increased competition is to be seen at present within the industry in which the Tele Columbus AG is active, especially from the classic Level 3 market participants as well as Deutsche Telekom in regard to the acquisition of so-called concession agreements with the housing sector. This could lead to Tele Columbus achieving lower growth in quantities in the case of such concession agreements or to the expected yields in individual cases being less than is expected by the Company. There is a further risk that the Company may achieve less favourable conditions in contract negotiations or lose customers to competitors.

The telecommunications industry is subject to rapid technological change. This has resulted in high innovation and investment pressure and significantly reduced time frames for the amortisation phase. Due to further technical development, competition is becoming more intense, because other suppliers are exploiting newly opened market opportunities. The increasing convergence of telecommunications markets that used to be separate leads to increased pressure from competition. In particular, the market for Internet access may be subjected to sustained changes due to the introduction or the improvement of competing technologies. An increase in the market share of satellite transmission and other TV transmission technologies could have a negative effect on the CATV and premium TV business.

Expected further market consolidation could also lead to the Group being subjected to sustained competitive pressure in particular in regard to prices and margins, which could result in lower average revenue due to price reductions for the entire market.

5.3.2 Risks in Connection with Legal, Regulatory and Official Requirements

Tele Columbus AG is exposed to general risks resulting from changes to general conditions due to legislation or other regulations. In particular, such regulations include the German Telecommunications Act and state media laws as well as labour laws, consumer laws and taxation laws in general. Based on the limitation of the Company's activities to Germany, as a rule any changes in the legal environment are not to be expected without warning, so that a sufficient reaction time is guaranteed.

The telecommunication market is a regulated market in which the German Federal Network Agency and increasingly the German Federal Cartel Office intervene heavily. Individual regulatory decisions may restrict business. There is always uncertainty as to how regulatory decisions may turn out. Moreover, state subsidies and other regulations may favour competitors and restrict one's own competitive position.

Furthermore, the Company is subject to 'must-carry' obligations with respect to the provision and distribution of specified radio and television broadcast channels, which essentially determine resource planning. End user contractual relationships are also subject to inspection by consumer protection organisations.

5.3.3 Risks Regarding the Business Activities

In general there is a risk of not being able to successfully market existing products and services or that new products and services do not meet the innovation requirements of the market.

The business development of the Group depends on the technological development of cable television and, above all, on the introduction of more digital and interactive broadband cable services.

In the provision of the services as well as the delivery of signals, the Company relies on other companies as upstream suppliers, for example Unitymedia and Vodafone/KD as well as Eutelsat/M7 as a TV platform and for satellite transmission. In order to counteract reliance on third parties, the Company regards the progressive expansion of its own Level 3 network as a strategic target. Insofar as this is not possible, signal delivery is guaranteed through long-term contracts.

The business of the Group is capital intensive. There is the risk that sufficient financial means are not available in order to ensure the expansion and retention of the cable network. Due to the stock exchange listing of Tele Columbus AG in January 2015, the Company has ensured sufficient equity cover. Furthermore, corresponding long-term financing contracts are in place in the realm of third party financing.

Protecting confidentiality when handling customers' personal data is an important component of the operative business activities. A loss of this data could breach legal regulations and ordinances, which in turn could lead to penalty payments and loss of reputation in the long-term. In order to safeguard against this risk, Tele Columbus AG has at its disposal corresponding data systems and access security systems which are subjected to regular tests.

Tele Columbus AG relies extensively on IT systems for its business. Impairment of these could lead to malfunctions or interruptions during the course of operation. With regard to the availability, reliability and efficiency of the IT systems, the Company limits risks through the use of up-to-date firewalls and anti-virus programmes, ongoing monitoring and maintenance of the IT landscape, use of an independent network as well as timely backups and reproducibility of data relevant to operations.

In order to achieve its strategic and operative goals, Tele Columbus AG is dependent on qualified specialists and management. With respect to obtaining and securing qualified employees, the Company must measure itself according to the competitiveness of the market. The ongoing updating and further development of the personnel concept represents a continuous, high-priority management task.

5.3.4 Financial Risks

Through its business activity, Tele Columbus AG is exposed to various risks of a financial nature, especially liquidity risks and interest risks as well as debtor risks. Risk management at Tele Columbus is designed to identify potential risks and to minimize the negative effects of these on the financial development of the Group. To this end, finance instruments such as interest rate hedging transactions (swaps etc.), sale of receivables and the utilisation of lines of credit are available to Tele Columbus.

Risk management is essentially performed by the Treasury Department on the basis of principles for the separation of tasks and supervision. At the same time, financial risks are identified, assessed and secured in agreement with the operative units. Tele Columbus AG is subject to written regulations in certain areas, such as interest risks, debtor risks, the use of derivatives and other financial instruments as well as for the use of surplus liquidity, which are primarily regulated in its Facility Agreements. The Management Board is reported to on a regular basis.

Liquidity Risks

Through extensive liquidity planning instruments, both in the short-term and in the medium-term, at the level of the respective operative subsidiary and the Group in general, the ongoing business processes are based on planning data. A liquidity forecast oriented toward a fixed planning horizon as well as non-utilised lines of credit available within the Tele Columbus Group on the target date which run until 30 June 2017 should ensure the provision of liquidity on an ongoing basis. On 31 December 2014, unused lines of credit available to the Tele Columbus Group came to TEUR 28,267 in total. These revolving lines of credit were not used. The Management Board is reported to regularly and extensively in regard to current liquidity.

Furthermore, the Group is dependent on obtaining third party capital under suitable terms for the refinancing of its ongoing business activities or for acquisitions. Within the context of the financing contracts, a number of conditions were to be fulfilled by the end of the fiscal year. If these were not met, the lenders had the option of calling in the loans. The liquidity risk in the case of non-observance of these conditions on the target date came to TEUR 643,173. With the initial public offering, Tele Columbus dissolved old liabilities and negotiated new credit terms. Please refer to the further explanations in the Supplementary Report.

Interest Risks

Long-term, variable interest-bearing financial instruments, whereby the interest rate is connected to a market interest rate such as the EURIBOR, are exposed to risk regarding the future cash flows. The market interest level is observed in order to implement corresponding measures, if so required, in order to hedge against or control the interest rates.

As the Tele Columbus Group does not use any derivative financial instruments, it is exposed to the risks of interest fluctuations and the resulting cash flows. Therefore, a significant increase in the EURIBOR would lead directly to a considerable increase in the interest costs for the Tele Columbus Group. Consequently, the Tele Columbus Group closely observes the interest rate environment and is ready, if necessary, to carry out interest rate hedging transactions if this seems appropriate.

Debtor Risks

Debtor risks exist regarding receivables, other receivables and cash and cash equivalents. Trade receivables also exist, both from companies as well as private customers. The debtor risk is based on the loss risk of the respective contractual partner. In order to minimise the debtor risk for trade receivables from deliveries and services, preventative and other measures are implemented and collection companies are brought in.

Currency Risks

Risks and transactions in a foreign currency do not exist because almost all business transactions are carried out in EUR.

5.3.5 Other Risks

Risks Relating to Legal Disputes

Tele Columbus AG is exposed to risks resulting from legal proceedings or arbitration proceedings with the authorities, competitors and other parties. In particular, this includes disputes regarding agent claims or patent infringement proceedings. Corresponding competences, in order to assess such risks and to react appropriately to these, are available internally in the Company's legal department. In the case of legal disputes, external law firms are brought in.

Tax Risks

The Company is exposed to tax risks, because external tax audits may lead to subsequent payments. It could be exposed to risks in relation to the spin-off, through which the Company acquired the operative business of Tele Columbus GmbH. In particular, this concerns follow-up liability based on tax risks for outstanding external tax audit years for the fiscal years 2009 to 2013 for Tele Columbus GmbH. Here, there is the potential risk of an additional tax burden.

Risks in Connection with the Financing Structure

Due to the successful stock exchange listing of Tele Columbus AG in January 2015, the financial situation of the Group has improved significantly. The negative equity at the end of the fiscal year has been more than offset by the issue proceeds. Furthermore, the level of debt was reduced through the dissolution of old liabilities. In the fiscal year 2014, the level of debt and the obligations to service the debts limited business activities and the financial flexibility of the Group due to conditions in the credit contracts. There is the risk that sufficient financial means are not available in order to cover the requirement for operating capital. This risk was also lessened by the IPO and the subsequent renegotiation of the credit terms. In this context, please refer to the further explanations in the Supplementary Report.

5.4 Overall Picture of the Risk Situation

In accordance with the development of the Company, particularly in relation to the successful IPO in January 2015, the entire risk situation improved in comparison to the preceding year. Tele Columbus AG implemented the required measures on the basis of the described monitoring system in order to counteract developments that pose a threat to its existence. From the viewpoint of the Management Board of Tele Columbus AG, going concern of the Company was not under threat at any time. Furthermore, no risks are known at the time of reporting which could threaten the existence of the Company or have a negative effect on the asset, financial and profit situation, thereby causing such a threat to its existence. The Management Board considers the overall risk situation to be controllable and is convinced that the available opportunities and challenges can also be exploited in the future, without having to face justifiably high risks.

6. Opportunities Report

6.1 Opportunities

A range of opportunities are open to the Tele Columbus Group for the future, which result in particular from the competitive strengths of the Group. These opportunities essentially apply – insofar as is not otherwise indicated – for all segments. The order of the opportunities presented does not suggest a rank order.

Tele Columbus is active in the very attractive German cable market.

The business activities of Tele Columbus AG are exclusively within the German market. As before, the prospects for growth are still very good in the Internet and Telephony segment. In the past years, the cable network operators have been steadily reducing the classic telecommunication suppliers' market shares in Internet provision. It is to be expected that this development will also continue in the future and numerous users of DSL connections will switch to broadband cable, as this offers a clear competitive advantage with Internet speeds of more than 100 Megabits per second.

The German market for additional digital services also provides significant potential for growth. The digitalisation of cable customers as well as penetration with premium TV services here still clearly lags behind the international market. Tele Columbus expects to also be able to exploit this potential in the TV segment in the future by expanding the range of additional digital services, such as the feeding in of further HD TV channels or the introduction of a video-on-demand service.

Tele Columbus is the leading regional partner in East Germany, an environment with attractive growth potential.

For the housing industry sector in the East German federal states, Tele Columbus is an ideal partner because it combines the competence and innovative power of a large company with the flexibility and proximity of a regional service provider. The Group has a strong regional brand as well as long-term and reliable customer relationships which ensure sustained and calculable revenue from the CATV business as well as additional marketing possibilities. Its customer base offers great potential for further up- and cross selling of additional products via the traditional cable connection, such as premium TV, Internet and telephony. This provides Tele Columbus with the opportunity to deepen and expand the existing partnerships with the housing sector, to retain and expand existing customer contracts as well as to gain new end users for cable connection. Tele Columbus can also rely on a modern and diversified product portfolio, consisting of cable television in combination with Internet and telephony, and can deliver all modern multimedia services and telecommunication services to its customer from a single source.

Tele Columbus has its own highly competitive, integrated and expanded Level 3/4 network that already has attractive growth potentials.

Through the scope and range of the cable networks, the Group is well positioned in the converging markets of the media and telecommunications landscapes. Because Tele Columbus, as an integrated provider, has access to both the "last mile" and signal and data transmission, the customers' wishes can be individually addressed within the context of product planning and provision. The cable network is suitable for the transmission of both analogue and digital TV signals and is at the same time in a position to provide multiple users per household with broadband Internet access, telephony or interactive services.

Tele Columbus builds on experienced management.

The Tele Columbus Group grew from the consolidation of individual regional cable network operators and, as such, has a long company history that goes back as far as 1972. The Company has established itself on the market as a specialised service provider with an experienced team and management; today it is one of the biggest cable network operators in Germany. Under these circumstances, the Company is also in a position to recruit and retain new, highly qualified employees from the industry.

As one of the leading companies, Tele Columbus can benefit from market consolidation.

As the past years have shown, the German cable market is, as before, in a consolidation phase. Unitymedia and Kabel BW as well as Vodafone and Kabel Deutschland represent only some of the consolidations in recent times. Especially in the East German federal states, the cable market is characterised by numerous smaller and medium-sized cable network operators, who offer interesting opportunities for growth through the consolidation process. Based on access to the capital market, as a result of the stock exchange listing as well as the associated improved capital resources, Tele Columbus sees itself as being in a position with numerous prospects for assuming a leading role in this consolidation and to benefit financially from the potential scaling and synergy effects.

6.2 Overall Picture of the Opportunities

The telecommunications market continues on its way to an increase in blanket coverage of broadband capacities. The broadband strategy of the Federal Government as well as the Telecommunications Act provide the political and regulatory framework for this. Thanks to the high-quality network infrastructure in many prospering regions of Germany, the Group will also benefit in the future from the need for high-speed Internet connections as well as high demand for HDTV services and interactive TV applications. The greatest opportunity for further growth is therefore the successful up- and cross-selling of additional products. Tele Columbus also benefits from the current market development. Because the data traffic will grow further in the future, the infrastructure advantages of two-way upgraded cable networks which allows considerably faster download and upload speeds than DSL connections for example, are becoming more important.

7. Declaration on Corporate Governance in Accordance with Section 289a HGB (German Commercial Code)

The declaration by company management in accordance with the regulations under Section 289a HGB is available on the Tele Columbus AG website at www.ir.telecolumbus.com under "Declaration on Corporate Governance".

8. Compensation Report

The compensation report is part of the Group Management Report for Tele Columbus AG. It explains the compensation structure for the Management Board and the Supervisory Board for Tele Columbus AG according to the statutory regulations and the recommendations of the German Corporate Governance Code. It must be taken into consideration that Tele Columbus AG was only transformed into the stock corporation legal form in the current fiscal year and, to this extent, individual points are not yet applicable or not applicable for the entire fiscal year. Accordingly, the annual financial results for the preceding year are omitted. The compensation report also contains the relevant obligatory statements required concerning the organs under German commercial law (Supplement Section 314 HGB; Management Report Section 315 HGB) and IFRS (IAS 24). In the notes to the annual financial statement, individual statements are also presented in summary insofar as is prescribed.

Compensation of the Management Board

Compensation System for the Management Board

The Supervisory Board determines an appropriate compensation for the individual members of the Management Board. Here, tasks and services as well as the situation of the Company form the general conditions for the appropriateness of the emoluments. The total compensation may not exceed usual compensation without special reasons. The compensation structure is geared toward sustainable development of the Company.

The Members of the Management Board in the fiscal year 2014 were Ronny Verhelst (Chairman of the Board, Chief Executive Officer – CEO) and Frank Posnanski (Chief Financial Officer – CFO). Before the restructuring in August 2014 and the transformation into a stock corporation in September 2014 (cf. the corresponding explanations in the Management Report Section 1.1.1 Organisational Structure of the Group and the Notes of the Financial Statements Section A. General Bases), the members of the Management Board were Managing Directors of Tele Columbus GmbH (up until the restructuring in August 2014) or of Tele Columbus Holding GmbH (up until the change in legal form in September 2014). Upon entry of the new legal form on 15 September 2014, the old service contracts ended and the new service contracts came into effect. The type, amount and structure of the compensation for the Management Board were arranged in accordance with the requirements of the German Stock Corporation Act and the German Corporate Governance Code. The Management Board' compensation was determined in consideration of the size of Tele Columbus AG, its economic and financial situation, its success and its future prospects as well as the usual amount and structure of the Management Board' compensation for comparable companies and the internal salary structure. In doing so, the Supervisory Board also took into consideration the ratio of Management Board' compensation to the compensation for upper management and the staff in general – also in terms of temporal development. Further criteria include the individual tasks and services of the individual members of the Management Board. The structure and appropriateness of the compensation for the Management Board is regularly reviewed by the Supervisory Board.

The total compensation for the members of the Management Board consists of three components: basic compensation including fringe benefits, a short-term compensation component relating to the fiscal year and dependant on success as well as a long-term variable compensation component. In addition, the members of the Management Board participate in a Matching Stock Programme (MSP) by the Company. When determining the variable compensation, particular attention was paid to incentives for sustainable and long-term business development. Moreover, both positive and negative developments were taken into account.

Basic Compensation

The members of the Management Board receive an annual basic fixed compensation which is paid regardless of success in twelve equal monthly payments respectively at the end of the month and which represent the fixed compensation component.

In addition to this, the members of Management Board have contractual claim to fringe benefits and benefits-in-kind, which mainly involve the use of a company car and the payment of premiums for accident and health insurance, as well as additional living costs and the reimbursement of costs for tax consultant services in the case of the CEO.

Short-Term Variable Compensation Components

The members of the Management Board are entitled to a short-term, success-dependent compensation component in the form of an annual bonus that is paid within one month following approval of the Group Consolidated Financial Statement for the Company. The limit on the variable compensation component for one fiscal year amounts to 75% of the fixed annual salary of the respective member of the Management Board, dependent on the individual target achievement by the respective member of the Management Board. Thus, the maximum achievable compensation for Frank Posnanski is EUR 187,500.00 and for Ronny Verhelst, EUR 375,000.00. The minimum amount for the variable compensation component for both members of the Management Board is EUR 0.00. The individual target achievement essentially refers to the following parameters: EBITDA, Capex, revenue (only relevant to Ronny Verhelst), customer loyalty and default on receivables (only relevant to Frank Posnanski). In addition to this, a discretionary component exists on the part of the Supervisory Board. Here, a weighting of the calculation bases is applied at 40% (EBITDA), 20% (for Capex as well as for revenue and default on receivables) and 10% (for customer loyalty and for the discretionary components). The target values for the financial calculation bases are derived from the annual Group budget, which is agreed by the Supervisory Board. The customer loyalty component is determined by the Supervisory Board in good faith and after consultation with the respective member of the Management Board. The Supervisory Board can grant the discretionary components at its own discretion.

If a member of the Management Board is not entitled to compensation for the full fiscal year underlying the calculation of compensation, compensation is calculated pro rata temporis.

Long-Term Variable Compensation Components (LTIP)

Since 15 September 2014, the members of the Management Board have participated in a long-term success-oriented compensation plan (Long Term Incentive Programme – LTIP).

The LTIP is a component of the long-term variable compensation for the Management Board, based on sustained, positive business development, and creates a long-term incentive for the Management Board to commit themselves to the success of the Company. To this end, the members of the Management Board receive a gross sum (LTI tranche) promised to them in every fiscal year, based on bonus percentages determined in the service contract and subject to and dependent upon the achievement of targets for success defined in advance. After three fiscal years (performance periods), the bases for calculation and the respective level of target achievement are defined and the gross sum (LTI) to be paid to the member of the Management Board, according to this level, is determined. The targets for success and the calculation bases are the average values of the annually calculated EBITDA values for the Group adjusted by Capex over- and under-spending during the payment period.

A performance period begins on the first day of the fiscal year, for which the LTI tranche has been awarded, and ends upon expiry of the second fiscal year following the fiscal year, for which the LTI tranche has been awarded. The performance period for the LTI tranche 2014 therefore began on 1 January 2014 and ends 31 December 2016. The claim to a potential LTI is established upon approval of the Group Consolidated Financial Statement for the last fiscal year of the performance period by the Supervisory Board. A potential LTI is to be calculated within one month of approval of the Group Consolidated Financial Statement and paid out to the member of the Management Board. The maximum variable long-term compensation for each member of the Management Board is limited to 150% of their basic annual compensation. If the average adjusted EBITDA drops below 85% of the average adjusted target EBITDA at the time of payment of the LTI, this compensation component will not be granted. Therefore, the minimum compensation for an LTI tranche for each member of the Management Board is EUR 0.00. Thus, the maximum achievable compensation for an LTI Tranche for Frank Posnanski is EUR 375,000.00 and for Ronny Verhelst, EUR 750,000.00.

If a member of the Management Board leaves his position before 24 months of a performance period have passed, no claim exists to an LTI. If, in regard to an LTI tranche, a performance period of 24 months has already passed at the time of legal termination of the service relationship, a pro rata temporis claim to a LTI exists for this LTI tranche subject to fulfilment of the conditions for measuring success. If a new member of the Management Board joins the Company during the course of the fiscal year, the Supervisory Board decides whether and, where appropriate, with what abridgement the member of the Management Board is to participate in the LTI tranche for the current fiscal year.

Long-Term Share-Based Variable Compensation Components (MSP)

The long-term share-based variable compensation is arranged in the form of a Matching Stock Programme (MSP). The MSP creates a long-term incentive for the Management Board to dedicate themselves to the success of the Company. To this end, the members of the Management Board are allocated a number of options to be determined in advance by the Supervisory Board in every fiscal year, subject to and dependent upon a corresponding investment by the member of the Management Board in the Company. After four fiscal years (lock-up period), the member of the Management Board can exercise this option subject to further prerequisites.

The number of shares to be held or acquired by the members of the Management Board (qualified shares) comes to 50,000 for the CEO and 25,000 for the CFO. The members of the Management Board are obliged to hold these qualified shares in a blocked security deposit account in their name from the end of the month in which the IPO was carried out for the duration of the participation in the MSP. During the term of the respective service contract, a certain number of options are allocated for the respective member of the Management Board for each of the five annual MSP tranches for each qualified share held in the respective blocked security deposit account on the target date. For the first tranche of the MSP (2015 tranche) the number of options comes to three per qualified share. The Supervisory Board determines the number of options per qualified share for the future tranches at a given time. The 2015 tranche was allocated on the day of the stock exchange listing, 23 January 2015. Further tranches will be allocated respectively on 23 January in the following years, if at this time the service contract still exists. The lock-up period for the first 2015 tranche ends on 22 January 2019; the lock-up period for each further MSP tranche is four years. It begins on the day of allocation of an MSP tranche and ends upon expiry of four calendar years. The options of a tranche can be exercised at the end of the lock-up period, insofar as the weighted average for the share price in the last 60 stock exchange trading days directly before execution of the respective option is above the respective exercise barrier. The definitive exercise barrier is determined by the Supervisory Board upon allocation of the respective tranche and comes to at least 130% of the exercise price. For the 2014 tranche, the exercise hurdle was set at 130% of the issue price of EUR 10.00. The exercised options of a tranche are converted into a Euro sum, according to the difference between the closing share price before receipt of the exercise declaration and the exercise price of the respective tranche multiplied by the number of options exercised (gross options profit). The remaining net options profit after the deduction of statutory levies and personal taxes for the members of the Management Board is attributed to the respective member of the Management Board again in the form of shares. The member of the Management Board is not obliged to sell the shares acquired in this manner for a period of twelve months. The gross options profit of a member of the Management Board, calculated after exercising the option, is limited to a maximum of 400% of his annual basic salary at the time of payment of the respective MSP tranche. Thus, the maximum achievable compensation for an LTI Tranche for Frank Posnanski is EUR 1,000,000.00 and for Ronny Verhelst, EUR 2,000,000.00. The minimum compensation for an MSP Tranche for both members of the Management Board is EUR 0.00.

The options of a tranche shall essentially become non-expirable on every anniversary of the allocation in the amount of 25% of the allocation. If a member of the Management Board leaves the service of the Company before exercise or expiry of his options due to expiry of the agreed contract period, death, long-term disability, retirement or on the basis of effective extraordinary termination on the part of the member of the Management Board, he or his heirs can also exercise the vested options after the date of leaving. On the other hand, all options that have not yet become non-expirable shall expire. If the service contract of a member of the Management Board ends for other reasons, all vested and non-expired options not exercised expire on the date of legal termination.

If a new member of the Management Board joins the Company during the course of the fiscal year, the Supervisory Board decides whether and, where appropriate, with what abridged tranche the member of the Management Board is to participate in the MSP for the current fiscal year.

Because this compensation component first came into effect in 2015, it is not a compensation component for the fiscal year 2014.

Further Commitments

In special recognition and appreciation of the considerable additional work load of the members of the Management Board during the preparation phase for the stock exchange listing, the members of the Management Board were granted a one-time special compensation by the Company in the amount of EUR 500,000 for Ronny Verhelst and EUR 250,000 for Frank Posnanski. This special compensation is calculated and paid at 50% with each of the respective salary payments for January in the calendar years 2015 and 2016. The Company formed reserves in the full amount of the one-time special compensation for both members of the Management Board in the fiscal year 2014.

The Company has third party liability cover (D&O insurance) for the organ members of Tele Columbus AG. It is concluded or extended on an annual basis. The insurance policy covers the personal liability risk in the case of claims being made against organ members for financial loss in the course of performing their duties. The policy for the fiscal year 2014 contains an appropriate deductible for the members of the Management Board and the Supervisory Board, thus complying with regulations under the Stock Corporation Act and the German Corporate Governance Code.

The members of the Management Board do not participate in the existing company pension plan. Therefore, Ronny Verhelst receives an annual sum for the duration of his service contract in the amount of 7.5% of the respectively current annual salary either for life insurance in form of a direct insurance policy or for a support fund to his benefit. For Frank Posnanski, the Company assumes the costs of a pension policy already concluded by him.

Both members of the Management Board, Ronny Verhelst and Frank Posnanski, through the contract of 21 February 2014, changed by the contract of 20 January 2015, were granted approval for payment of a one-time IPO bonus from Tele Columbus Holdings SA, Luxembourg, the sole shareholder in Tele Columbus Management S.à r.l., Luxembourg, which was in turn the sole shareholder in the Company in the fiscal year 2014. This entitlement was subject to the condition precedent of the stock exchange listing of the Company, fulfilled on 23 January 2015. The bonus in the amount of EUR 3,000,000.00 for Ronny Verhelst and EUR 1,500,000.00 for Frank Posnanski was paid out in the first quarter of 2015.

Benefits in the Case of Termination of a Service Contract

The service contracts of both members of the Management Board do not foresee any settlement agreements in the case of premature contract termination without important grounds. In compliance with the German Corporate Governance Code, however, in the case that payment should be agreed for premature contract termination without important grounds, it is intended to restrict such a settlement to a maximum of two years of compensation. This should be adjusted based on the total compensation for the past fiscal year and, if necessary, the total compensation expected for the current fiscal year also. If the remaining term of the Management Board Service Agreement is less than two years, the settlement is to be calculated pro rata temporis. If the service contract is terminated on important grounds attributable to one of the members of the Management Board, no payment is made to the member of the Management Board. Commitments for services due to the premature termination of board activity in consequence of a change of control do not exist.

The members of the Management Board are essentially subject to an after contract competition ban for a period of 18 months after termination of the service contract. During the term of the competition ban, the respective member of the Management Board receives annual compensation in the amount of 50% of his last fixed annual compensation. Other actual and hypothetical incomes for the member of the Management Board are credited to this compensation, insofar as these exceed the sum of the last annual compensation by more than 10% taking the compensation into account.

In the case of temporary incapacity to work, a member of the Management Board receives the full annual salary for six months, though at the longest to the end of the term of his service contract.

If a member of the Management Board dies during his service contract, the compensation including the variable compensation is credited up until the time of termination of the service contract in consequence of death and is paid out to his heirs. In addition to this, his widow and children, insofar as these have not yet reached the age of 25, as the joint creditor are entitled to undiminished continued payment of the fixed annual salary for the remainder of the month in which he died and for five subsequent months, though at the longest until the end of the regular term of the service contract.

Overview of the Total Emoluments for the Management Board

The entire compensation paid to the members of the Management Board for the fiscal years 2014, including the compensation received for Managing Director activities at Tele Columbus GmbH and Tele Columbus Holding GmbH, came to a total of EUR 2,160,290.34. Of this, EUR 745,833.30 was attributable to fixed compensation components not dependant on success, EUR 129,512.87 to other services not dependant on success, EUR 495,104.17 to short-term success-related compensation components and EUR 39,840.00 to long-term variable compensation components (LTIP). A payment under the LTIP shall be made for the first time in 2017. For the fiscal year 2014, the forecast calculated share of the LTI tranche came to TEUR 39,840.00. The Company formed reserves in this amount in the fiscal year 2014. The entire compensation paid to members of the Management Board also contained a one-time special compensation in the total amount of EUR 750,000.00, payment of which was agreed in 2014 but of which the first half was actually paid in January 2015 with the second half to follow in January 2016. The Company formed reserves in the full amount of the one-time special compensation in the fiscal year 2014.

Not including the compensation received for Managing Director activities at Tele Columbus GmbH and Tele Columbus Holdings GmbH, the total compensation paid to the members of the Management Board for the reporting period from 15 September 2014 to 31 December 2014 amounted to EUR 1,132,089.40. Of this, EUR 231,249.11 was attributable to fixed compensation components not dependant on success, EUR 34,437.79 to other services not dependant on success, EUR 76,562.50 to short-term success-related compensation components and EUR 39,840.00 to long-term variable compensation components (LTIP). The fringe benefits were calculated at the value determined for tax purposes. A payment under the LTIP shall be made for the first time in 2017. For the fiscal year 2014, the forecast calculated share of the LTI tranche came to TEUR 39,840.00. The Company formed reserves in this amount in the fiscal year 2014. The entire compensation paid to members of the Management Board also contained a one-time special compensation in the total amount of EUR 750,000.00, payment of which was agreed in 2014 but of which the first half was actually paid in January 2015 with the second half to follow in January 2016. The Company formed reserves in the full amount of the one-time special compensation in the fiscal year 2014.

Both members of the Management Board were also active in the parent company and/or subsidiaries to the Company. These activities are compensated for with the compensation paid for Managing Director activities within the Company.

The individualised total compensation for the individual members of the Management Board – divided into the individual components – for the fiscal year 2014 result from the following overview. Disclosure of the compensation also includes the emoluments received by the members of the Management Board in the fiscal year 2014 as previous Managing Directors of Tele Columbus GmbH and Tele Columbus Holding GmbH as the legal predecessor to Tele Columbus AG. The first table shows the target compensation for the fiscal year 2014. In the second table, the payments actually made in the fiscal years 2014 are itemised.

Value of the benefits granted for the fiscal year 2014

Benefits granted	Ronny Verhelst CEO, Chairman of the Board (Appointed: 15 September 2014 [1])			Frank Posnanski CFO (Appointed: 15 September 2014 [2])		
	2014	2014 (min)	2014 (max)	2014	2014 (min)	2014 (max)
Fixed compensation	500,000.00	500,000.00	500,000.00	245,833.30	245,833.30	245,833.30
Fringe benefits [3]	601,990.43	601,990.43	601,990.43	277,522.44	277,522.44	277,522.44
Sum	1,101,990.43	1,101,990.43	1,101,990.43	523,355.74	523,355.74	523,355.74
One-year variable compensation [4]	332,291.67 [5]	0.00	375,000.00	162,812.50	0.00	187,500.00 [5]
Variable remuneration calculated over a period of several years: LTIP (3 years) [6]	26,560.00	0.00	95,454.54	13,280.00	0.00	47,727.27
Sum	358,851.67	0.00	470,454.54	176,092.50	0.00	235,227.27
Provision expense	0.00	0.00	0.00	0.00	0.00	0.00
Total sum	**1,460,842.10**	**1,101,990.43**	**1,572,444.97**	**669,448.24**	**523,355.74**	**758,583.01**

1) Ronny Verhelst was Managing Director of Tele Columbus GmbH from 1 April 2011 and has been a member of the Management Board of Tele Columbus AG since 15 September 2014.

2) Frank Posnanski was Managing Director of Tele Columbus GmbH since 1 September 2011 and has been a member of the Management Board of Tele Columbus AG since 15 September 2014.

3) Fringe benefits include expenses or cash-value benefits such as the provision of a service vehicle, the conclusion and the payment of subsidies for various insurance and pension benefits, payment of living costs and the reimbursement of costs for tax consultancy services, for example. Moreover, the fringe benefits include a one-time special compensation in the amount of EUR 500,000.00 for Ronny Verhelst and EUR 250,000.00 for Frank Posnanski. These were contractually agreed in the fiscal year 2014 but are, however, only paid out in two halves, in January 2015 and January 2016 respectively. In the fiscal year 2014, reserves in the full amount were formed.

4) The one-year variable compensation was paid out in the first quarter of 2015. In the fiscal year 2014, corresponding additions to the reserves were made.

5) The variable compensation paid to Frank Posnanski in the fiscal year 2014 exceeded the stated maximum amount for the fiscal year 2014 because this only refers to the maximum attainable variable compensation from the service contract for Tele Columbus AG but not to the variable compensation paid for activities as Managing Director of Tele Columbus GmbH.

6) The current forecast and calculated proportionate value for the fiscal year 2014 for the LTI tranche 2014. Within the context of the LTI tranche 2014, no compensation was paid; the Company undertook to form reserves in the amount of the indicated total calculated value in the fiscal year 2014.

Inflow for the Fiscal Year 2014

Inflow	Ronny Verhelst CEO, Chairman of the Board Appointed: 15 Sept. 2014 1) 2014	Frank Posnanski CFO, (Appointed: 15 Sept. 2014 2)) 2014
Fixed compensation	500,000.00	245,833.30
Fringe benefits 3)	101,990.43	27,522.44
Sum	601,990.43	273,355.74
One-year variable compensation 4)	332,291.67	162,812.50
Variable remuneration calculated over a period of several years: LTIP (3 years)	0.00	0.00
Sum	332,291.67	162,812.50
Provision expense	0.00	0.00
Total sum	**934,282.10**	**436,168.24**

1) Ronny Verhelst was Managing Director of Tele Columbus GmbH from 1 April 2011 and has been a member of the Management Board of Tele Columbus AG since 15 September 2014.

2) Frank Posnanski was Managing Director of Tele Columbus GmbH from 1 September 2011 and has been a member of the Management Board of Tele Columbus AG since 15 September 2014.

3) Fringe benefits were paid for expenses and cash-value benefits such as the provision of a service vehicle, payment of subsidies for various insurance and pension benefits, living costs and costs for tax consultancy services, for example.

4) The one-year variable compensation was paid out in the first quarter of 2015. In the fiscal year 2014, corresponding additions to the reserves were made.

No compensation was paid to former Managing Directors / Members of the Supervisory Board.

The pension benefits granted in the fiscal year 2014 came to EUR 37,500.00 for Ronny Verhelst and EUR 6,945.72 for Frank Posnanski.

In the fiscal year 2014, no advances were paid to Members of the Management Board and no loans existed.

Compensation of the Supervisory Board

Compensation System for the Supervisory Board

The compensation for the Supervisory Board is based on Section 18 of the Articles of Association for Tele Columbus AG. The members of the Supervisory Board receive an annual fixed compensation in the amount of EUR 33,000 and the Chairperson of the Supervisory Board receives EUR 75,000 per annum.

Membership and chairmanship of committees are compensated separately. Each member of the Audit Committee receives an additional EUR 4,000; the chairperson of the Audit Committee receives EUR 12,000. The chairperson of the Executive Committee receives an additional EUR 5,000.

If a member of the Supervisory Board does not belong to the Supervisory Board or a committee for the entire fiscal year, a pro rata temporis abridgement of the compensation results.

For participation in meetings of the Supervisory Board and its committees, the members of the Supervisory Board receive an attendance fee in the amount of EUR 1,000 per meeting day.

In addition, the company reimbursed the members of the Supervisory Board for expenses incurred in the execution of their Supervisory Board mandate as well as the income tax incurred on their compensation.

In addition to this, the members of the Supervisory Board are included in a D&O policy containing an appropriate deductible, which complies with the regulations under the Stock Corporation Act and the German Corporate Governance Code. The Company pays the premiums for this.

Overview of the Total Emoluments for the Supervisory Board

The Supervisory Board of Tele Columbus AG is composed of six members, who were elected by the Annual General Meeting on 10 September 2014. Two members of the Supervisory Board (André Krause and Catherine Mühlemann) were elected subject to the condition precedent that the shares of Tele Columbus AG are admitted for trading on the Frankfurt Stock Exchange. For that fiscal years 2014, André Krause and Catherine Mühlemann did not, therefore, receive any emoluments.

The total emoluments for the members of the Supervisory Board in the fiscal year 2014 (from 10 September to 31 December 2014) amounted to EUR 58,750.00 (without reimbursement of income tax payable). Of this, EUR 49,750.00 is attributable to fixed compensation for the activity on the Supervisory Board. Compensation for committee activities came to EUR 0.00 as no committees were convened.

The members of the Supervisory Board (with the exception of Robin Bienenstock) waived the fixed compensation and attendance fees due to them for the fiscal year 2014 after the balance sheet date with the exception of the expenses incurred within the context of the Supervisory Board activity.

In the fiscal year 2014, no compensation or other benefits were paid or granted by the shareholders of the Tele Columbus Group to members of the Supervisory Board for personally provided service, especially consultation and mediation services. Moreover, members of the Supervisory Board were not granted advances or loans.

The emoluments for the members of the Supervisory Board for the fiscal year 2014 are reflected in the following table:

	Fixed compensation	Compensation for committee activities [3]	Attendance fees	Total compensation
Frank Donck (Chairperson) [1]	25,000.00	0.00	3,000.00	28,000.00
Christian Boekhorst [1]	11,000.00	0.00	3,000.00	14,000.00
Robin Bienenstock [2]	2,750.00	0.00	0.00	2,750.00
Yves Leterme [1]	11,000.00	0.00	3,000.00	14,000.00
In total	**49,750.00**	**0.00**	**9,000.00**	**58,750.00**

1) Frank Donck, Christian Boekhorst und Yves Leterme waived their fixed compensation and the attendance fees to which they were entitled after the balance sheet date for the fiscal year 2014.

2) Robin Bienenstock was elected to the Supervisory Board by resolution of the General Meeting of 10 September 2014 under the condition precedent that the shares of Tele Columbus AG are admitted for trading on the Frankfurt Stock Exchange. By resolution of the General Meeting of 18 December 2014, this condition precedent was repealed. For the fiscal year 2014, Robin Bienenstock therefore only received emoluments from 18 December to 31 December 2014.

3) Compensation for Supervisory Board members' activities were not due in the fiscal year 2014, as no committees met.

Information on Closely Related Persons in the Sense of IAS 24

On 31 December 2014, the persons below received the following indirect shares in the Company via Tele Columbus New Management Participation GmbH & Co. KG, Berlin (TC MP KG), and directly via the latter's participation in Tele Columbus Holdings SA, Luxembourg, and the latter's participation in Tele Columbus Management S.à r.l., Luxemburg:

	Number of shares (calculated amount)	of the total capital (calculated value)
Christian Boekhorst	348,435	1.74%
Yves Leterme	348,435	1.74%
Ronny Verhelst	1,117,395	5.58%
Frank Posnanski	839,048	4.19%

TC MP KG was established by the contract on 21 February 2014 (changed on 7 March 2014) and was registered on 28 February 2014 in the Commercial Register of Charlottenburg District Court under HRA 49297 B. The general partner in TC MP KG is Tele Columbus MEP GmbH, of which 100% of the shares in the Company are held by Tele Columbus S.à r.l. The limited partners are Tele Columbus Management S.à r.l., both members of the Management Board, the Supervisory Board members Christian Boekhorst and Yves Leterme as well as further members of management at Tele Columbus AG. The management of TC MP KG is the responsibility of Tele Columbus Management S.à r.l.; TC MP KG is represented by its limited partners. In the fiscal year 2014, the limited partners acquired their limited partnership interests in TC MP KG through payment of a contribution in the amount of a nominal sum of EUR 100.00. The regulations of the management participation programme underlying the participation tie the participation of the Boards of Directors and further management to the existence of an active employment relationship at Tele Columbus AG or one of its subsidiaries. TC MP KG holds 16.75% of the total economic interest and the voting share in Tele Columbus Holdings AG. It is intended to liquidate Tele Columbus Holdings SA and its 100% subsidiary Tele Columbus Management S.à r.l. TC MP KG, as a partner in Tele Columbus Holdings SA, received 16.75% of the liquidation assets to be distributed, which were paid out as advance liquidation proceeds to the partners following the liquidation decision of the General Meeting of Tele Columbus SA. The sum of the liquidation assets to be distributed resulted from the proceeds of the sale of the shares in Tele Columbus Management S.à r.l. to Tele Columbus AG within the context of the stock exchange listing, less all costs incurred within the context of the stock exchange listing and less all further obligations of Tele Columbus Management S.à r.l. and Tele Columbus Holdings SA.

With the contract of 9 January 2015, TC MP KG made a commitment to the underwriters of the IPO to reinvest 50% of the liquidation proceeds in shares in Tele Columbus AG. Furthermore, it undertook to abstain from certain transactions regarding the shares and not to participate in certain measures regarding the share capital for Tele Columbus AG without prior written approval from Goldman Sachs International, London, and J. P. Morgan Securities plc, London, which may only be refused on important grounds, for a period that ends twelve months after the first day of stock exchange trade.

Both members of the Management Board, Ronny Verhelst and Frank Posnanski, were granted payment of a one-time IPO bonus through the contract of 21 February 2014, changed by the contract of 20 January 2015 by Tele Columbus Holdings SA. See “1.5. Further Commitments”.

Furthermore, no further reportable business relationships existed between organ members and the Group in the course of the fiscal year.

Berlin, 31 March 2015

Tele Columbus AG, Berlin

Chief Executive Officer
Ronny Verhelst

Chief Executive Officer
Frank Posnanski

Consolidated Financial Statements

for the financial year ended 31 December 2014 in accordance with International Financial Reporting Standards (IFRS)

I Consolidated income statement

as at 31 December 2014

TEUR	Notes	2014	2013
Revenue	E.1	213,094	206,222
Own work capitalised	E.2	6,649	6,877
Other income	E.3	15,664	26,068
Total operating income		*235,407*	*239,167*
Cost of materials	E.4	–76,050	–83,783
Employee benefits	E.5	–33,754	–31,745
Other expenses	E.6	–41,449	–32,473
EBITDA		*84,154*	*91,166*
Depreciation and amortisation expense	E.7	–50,789	–62,832
EBIT		*33,365*	*28,334*
Profit/loss from investments in associates	B.4	–12	–20
Interest and similar income	E.8	112	447
Interest and similar expenses	E.8	–47,296	–28,321
Other finance income/costs	E.9	–54	–485
Profit before tax		*–13,885*	*–45*
Income tax expense	E.10	–8,009	–8,593
Profit		**–21,894**	**–8,638**
Profit/loss attributable to owners of Tele Columbus Group		–24,121	–11,963
Profit attributable to non-controlling interests		2,227	3,325
Basic earnings per share in EUR		–1.2	–0.6
Diluted earnings per share in EUR		–1.2	–0.6

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

II Consolidated statement of other comprehensive income

as at 31 December 2014

TEUR	Notes	2014	2013
Profit		*–21,894*	*–8,638*
Other comprehensive income			
Expenses and income that will not be reclassified to profit or loss			
Remeasurement of the defined benefit liability (after tax)	**E.15**	–769	–278
Total comprehensive income		**–22,663**	**–8,916**
Attributable to:			
Owners of Tele Columbus Group		–24,890	–12,241
Non-controlling interests		2,227	3,325

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

III Consolidated balance sheet

as at 31 December 2014

Assets

TEUR	Notes	31 Dec. 2014	31 Dec. 2013
Non-current assets			
Property, plant and equipment	E.11	209,923	207,821
Intangible assets and goodwill	E.12	381,821	372,173
Interests in unconsolidated subsidiaries	B.5	8	523
Investments in associates	B.4	276	275
Receivables from related parties	F.2.2	0	9,418
Other financial receivables	E.14	1,148	1,507
Deferred expenses	E.14	72	17
		593,248	*591,734*
Current assets			
Total inventories	E.13	3,342	1,693
Trade receivables	E.14	19,115	18,931
Receivables from related parties	F.2.2	3,129	2,165
Other financial receivables	E.14	4,662	7,097
Other receivables	E.14	13,082	903
Current tax assets		457	1,179
Cash and cash equivalents	F.4	24,441	70,539
Deferred expenses	E.14	5,690	2,200
		73,918	*104,707*
		667,166	**696,441**

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

Equity and liabilities

TEUR	Notes	31 Dec. 2014	31 Dec. 2013
Equity			
Equity attributable to owners of Tele Columbus Group	**E.15**	–112,571	–68,225
Non-controlling interests		5,255	6,690
Total equity		*–107,316*	*–61,535*
Non-current liabilities			
Post-employment and other long-term employee benefits	**E.16**	10,615	9,791
Other provisions	**E.17**	11,883	11,361
Loans and borrowings	**E.18**	640,547	43,507
Payables to related parties	**F.2.2**	0	13,229
Trade payables	**E.19**	33,890	32,660
Deferred income/revenue	**E.20**	933	1,181
		697,868	*111,729*
Current liabilities			
Other provisions	**E.17**	7,466	4,751
Loans and borrowings	**E.18**	2,626	578,143
Trade payables	**E.19**	41,025	43,229
Payables to related parties	**F.2.2**	2,559	2,602
Other financial liabilities	**E.21**	255	4,635
Other liabilities	**E.21**	12,565	8,042
Income tax liabilities		5,801	684
Deferred income/revenue	**E.20**	4,317	4,161
		76,614	*646,247*
		667,166	**696,441**

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

IV Consolidated statement of cash flows

as at 31 December 2014

TEUR	Notes	2014	2013
Net cash from operating activities			
Earnings before interest and taxes (EBIT)		*33,365*	*28,334*
Depreciation and amortisation expense	E.7	50,789	62,832
Share of profit of equity-accounted investees		–12	–20
Losses(+)/gain(-) on sale of property, plant and equipment		–1,480	–1,336
Increase(-)/decrease(+) in inventories, trade and other receivables not classified as investing or financing activities		–14,362	–5,522
Increase(+)/decrease(-) in provisions, trade and other payables not classified as investing or financing activities		–12,618	–4,505
Income tax paid		–2,739	–7,503
Net cash from operating activities		**52,943**	**72,280**
Net cash used in investing activities			
Proceeds from sale of property, plant and equipment		3,235	4,565
Acquisition of property, plant and equipment	E.11	–35,911	–41,413
Acquisition of intangible assets	E.12	–7,086	–6,726
Acquisition of investment property		0	–730
Acquisition of subsidiary, net of cash acquired		–10,614	0
Dividends received		30	0
Interest received		112	361
Net cash used in investing activities		**–50,234**	**–43,943**

TEUR	Notes	2014	2013
Net cash from (used in) financing activities			
Changes in net assets due to adjustments relating to the change in group structure		–1,684*	32,743*
Payment of finance lease liabilities		–6,112	–4,865
Dividends		–3,065	–2,782
Proceeds from loans, bonds and borrowings		78	8,223
Repayment of borrowings		–2,886	–3,534
Acquisition of non-controlling interests		–18,369	0
Interest paid		–17,126	–24,031
Net cash from (used in) financing activities		**–49,164**	**5,754**
Cash and cash equivalents at the end of the period			
Net increase/decrease in cash and cash equivalents		–46,455	34,091
Cash and cash equivalents at the beginning of the period		70,539	22,035
Cash and cash equivalents at the end of the period		*24,084*	*56,126*
Plus restricted cash released during the reporting year		357	14,413
Cash and cash equivalents at the end of the period		**24,441**	**70,539**

* Please refer to Section V 'Consolidated statement of changes in equity'.

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

V Consolidated statement of changes in equity

as at 31 December 2014

For the year ended 31 December 2014

TEUR	Note	Net assets attributable to Tele Columbus Group	Share capital
Balance at 1 Jan. 2014	**E.15**	**–68,225**	**0**
Profit(+)/loss(-)			
Other comprehensive income			
Total comprehensive income			
Dividends			
Acquisition of non-controlling interests			
Changes in net assets due to adjustments relating to the change in group structure			
Introduction of the existing group structure		68,225	20,025
Balance at 31 Dec. 2014	**E.15**	**0**	**20,025**

For the year ended 31 December 2013

TEUR	Note	Net assets attributable to Tele Columbus Group	Share capital
Balance at 1 Jan. 2013	**E.15**	**–88,727**	**0**
Profit(+)/loss(-)		–11,963	
Other comprehensive income		–278	
Total comprehensive income		**–12,241**	
Dividends			
Acquisition of non-controlling interests			
Changes in net assets due to adjustments relating to the change in group structure		32,743*	
Introduction of the existing group structure			
Balance at 31 Dec. 2013	**E.15**	**–68,225**	**0**

* Please refer to Section IV 'Consolidated statement of cash flows'.

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

Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to owners of the Company	Non-controlling interests	Total equity
0	**0**	**0**	**0**	**–68,225**	**6,690**	**–61,535**
		–24,121		–24,121	2,227	–21,894
			–769	–769		–769
		–24,121	**–769**	**–24,890**	**2,227**	**–22,663**
					–3,065	–3,065
	–17,772			–17,772	–597	–18,369
	–1,684 *			–1,684		–1,684
8,324	–95,236	0	–1,338	0	0	0
8,324	**–114,692**	**–24,121**	**–2,107**	**–112,571**	**5,255**	**–107,316**

Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to owners of the Company	Non-controlling interests	Total equity
0	**0**	**0**	**0**	**–88,727**	**6,147**	**–82,580**
				–11,963	3,325	–8,638
				–278		–278
				–12,241	**3,325**	**–8,916**
					–2,782	–2,782
				32,743		32,743
0	**0**	**0**	**0**	**–68,225**	**6,690**	**–61,535**

Notes to the Consolidated Financial Statements

for the financial year ended 31 December 2014

VI Notes to the consolidated financial statements

A General information

A.1 Introduction

In preparation for a potential initial public offering on 23 January 2015, parts of the Tele Columbus Group's legal structure were restructured. This is summarised below. We also refer to Section F.9 'subsequent events' for information on further developments.

As part of the reorganisation, all of Tele Columbus GmbH's operating investments as well as certain assets and liabilities were spun off to Tele Columbus Holding GmbH (hereinafter jointly referred to as 'Tele Columbus Group'). The spin-off agreement between Tele Columbus GmbH and Tele Columbus Holding GmbH was signed on 19 August 2014. The spin-off was carried out with retroactive economic effect as of 1 January 2014. This was recorded in the commercial register on 22 August 2014.

Tele Columbus Holding GmbH was formed on 6 November 2012, originally as a subsidiary of Tele Columbus GmbH. By agreement dated 19 August 2014, Tele Columbus Holding GmbH was transferred from Tele Columbus GmbH to Tele Columbus Management S.à r.l., the parent of Tele Columbus GmbH. As a result of restructuring, Tele Columbus Holding GmbH (which holds Tele Columbus GmbH's operating investments and spun-off assets and liabilities) has thus been created as a sister group of Tele Columbus GmbH, holding the remaining investments and non-transferred assets and liabilities that are controlled by Tele Columbus Management S.à r.l. In the IFRS consolidated financial statements of Tele Columbus Holding GmbH as at 31 December 2014, the spin-off is presented as a transaction between entities under joint control and thus will not result in the disclosure of undisclosed reserves or the recognition of derivative goodwill.

A.2 Change of legal form to Tele Columbus AG

It was resolved at the extraordinary shareholders' meeting held on 20 August 2014 to change Tele Columbus Holding GmbH's legal form to a German corporation limited by shares (Aktiengesellschaft) trading under the name Tele Columbus AG. The change of legal form took effect upon entry of the form change in the commercial register on 12 September 2014. The Company's existing share capital of EUR 20,025,000 has become the share capital of Tele Columbus AG. The share capital is divided into 20,025,000 registered no-par value shares with a proportional amount of share capital of EUR 1.00 attributable to each individual share.

A.3 Description of business activities

The companies in the Tele Columbus Group are cable network operators operating primarily in the eastern German federal states. Approximately 20% 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.

A.4 Basis of accounting

The consolidated financial statements of Tele Columbus AG as at 31 December 2014 present the financial position, financial performance and cash flows of Tele Columbus AG and the operating investments spun off to Tele Columbus AG as well as assets and liabilities of Tele Columbus Beteiligungs GmbH for financial year 2014 and the comparative information for the preceding period 2013.

The consolidated financial statements of Tele Columbus Group as at 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The financial information for the comparative period in 2013 corresponds to the combined financial statements for the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The combined financial statements for the above fiscal years were prepared for the purpose of the stock exchange prospectus and are the first financial statements of Tele Columbus Holding GmbH in accordance with the IFRS regulations and were prepared in line with the regulations set out in IFRS 1 for the first-time adoption of IFRS.

The consolidated financial statements comprise the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and the notes to the consolidated financial statements for financial year 2014 and the comparative period 2013.

The Group's functional currency is the euro. Unless otherwise stated, all figures are presented in thousands of euros (TEUR). Due to disclosure in thousands of euros, there may be rounding differences of up to one thousand euros (positive or negative) between individual disclosures.

The consolidated financial statements were prepared by Tele Columbus AG's Management Board in Berlin as at 31 March 2015.

These financial statements are based on the going concern assumption.

There were no significant changes in accounting policies compared to the comparative period.

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 variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is gained until the date when control ceases.

In 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. Transactions with entities no longer part of the group of consolidated entities are presented as related-party transactions.

B.1.2 Non-controlling interests

Any non-controlling interest is measured at the 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 translations.

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 a joint venture.

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.

B.2 Changes in consolidated entities

B.2.1 Acquisition of ownership interests in BIG Medienversorgung GmbH and Medienwerkstatt GmbH

By agreement dated 27 August 2014, Tele Columbus AG acquired BIG Medienversorgung GmbH, Mönchengladbach (hereinafter referred to as 'BIG') as well as Medienwerkstatt GmbH, Mönchengladbach (hereinafter referred to as 'Medienwerkstatt'). To this end, Tele Columbus AG acquired all shares in BIG and 40% of the shares in Medienwerkstatt. BIG Medienversorgung GmbH holds the remaining 60% of the shares in Medienwerkstatt. The shares correspond to voting rights.

To date, EUR 10.7 million of the provisional purchase price of EUR 10.8 million has been settled in cash. This also includes a loan to the company. There is also a variable purchase price component contingent on future EBITDA, as defined by Tele Columbus, for which no significant amount has been recognised so far (for further details on the provisional nature of these figures please see below).

BIG Group offers its customers a comprehensive service in respect of the supply of signals at network level four. This acquisition (mainly in the TV products segment) enables Tele Columbus Group to consolidate its market presence in this segment.

Transaction costs of TEUR 73 are included in 'Other expenses'.

The opening statements of financial position for first-time consolidation of the entities as at 1 September 2014, due to time constraints, were still provisional at the time of preparation of the financial statements and were prepared based on as yet unaudited German GAAP figures (in accordance with the German Commercial Code [HGB]) and a simplified transition to IFRS. Measurement of the acquired customer base has yet to be completed. Based on these provisional figures, the acquired net assets amount to TEUR 680 for both entities combined. This corresponds to provisional goodwill of TEUR 10,146.

This goodwill largely reflects synergy effects and the value of BIG's business model.

Furthermore, the following statements can be made regarding the provisional figures: the recognised receivables and liabilities largely correlate with the fair values and gross amounts of contractually agreed receivables. Uncollectible receivables are not anticipated. There are no significant contingent assets and liabilities based on the current state of knowledge.

With combined revenue of TEUR 685, EBITDA of TEUR 198 and profit after tax of TEUR 238, BIG and Medienwerkstatt have had relatively little impact on the consolidated financial statements since September (i.e. since first-time consolidation).

Given the provisional nature of all current figures, information on the impact of BIG – had it been consolidated as at 1 January 2014 – cannot be reliably provided and has therefore been omitted. The provisional unconsolidated financial statements of BIG and Medienwerkstatt as at 31 December 2014, prepared in accordance with German GAAP, show revenue of TEUR 2,417 and EBITDA of TEUR 33.

B.2.2 Formation of JVA Media GmbH

A new company, JVA Media GmbH, based in Magdeburg, was created on 23 September 2014.

This company was established for marketing, operating and developing media systems for detention centres (TV, phone, Internet). JVA Media GmbH is authorised to conduct any business or measures within the scope of its registered purpose. The company is also authorised to acquire ownership interests in other companies operating in the area of telecommunications.

JVA Media GmbH's share capital amounts to EUR 25,000. Of this share capital, MDCC Magdeburg City-Com GmbH, Magdeburg (51.02% subsidiary of Tele Columbus Multimedia GmbH, Berlin), and Lausitzer Information- und Medienzentrum GmbH each hold EUR 12,500 of the ownership interest. Thus, Tele Columbus AG holds 50% of the interest in JVA Media GmbH, Magdeburg (we refer to the explanatory notes in Section B.4 'Investments in associates').

MDCC Magdeburg City-Com GmbH, Magdeburg, and Lausitzer Information- und Medienzentrum GmbH are both equally responsible for the associated risk exposures.

The new company, JVA Media GmbH, Magdeburg, has been established for an indefinite period. The first financial year is a short reporting period and runs from the date of the business agreement until 31 December 2014. Thereafter, financial years will coincide with calendar years.

B.2.3 Sale of RFC Radio-, Fernseh- und Computertechnik GmbH

By notarial deed dated 19 August 2014, Tele Columbus Multimedia GmbH sold its wholly-owned interest in RFC Radio-, Fernseh- und Computertechnik GmbH (Chemnitz) to Tele Columbus Beteiligungs GmbH (formerly: Tele Columbus GmbH). As the company had not previously been consolidated for reasons of materiality, the sale had no significant effect on the financial statements (we refer to the explanatory notes in Section F.7 'subsequent events').

B.2.4 Acquisition of the remaining ownership interests in BMB GmbH & Co. KG and BMB Geschäftsführung GmbH

On 11 September 2014 (with economic effect from 1 January 2014), Tele Columbus Multimedia GmbH, Berlin, acquired the remaining 49.5% share in BMB GmbH & Co. KG, Essen (capital contributed by limited partner with non-controlling interest: TEUR 99), and a 48% share in BMB Geschäftsführung GmbH, Essen (non-controlling interest capital share: TEUR 12), from Marienfeld Multimedia GmbH, Essen. Tele Columbus Multimedia GmbH now holds all the shares in BMB Geschäftsführung GmbH and all the limited partners' shares in BMB GmbH & Co. KG.

These shares were acquired for a total purchase price of TEUR 21,280 (after discounting) and financed from free cash flows. Both companies were already fully consolidated in the consolidated financial statements. Acquisition of the remaining shares in both companies therefore is recognised as a transaction directly in equity in accordance with IFRS 10.23. Non-controlling interests of TEUR 597 were eliminated and the difference between the purchase price and non-controlling interest presented under the item 'Other changes in equity'. Furthermore, the non-current liabilities eliminated from the redeemable non-controlling interests for the partnership (BMB GmbH & Co. KG) were also recognised under this equity item (please refer to the explanatory notes in Section F.2.2 'Intra-group receivables and payables').

B.2.5 Liquidation of Ewt TSS Immobilien GbR

In its letter dated 19 August 2014, Tele Columbus Multimedia GmbH, in its function as shareholder of Ewt TSS Immobilien GbR, Augsburg, holding a 99.9% share, informed the only other shareholder, Orion Cable GmbH, Munich, of its decision to exclude Orion Cable GmbH from shareholdership and to take over the latter's 0.1% share in Ewt TSS Immobilien GbR, a private partnership under the German Civil Code [GbR]. Exclusion and the takeover of all shares of Orion Cable GmbH in the GbR took immediate effect. The private partnership under the German Civil Code was dissolved upon receipt of the letter by Orion Cable GmbH.

There were no other acquisitions or disposals during financial year 2014 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:

Ownership interest in %

	2014	2013
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51.00	51.00
BMB Geschäftsführung GmbH, Essen	100.00	52.00
BMB GmbH & Co. KG, Essen*	100.00	50.50
Cable Plus GmbH, Cottbus	100.00	100.00
MDCC Magdeburg City-Com GmbH, Magdeburg	51.02	51.02
Tele Columbus Multimedia GmbH, Berlin*	100.00	100.00
Tele Columbus Kabel Service GmbH, Berlin*	100.00	100.00
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin*	100.00	100.00
Tele Columbus Cottbus GmbH, Cottbus*	100.00	100.00
Tele Columbus Hessen GmbH, Berlin*	100.00	100.00
Tele Columbus Ost GmbH, Berlin*	100.00	100.00
Tele Columbus Sachsen-Anhalt GmbH, Köthen*	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Jena*	100.00	100.00
Tele Columbus Verwaltungs GmbH, Berlin*	100.00	100.00
Tele Columbus Netze Berlin GmbH, Berlin*	100.00	100.00
BIG Medienversorgung GmbH, Mönchengladbach	100.00	n/a
Medienwerkstatt GmbH, Mönchengladbach	100.00	n/a

* The Company used the exemption of Section 264 (3)/Section 264b of the German Commercial Code [HGB] for its 2014 financial statements.

The respective ownership interests correspond to the following voting right percentages.

The following table gives information about subsidiaries along with major non-controlling interests before intragroup elimination.

2014

TEUR	MDCC Magdeburg City-Com GmbH	BMB GmbH & Co. KG	BBcom Berlin-Brandenburgische Communikations-gesellschaft mbH	Total*
Non-controlling interest (%)	*48.98*	*0.00*	*49.00*	
Non-current assets	12,188	0	73	
Current assets	2,707	0	687	
Non-current liabilities	–7,888	0	0	
Current liabilities	–2,581	0	–389	
Net assets	*4,426*	*0*	*371*	*4,797*
Carrying amount of non-controlling interest	**2,911**	**0**	**207**	**3,118**
Revenue	24,362	13,099	1,379	
Profit from continuing operations (EBITDA)	11,627	5,744	552	
Other comprehensive income	–8,097	–5,604	–217	
Total comprehensive income	**3,530**	**140**	**335**	**4,005**
Profit attributable to non-controlling interest (EBITDA)	5,695	0	271	5,966
Other comprehensive income attributable to non-controlling interest	–3,966	0	–106	–4,072
Cash flows from operating activities**	5,838	4,103	454	
Cash flows from investing activities**	–523	–215	–88	
Cash flows from financing activities**	–4,852	–4,906	–214	
thereof dividends to non-controlling interests	–1,225	–1,735	–105	
Net increase/decrease in cash and cash equivalents	**463**	**–1,018**	**152**	**–403**

* The entities BMB Geschäftsführung GmbH and ewt TSS Immobilien GbR (in 2013) are not included in this list due to their immaterial non-controlling interests.

** Simplified assumptions were used for the presentation of cash flows.

2013

TEUR	MDCC Magdeburg City-Com GmbH	BMB GmbH & Co. KG	BBcom Berlin-Brandenburgische Communikations-gesellschaft mbH	Total *
Non-controlling interest (%)	*48.98*	*49.50*	*49.00*	
Non-current assets	14,611	3,836	68	
Current assets	2,662	2,062	471	
Non-current liabilities	–9,483	–2,184	0	
Current liabilities	–3,014	–1,394	–228	
Net assets	*4,776*	*2,320*	*311*	*7,407*
Carrying amount of non-controlling interest	**2,911**	**99**	**207**	**3,217**
Revenue	23,955	12,750	1,305	
Profit from continuing operations (EBITDA)	10,887	5,964	448	
Other comprehensive income	–8,240	–2,461	–228	
Total comprehensive income	**2,647**	**3,503**	**220**	**6,370**
Profit attributable to non-controlling interest (EBITDA)	5,332	2,952	220	8,504
Other comprehensive income attributable to non-controlling interest	–4,036	–1,218	–112	–5,366
Cash flows from operating activities **	10,679	4,675	505	
Cash flows from investing activities **	–11,048	–593	–154	
Cash flows from financing activities **	1,595	–1,909	–440	
thereof dividends to non-controlling interests	–1,029	–1,542	–211	
Net increase/decrease in cash and cash equivalents	**1,226**	**2,173**	**–89**	**3,310**

* The entities BMB Geschäftsführung GmbH and ewt TSS Immobilien GbR (in 2013) are not included in this list due to their immaterial non-controlling interests.

** Simplified assumptions were used for the presentation of cash flows.

B.4 Investments in associates

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

Associates

	Ownership interest in %	
	31 Dec. 2014	31 Dec. 2013
AproStyle AG, Dresden	25.10	25.10
TV Produktions- und Betriebsgesellschaft GmbH & Co. KG, Jena	48.00	48.00
TV Produktions- und Betriebsverwaltungs GmbH, Jena	48.00	48.00
JVA Media GmbH, Magdeburg	50.00	n/a

The carrying amount of investments in associates of TEUR 276 (2013: TEUR 275) mainly results from ownership interests in AproStyle AG and ownership interests in JVA Media GmbH.

The expenses relating to AproStyle AG, Dresden, which are stated as equity-accounted investees, amounted to TEUR 12 in financial year 2014 (2013: TEUR 20).

Due to full consolidation of its subsidiary MDCC Magdeburg City-Com GmbH, Tele Columbus AG held 50% of the shares in JVA Media GmbH as at the reporting date, at a value of TEUR 12.5. This investment did not generate any profits in financial year 2014.

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.

B.5 Interests in other entities

Due to the lack of control or significant influence, the 12.82% interest in Deutsche Netzmarketing GmbH is reported pursuant to IAS 39 in the consolidated financial statements. It was reported under ‘Interests in unconsolidated subsidiaries’. The interest was classified as an available-for-sale financial asset and is recognised at cost (TEUR 8) due to non-determinable fair values.

Due to its immaterial impact on the presentation of the financial position, financial performance and cash flows of the Group of combined entities, the 100% ownership interest in RFC Radio-, Fernseh- und Computertechnik GmbH, Chemnitz, of TEUR 515 is not fully consolidated but stated until its disposal in financial year 2014 (we refer to the explanatory notes in Section B.2 ‘Changes in the reporting entity’). It was reported under ‘Interests in unconsolidated subsidiaries’. The ownership interest is classified as an available-for-sale financial asset pursuant to IAS 39. For measurement, we refer to Sections D.2 ’Significant accounting policies’ and F.3.1 ‘Carrying amounts and net income from financial instruments’.

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. The net defined benefit liability recognised is determined as the present value of defined benefit obligations less the fair value of plan assets.

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 on an ongoing basis. Changes to estimates are recognised in the period in which they occur and prospectively in future relevant periods.

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 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 – include 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. Tele Columbus Group therefore has classified these leases as finance leases as defined by IAS 17.

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.

- Dismantling 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. With regard to asset retirement obligations arising from the business premises leased by the Group, we refer to Section – E.17 'Other provisions'.

- Provision for onerous contracts:
  Provisions for onerous contracts were recognised in 2014 for a long-term signal delivery agreement in the amount of TEUR 17,731 (2013: TEUR 15,311). We refer to Section E.17 '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.

- 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. Goodwill is not amortised, as stipulated by IFRS, but impairment-tested annually instead (goodwill 2014: TEUR 373,582; 2013: TEUR 363,436). Further assessments are performed if there is objective evidence of impairment. For impairment testing of goodwill according to IAS 36 as at 31 December 2014, the recoverable amount was measured at fair value less costs to sell for each cash generating unit (identical with segments). Fair value was measured pursuant to IFRS 13 based on unobservable inputs (level 3 inputs). We refer to our explanatory notes in Section A 'General information' and Section E.12 'Intangible assets and goodwill'.

- Due the implementation of the segment reporting in 2014, goodwill was allocated to segments for the first time in 2014 (identical to cash generating units for impairment testing). This allocation was implemented on the basis of fair value less costs to sell for each segment.

- 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. Any excess in deferred tax assets and all deferred tax assets on tax loss carryforwards were written down in 2014. Part of the deferred tax assets on tax loss carryforwards were not recognised as utilisation of the carryforwards is not anticipated. Some utilisation is expected. However, on the basis of the loss history there are higher requirements for documenting the probability for utilising carryforwards (e.g. detailed tax planning). It was not possible to fulfil these requirements in full as at the reporting date.

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) using the straight line method from the time of their operational readiness.

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 impairment-tested annually instead for potential impairment. Further assessments are performed if there is objective evidence of impairment. The impairment test is performed based on the cash generating unit to which goodwill is attributable.

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 under 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 capital consolidation, the identified assets and liabilities of the 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. For each business combination, an entity has the option of measuring non-controlling interests in an acquired entity either at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets or at fair value. Tele Columbus Group has selected the first option.

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 three to 15 years. The cable network infrastructure comprises technical facilities with estimated useful lives of between 8 and 15 years. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualifying asset. 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 one euro and allocated to inventories.

Estimated useful lives are assessed 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.

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 operating 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 operating leases. Lease payments under an operating lease are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

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 all services provided to customers.

Finance leases are in place, in particular, for rented building distribution equipment and leased local cabling using fibre optic connections. We refer to the explanatory notes in Section F.1.3 'Finance leases'.

D.2.5 Inventories

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

D.2.6 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. As defined in IAS 32 and 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 have 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	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
1. Interests in unconsolidated subsidiaries	Available-for-sale financial assets	Fair value	Fair value [1]	Other income/other expenses [1]
2. Trade and other receivables	Loans and receivables	Fair value	Amortised cost	Other income/other expenses
3. Receivables from related parties	Loans and receivables	Fair value	Amortised cost	Other income/other expenses
4. Cash and cash equivalents	Loans and receivables	Fair value	Fair value	Finance income/costs

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

1) Investments in equity instruments classified as 'available-for-sale financial assets' are measured at cost pursuant to IAS 39.46c by Tele Columbus Group, as market prices do not exist for this purpose and reliably determining their fair value would require unreasonable effort. It is currently not planned to sell these investments. Any dividends received are recognised in profit or loss when the Group's right to receive payment is established. Changes in fair value are not recognised in that case. Impairment losses are recognised in profit or loss pursuant to IAS 39.55b.

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

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 neither consolidated nor recognised using the equity method. 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. All available-for-sale financial assets are interests in unconsolidated subsidiaries. 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.

We refer to the explanatory notes in Section D.1.2 'Estimation uncertainties' 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 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 irrecoverability 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 shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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 interests in unconsolidated subsidiaries, 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 per cent significant and a period of nine months prolonged.

D.2.7 Post-employment and other long-term 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.

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.

Should there be 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.

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 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 considering employee entitlements based on the number of years served.

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.

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 as well as telephony and transmission fees.

Current proceeds from fixed charges are recognised on a straight line basis over the individual lease term.

Some new customers are gained through advertising offers, such as a certain number of free months for a lease term of one to two years. If a customer has signed a lease 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 or no unfulfilled obligations which impact final customer acceptance.

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

Interest income

Interest income is recognised pro rata by 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 technical facilities, 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'.

D.2.12 Fair value measurement according to IFRS 13

Tele Columbus Group generally measures available-for-sale financial assets at fair value, if it can be measured reliably. These financial assets are partially interests in unconsolidated subsidiaries which are recognised at cost due to non-determinable fair values (we refer to the explanatory notes in Section B.5 'Interests in other entities').

If there are indications of impairment, fair value is measured by using an appropriate valuation technique. Plan assets within the meaning of IAS 19 are also measured at fair value, however they do not fall within the scope of IFRS 13. 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 Group has established a framework for the determination of fair values. 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 and accounting department regularly reviews the most important unobservable inputs and valuation adjustments. 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.

Deferred tax assets from deductible temporary differences and from the carryforward 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 carryforwards, 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.3 Compliance with IFRS

Tele Columbus has adopted all IFRSs and IFRIC interpretations in the consolidated financial statements for the year ended 31 December 2014, as adopted by the EU, that are effective for financial years commencing on or after 1 January 2014.

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	Effects
IAS 32	Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 Jan. 2014	29 Dec. 2012	No material effects
IAS 36	Amendments to IAS 36, Impairment of Assets: Recoverable Amount Disclosures	1 Jan. 2014	20 Dec. 2013	Disclosure requirements with regard to the recoverable amount of actually impaired assets – already adopted early in the combined financial statements for 2011, 2012 and 2013 and thus also for the 2013 comparative period. Therefore no impact on the current financial statements.
IAS 39	Amendments to IAS 39, Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	1 Jan. 2014	20 Dec. 2013	No material effects
IFRS 10 IFRS 11 IAS 27 IAS 28	Consolidated Financial Statements Joint Arrangements	1 Jan. 2014*	11 Dec. 2012	First-time adoption of IFRS 10 had no effect on the consolidated financial statements.
IFRS 12	Disclosure of Interests in Other Entities	1 Jan. 2014*	29 Dec. 2012	The changes to the disclosure of interests in other entities, including subsidiaries, have been implemented in the notes to the financial statements.
IFRS 10 IFRS 12 IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entity Consolidation Exemption	1 Jan. 2014	21 Nov. 2013	none

* Mandatory adoption date endorsed by the EU deviates from that set by the IASB.

The following table shows the main new or revised standards (IAS/IFRS) or interpretations (IFRIC) that are not yet mandatory for financial year 2014 and their effects on the Group. The adoption date refers to the effective date as specified in the EU endorsement – unless otherwise stated:

Standard/Interpretation		Effective as at	Publication of endorsement by the EU Commission	Effects
IFRIC 21	Levies: Accounting for levies Imposed by Governments	17 June 2014	14 June 2014	none
Various	Annual Improvements Cycle 2011–2013 – Improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40)	1 Jan. 2015	19 Dec. 2014	Depending on the nature and scope of future transactions
IFRS 9	Financial Instruments	1 Jan. 2018*	tbd	Subject to review by management
Various	Annual Improvements Cycle 2010–2012 – Improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)	1 July 2015	9 Jan. 2015	Depending on the nature and scope of future transactions
IAS 19	Amendments to IAS 19, Employee Benefits	1 Feb. 2015	9 Jan. 2015	Depending on the nature and scope of future transactions
IFRS 11	Changes to the Accounting of Joint Ventures	1 Jan. 2016*	tbd	Depending on the nature and scope of future transactions
IAS 16 IAS 38	Amendments to Clarify Accepted Depreciation and Amortisation Methods	1 Jan. 2016*	tbd	The effects on consolidated financial statements are currently under review
IFRS 15	Revenue from Contracts with Customers	1 Jan. 2017*	tbd	The effects on consolidated financial statements are currently being analysed
AIP 2012–2014	Annual Improvements to IFRS 2012–2014 Cycle	1 Jan. 2016*	tbd	The effects on consolidated financial statements are currently being analysed
IAS 1	Amendments to IAS 1: Disclosure Initiative	1 Jan. 2016*	tbd	The effects on consolidated financial statements are currently being analysed

* As the EU endorsement is still outstanding, the date of mandatory first-time adoption according to the IASB is provided instead.

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

E.1 Revenue

TEUR	2014	2013
Revenue, analogue, ongoing	130,533	134,793
Revenue, analogue, one-time	1,086	1,035
Revenue, Internet/telephony	50,387	41,546
Revenue, ancillary digital services	11,022	10,261
Revenue, other transmission fees	4,535	4,227
Revenue, Sky	2,133	2,229
Revenue, shopping channels	1,780	1,768
Other	11,618	10,363
	213,094	**206,222**

Tele Columbus Group's revenues mainly comprise monthly subscription fees and to a lesser extent one-off installation and connection charges for basic analogue cable television as well as ancillary digital services. They also include fees for high-speed Internet access and telephony charges. Other revenues relate to other transmission fees and feed-in charges for Sky Deutschland AG (Unterföhring) as well as for various shopping channels payable to the Group in exchange for feeding in their programmes. These revenues are generated in Germany.

E.2 Own work capitalised

Own work capitalised in the amount of TEUR 6,649 in 2014 (2013: TEUR 6,877) mainly comprises expenses for work performed by our own employees in connection with expanding our own cable network.

E.3 Other income

TEUR	2014	2013
Income from the derecognition of liabilities and reversal of provisions	3,031	14,448
Income from dunning fees	1,619	1,865
Income from marketing subsidies	1,263	2,633
Gains on disposal of non-current assets	1,945	2,090
Income from connection and disconnection fees	535	685
Income from services	461	701
Miscellaneous other income	6,810	3,646
	15,664	**26,068**

Income from the derecognition of liabilities and reversal of provisions has decreased by TEUR 11,417 compared to 2013. This change mainly results from reversal of the provision for onerous contracts.

E.4 Cost of materials

TEUR	2014	2013
Cost of raw materials and consumables	–1,928	–2,092
Cost of purchased services/goods	–74,122	–81,691
	–76,050	**–83,783**

The cost of raw 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 inventory of modems and digital receivers.

E.5 Employee benefits

TEUR	2014	2013
Wages and salaries	–27,517	–26,614
Social security, pension and other benefits	–4,793	–4,313
Other personnel expenses	–1,444	–818
	–33,754	**–31,745**

Regarding employee benefits, we refer to Section E.16 'Post-employment and other long-term employee benefits'.

E.6 Other expenses

Other expenses were incurred in particular for the following:

TEUR	2014	2013
Legal and advisory fees	–13,880	–7,410
Advertising	–8,797	–6,867
Occupancy costs	–4,184	–3,696
Impairment of receivables	–5,064	–4,135
Communication costs	–1,238	–1,297
IT costs	–3,015	–2,465
Vehicle expenses	–1,019	–1,083
Incidental bank charges	–798	–808
Losses on disposal of non-current assets	–465	–1,375
Income from cancellations, prior year	–638	–1,471
Travel expenses	–660	–395
Miscellaneous other expenses	–1,691	–1,471
	–41,449	**–32,473**

Legal and advisory fees have risen by TEUR 6,470 compared to the previous year (2013). This increase mainly results from additional legal and advisory fees incurred in connection with preparation for the IPO.

E.7 Depreciation and amortisation expense

Depreciation relates to property, plant and equipment and amortisation to intangible assets. For more information, we refer to the movements in non-current assets presented in Section E.11 'Property, plant and equipment'.

For impairment testing of goodwill, we refer to the explanatory notes in Section E.12 'Intangible assets and goodwill'.

In financial year 2014, impairment losses of TEUR 538 (2013: TEUR 535) were recognised for property, plant and equipment. These are largely attributable to customer terminals.

E.8 Interest income / loss

TEUR	2014	2013
Interest income from third parties	82	360
Interest income from associates	30	87
Interest and similar income	**112**	**447**
Interest paid to third parties	–45,782	–28,080
Expenses for unwinding of discount on loans using the effective interest method	–1,459	0
Interest paid to associates	–55	–241
Interest and similar expenses	*–47,296*	*–28,321*
	–47,184	**–27,874**

The interest paid to third parties mainly relates to liabilities to banks (loans and borrowings). We refer to the explanatory notes in Section E.18 'Interest-bearing liabilities (loans and borrowings)'.

We refer to the explanatory notes in Section E.18 'Interest-bearing liabilities (loans and borrowings)' in respect to unwinding loans using the effective interest method.

E.9 Other finance income / costs

TEUR	2014	2013
Adjustment of the value of financial instruments	–84	–618
Profit/loss transfer	0	133
Other finance income/costs	30	0
	–54	**–485**

E.10 Income tax expense

TEUR (expense –, income +)	2014	2013
Deferred tax income/expense resulting from changes in temporary differences	–2,620	–2,086
Deferred tax income/expense from recognition of deferred tax assets for loss and interest carryforwards	9,059	3,329
Deferred tax income/expense resulting from recognition changes for deferred tax assets	–6,775	–1,366
Current tax expense, current year	–7,584	–2,578
Current tax income/expense, prior years	–89	–5,892
Total tax income/expense	**–8,009**	**–8,593**

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

TEUR	2014	2013
Earnings before tax (EBT)	–13,885	–45
Group's tax rate	31.05 %	31.05 %
Expected tax expense (–)/income(+)	**4,311**	**14**
Adjustments for prior years	0	369
Adjustment of temporary differences	1,756	0
Effects of deferred tax assets and liabilities not qualifying for recognition	128	0
Adjustment for recognition changes	–9,059	–1,366
Changes in tax rates	–1	0
Tax-exempt income	8	7
Trade tax additions/reductions	–933	–1,042
Non-deductible expenses	–9	–561
Corporation tax effects, external owners of the Company/effects of investments in companies	–3,435	331
Non-deductible expenses for dividends	–21	–19
Other consolidation effects	–917	–21
Taxes for prior years	–89	–5,892
Other discrepancies	508	–413
Reported income tax expense (+)/income (–)	**–8,009**	**–8,593**

The adjustment for recognition changes mainly results from impairment losses on interest carried forward, for which an effect on tax cannot be expected in the short term due to the interest cap regulation.

The other consolidation effects include tax effects from the acquisition of non-controlling interests in BMB in the amount of TEUR 3,343 and offsetting effects due to the sale of RFC in the amount of TEUR –917.

The aggregate tax rate of 31.05% (2013: 31.05%) corresponds to the average tax rate for the consolidated entities.

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

TEUR	31 Dec. 2014	31 Dec. 2013
Property, plant and equipment	1,334	1,853
Financial assets	1,069	355
Intangible assets	5,116	3,719
Receivables and other assets	9,082	634
Liabilities and provisions	18,041	17,448
Value of recognition changes for deferred tax assets	–21,415	–5,581
Offset	–13,227	–18,428
Deferred tax assets	**0**	**0**
Property, plant and equipment	–9,391	–10,993
Intangible assets	–55	–3,081
Receivables and other assets	–1,569	–168
Liabilities and provisions	–2,212	–4,186
Offset	13,227	18,428
Deferred tax liabilities	**0**	**0**
Change	*0*	*0*
thereof recognised in profit or loss	–337	–123
thereof recognised directly in equity	337	123

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.15 '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. 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.

Deferred tax liabilities under property, plant and equipment result mainly from capitalised leased assets.

It is generally assumed that the deferred tax liabilities will not reverse until one year later and therefore are non-current.

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

Deferred tax assets arising from temporary differences were recognised in the amount of deferred tax liabilities. Any remaining deferred tax assets arising from temporary differences were written down. This includes deferred tax assets for interest carryforwards of TEUR 8,863 (2013: TEUR 8,776), which are likely to be permanent due to the interest cap regulation in German tax law, and therefore were written down. Impairment losses were recognised in the previous year, as the entities consolidated in the combined financial statements could no longer use any of the loss carryforwards after restructuring. In 2014, 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 extensive documentary evidence regarding the impairment of deferred tax assets could not be provided in full in all areas to the required extent: deferred taxed from trade tax loss carryforwards of TEUR 196 (2013: trade tax TEUR 2,763, corporation tax TEUR 4,446).

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

TEUR	31 Dec. 2014	31 Dec. 2013
Temporary differences	39,137	17,973
Loss carryforwards	1,286	23,218
Interest carryforwards	28,546	28,263

Due to the change in group structure, all the loss carryforwards attributable (on a calculated basis) to the entities consolidated in the combined financial statements are no longer usable. As the carryforwards were written down in full, they have no impact on reconciliation.

Not included in the recognition basis for deferred taxes are 5% of the differences between the recognition of the pro rata equity of the subsidiaries and the lower corresponding item recognised in the financial statements for tax purposes (outside basis differences) of TEUR 1,041 (2013: TEUR 12,352). Realisation is not planned at the present time. On disposal, 5% of the sales proceeds would be subject to taxation.

E.11 Property, plant and equipment

The following tables show the movements in carrying amounts of property, plant and equipment and intangible assets in the year ended 31 December 2014, and the comparative period ended 31 December 2013.

With regard to assets and finance lease obligations, we refer to the explanatory notes in Section F.1.3 ‘Finance leases’.

With regard to operating lease obligations, we refer to the explanatory notes in Section F.1.4 ‘Operating 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 fixed assets during the 2014 financial year

TEUR	Acquisition costs 1 Jan. 2014	Additions	Additions from change in consolidated group	Disposals	Transfer	31 Dec. 2014
I. Intangible assets						
1. Goodwill	511,746	0	10,146	0	0	521,892
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	32,105	1,607	7	657	0	33,062
3. Internally developed software	534	61	0	0	0	595
4. Customer base	102,873	5,411	0	0	0	108,284
	647,258	**7,079**	**10,153**	**657**	**0**	**663,833**
II. Property, plant and equipment						
1. Properties	2,785	28	12	0	0	2,825
2. Plant and equipment	747,918	38,342	5,707	125,184	2,518	669,301
3. Other equipment, operating and office equipment	25,887	2,514	157	7,294	9	21,273
4. Assets under development	3,380	304	0	2	–2,527	1,155
	779,970	*41,188*	*5,876*	*132,480*	*0*	*694,554*
	1,427,228	**48,267**	**16,029**	**133,137**	**0**	**1,358,387**

Movements in fixed assets during the 2013 financial year

TEUR	Acquisition costs 1 Jan. 2013	Additions	Additions from change in consolidated group	Disposals	Transfer	31 Dec. 2013
I. Intangible assets						
1. Goodwill	511,746	0	–	0	0	511,746
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	31,209	906	–	10	0	32,105
3. Internally developed software	398	136	–	0	0	534
4. Customer base	97,184	5,689	–	0	0	102,873
	640,537	**6,731**	–	**10**	**0**	**647,258**
II. Property, plant and equipment						
1. Properties	2,785	0	–	0	0	2,785
2. Plant and equipment	743,360	49,715	–	44,729	–428	747,918
3. Other equipment, operating and office equipment	27,173	2,042	–	3,328	0	25,887
4. Assets under development	2,965	0	–	13	428	3,380
	776,283	*51,757*	–	*48,070*	*0*	*779,970*
	1,416,820	**58,488**	–	**48,080**	**0**	**1,427,228**

	Accumulated depreciation and amortisation					Net carrying amounts	
	1 Jan. 2014	Scheduled additions	Unscheduled additions	Disposals	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013
	148,310	0	0	0	148,310	373,582	363,436
	29,506	1,587	0	655	30,438	2,624	2,599
	432	107	0	0	539	56	102
	96,837	5,888	0	0	102,725	5,559	6,036
	275,085	**7,582**	**0**	**655**	**282,012**	**381,821**	**372,173**
	959	67	0	0	1,026	1,799	1,826
	547,963	40,788	538	123,486	465,803	203,498	199,955
	23,227	1,814	0	7,239	17,802	3,471	2,660
	0	0	0	0	0	1,155	3,380
	572,149	*42,669*	*538*	*130,725*	*484,631*	*209,923*	*207,821*
	847,234	**50,251**	**538**	**131,380**	**766,643**	**591,744**	**579,994**

	Accumulated depreciation and amortisation					Net carrying amounts	
	1 Jan. 2013	Scheduled additions	Unscheduled additions	Disposals	31 Dec. 2013	31 Dec. 2013	31 Dec. 2012
	148,310	0	0	0	148,310	363,436	363,436
	28,279	1,232	0	5	29,506	2,599	2,930
	269	163	0	0	432	102	129
	83,005	13,832	0	0	96,837	6,036	14,179
	259,863	**15,227**	**0**	**5**	**275,085**	**372,173**	**380,674**
	894	65	0	0	959	1,826	1,891
	545,002	45,091	535	42,665	547,963	199,955	198,358
	23,494	1,914	0	2,181	23,227	2,660	3,679
	0	0	0	0	0	3,380	2,965
	569,390	*47,070*	*535*	*44,846*	*572,149*	*207,821*	*206,893*
	829,253	**62,297**	**535**	**44,851**	**847,234**	**579,994**	**587,567**

E.12 Intangible assets and goodwill

With regard to movements in intangible assets and goodwill, we refer to the explanatory notes in Section D.1 'Use of judgements and estimates' and Section E.11 'Property, plant and equipment'.

E.12.1 Cash generating units (CGUs)

Impairment testing was based on the cash generating unit to which goodwill is attributable. The Group was designated as the CGU in the past. Segment reporting was introduced in 2014. These segments are the cash generating units of the Group. Therefore, goodwill was allocated to these CGUs for the first time in 2014. Previously it had been recognised at Group level. The allocation was attributed based on the proportionate share of fair value of the segments (see below).

The goodwill of the recently acquired company BIG of TEUR 10,146 was allocated to the TV segment.

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

TEUR	31 Dec. 2014
TV	218,676
Internet and Telephony	154,906
Total	**373,582**

E.12.2 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.

In 2013, there was one purchase price offer for each CGU of Tele Columbus Group. In 2014, fair value was determined based on the discounted cash flow method (weighted average cost of capital).

This measurement is based on the financial budget for each segment approved by management for a 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. A conservative growth rate of nil per cent is assumed for the TV segment. The expected positive trend in the Internet and telephony market segment allows for a conservative sustainable growth rate estimate of 2%.

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

The discount rate (weighted average cost of capital) was calculated based on a risk-free rate of 1.75% (according to the Svensson method) and mean values of leading industry parameters: WACC after tax 6.62%, WACC before tax approx. 9%.

E.12.3 Result of impairment testing of goodwill

Goodwill was not impaired as at 31 December 2014, as defined by IAS 36.

Moreover, management does not expect a change in assumptions in the coming year that would adversely affect calculations and, thus, lead to impairment of goodwill.

E.12.4 Other intangible assets

As at 31 December 2014, intangible assets at a carrying amount of TEUR 381,821 (2013: TEUR 372,173) comprise goodwill of TEUR 373,582 (2013: KEU 363,436) and other intangible assets of TEUR 8,239 (2013: TEUR 8,737). This relates mainly to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets and software licences. We refer to the applicable movements in non-current assets in Section E.11 'Property, plant and equipment'. As these are intangible assets with a finite useful life, they are only impairment-tested if there is any indication of impairment (triggering events). No impairment losses were recognised during the reporting period in relation to these assets.

E.13 Inventories

TEUR	31 Dec. 2014	31 Dec. 2013
Modems and receivers	2,647	1,342
Other inventories	695	351
Inventories	**3,342**	**1,693**

The inventories comprise digital receivers, modems, network materials, and spare parts for repairs. Depending on their intended use, customer terminals which are reported as inventories are recognised either as an investment or expense upon start-up of operation. The Group reclassifies customer terminals to property, plant and equipment once they have been delivered to customers for use. Costs for maintenance and the replacement of customer terminals are also recognised as an expense.

The Group recognises customer terminals as an expense, if they are acquired by the customer.

In financial year 2014, income from the reversal of impairment losses totalled TEUR 198 (2013: impairment losses of TEUR 30). Impairment losses and income from the reversal of impairment losses are recognised under cost of materials.

E.14 Trade and other receivables

TEUR	31 Dec. 2014	31 Dec. 2013
Trade receivables – gross	28,078	43,015
Impairment losses	–8,963	–24,084
Trade receivables – net	**19,115**	**18,931**

Additionally, there are also trade receivables from related parties. We refer to the explanatory notes under Section F.2.2 'Intra-group receivables and payables'.

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, we refer to the explanatory notes in Section E.18 'Interest-bearing liabilities (loans and borrowings)'.

Movement in impairments (provisions for bad debts) at Group level:

TEUR	2014	2013
1 Jan.	24,084	24,558
Additions	4,918	4,191
Utilisation/reversals	–20,039	–4,665
31 Dec.	**8,963**	**24,084**

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

Impairment losses have decreased by TEUR 15,121 year-on-year. This change mainly results from the complete write-down of legacy receivables from Orion Cable GmbH.

The other financial receivables of TEUR 5,810 (2013: TEUR 8,604) primarily consist of refundable IPO costs (we refer to the explanatory notes in Section F.2.2 'Group receivables and liabilities', 'Other') and claims from employer pension liability insurance.

Other receivables of TEUR 13,082 (2013: TEUR 903) mainly consist of cash deposits for the debit limit to NET M-Bank and Postbank.

As at 31 December 2014, TEUR 4,150 is shown as deferred expenses (2013: EUR nil), which were capitalised as transaction costs for the imminent IPO and which were offset against the capital reserves at the time of the IPO.

E.15 Equity

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'.

The revaluation reserve consists of the following components:

31 December 2014

TEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	–3,049	942	–2,107
	–3,049	**942**	**–2,107**

31 December 2013

TEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	–1,944	606	–1,338
	–1,944	**606**	**–1,338**

The acquisition of non-controlling interests in the subsidiary BMB GmbH & Co. KG and BMB GmbH – after deduction of the purchase price of TEUR 21,280 – impacted equity by TEUR –16,853 (with an effect on non-controlling interests of TEUR –597).

The share capital of TEUR 20,025 consists of 20,025,000 no-par-value registered shares and is fully paid. No treasury shares were held as at the reporting date.

According to the Articles of Association, as at the reporting date, with the approval of the Supervisory Board, the Management Board was authorised to increase the share capital of the Company up to 9 September 2019 on one or more occasion by a total of up to EUR 10,012,500 against cash contribution or demand deposits by issuing new registered shares (Authorised Capital).

There was no contingent capital as at the reporting date.

For movements in equity after the reporting date in connection with the IPO, we refer to the Section 'Subsequent events'.

E.16 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 pre-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 BMB GmbH & Co. KG, Essen, and Tele Columbus Multimedia GmbH, Berlin. 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.

TEUR	31 Dec. 2014	31 Dec. 2013
Post-employment benefits (DBO)	9,757	8,945
Partial retirement, jubilee or other long-service benefits	858	846
	10,615	**9,791**

Post-employment benefits and partial retirement, jubilee or other long-service benefits falling due in the subsequent financial year amount to TEUR 578 (2013: TEUR 573).

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

TEUR	31 Dec. 2014	31 Dec. 2013
Present value of defined benefit obligations (DBO)	11,979	11,143
Plan assets	–2,222	–2,198
Post-employment benefits (DBO)	**9,757**	**8,945**

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

TEUR	31 Dec. 2014	31 Dec. 2013
Present value of defined benefit obligations (DBO) – capital-backed plans	3,680	3,424
Present value of defined benefit obligations (DBO) – non-capital-backed plans	8,299	7,720
	11,979	**11,144**

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

TEUR	2014	2013
Present value of defined benefit obligations as at 1 January	11,144	10,933
Current service cost	9	26
Interest paid	309	352
Actuarial gains due to experience adjustments	160	–77
Actuarial losses due to financial adjustments	965	494
Benefits paid	–608	–584
Present value of defined benefit obligations as at 31 December	**11,979**	**11,144**

The present value is calculated based on a weighted average duration of 14 years (2013: 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:

TEUR	2014	2013
Plan assets at 1 January	2,198	2,188
Interest on plan assets	72	64
Return on plan assets excluding standard interest income	20	14
Employer contributions	13	13
Benefits paid	–81	–81
Plan assets at 31 December	**2,222**	**2,198**

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. The employer contributions expected in the following year amount to TEUR 13 (2013: TEUR 13). Plan asset payments expected in the following year amount to TEUR 590 (2013: TEUR 585).

The following expenses were incurred for post-employment benefits:

TEUR	2014	2013
Current service cost	–9	–26
Net interest paid	–237	–288
	–246	**–314**

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:

%	2014	2013
Interest rate	2.1–3.5	3.0–3.5
Anticipated increase in salaries and wages	0.0	0.0
Future pension increase	1.0–2.0	1.0–2.0
Attrition	0.0	0.0

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

	2014 Defined benefit obligation		2013 Defined benefit obligation	
TEUR	Increase	Decrease	Increase	Decrease
Discount rate (1.00% change)	–9,698	12,711	–9,237	12,024
Future pension increase (0.25% change)	427	–400	361	–338

Attrition and the expected increase in salaries and wages are considered insignificant actuarial assumptions with 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 2005 G guideline tables of Dr. Klaus Heubeck, Cologne, continued to be applied as the basis of calculation.

In 2014, the expenses for defined contribution plans amounted to TEUR 2,074 (2013: TEUR 1,927).

The pension provisions are countered by employee pension liability insurance claims of TEUR 1,845. They do not qualify as plan assets within the meaning of IAS 19 and are thus recognised as other financial receivables.

E.17 Other provisions

The following table shows the movements in other provisions in the current financial year:

TEUR	1 Jan. 2014	Reclassification MDCC*	Utilisation	Reversal	Additions	Discounting/ unwinding of discount	31 Dec. 2014
Onerous contracts	15,490	0	1,139	180	3,427	133	17,731
Asset retirement obligations	612	0	0	0	0	0	612
Litigation provisions	10	17	0	17	511	0	521
Termination benefits	0	0	0	0	200	0	200
Other provisions	0	213	138	20	229	1	285
	16,112	**230**	**1,277**	**217**	**4,367**	**134**	**19,349**

* Reclassification from 'Other provisions' for MDCC Magdeburg City-Com GmbH, which had been presented under 'Other liabilities' in 2013 due to materiality reasons.

Non-current provisions amounted to TEUR 11,883.

Provisions for onerous contracts were recognised in connection with a long-term signal delivery contract for TEUR 17,731 (2013: TEUR 15,311) and for a lease amounting to TEUR 0 (2013: TEUR 179).

Litigation provisions result mainly from an addition of TEUR 500 in respect to disputed claims of former Tele Columbus sales representatives.

Provisions for asset retirement obligations were formed in conjunction with the expected decommissioning of leased premises.

Current provisions will be used within one year.

It is considered likely that provisions will actually be used in the amount made as at the reporting date.

E.18 Loans and borrowings

TEUR	31 Dec. 2014	31 Dec. 2013
Liabilities to banks (loans and borrowings) – nominal values	637,424	43,507
Accrued interest	3,123	0
Non-current loans and borrowings	*640,547*	*43,507*
Liabilities to banks (loans and borrowings) – nominal values	2,257	568,357
Accrued interest	369	9,786
Current loans and borrowings	*2,626*	*578,143*
	643,173	**621,650**

On 5 February 2014, the loan agreements dated 19 January 2011 were comprehensively extended within the Group and with banks. The Senior A Facilities and the Mezzanine A Facilities transferring to Tele Columbus Holding GmbH were each extended by three years. The Senior A Facilities mature in 2017 and the Mezzanine A Facilities in 2018.

There were further changes in the Senior A Facilities in respect of the interest margin, which was increased by 0.5% p.a. to 3.75% p.a. plus six months' Euribor. In addition, a payment-in-kind (PIK) interest margin amounting to 2.75% p.a. was introduced for this purpose, and the option to suspend payment of interest liabilities in return for 7.70% p.a. plus Euribor and further interest payments at a rate of 0.05% p.a. after one interest period. The interest agreements not pertaining to the Senior A Facilities remained unchanged; the loans bear interest of six months' Euribor plus 5.00%.

The comprehensive extension of the loan agreements on 5 February 2014 does not qualify as a substantial modification of the terms of an existing contract as defined by IAS 39.40 in conjunction with IAS 39.AG62 and was therefore not recognised as a repayment. The transaction costs incurred resulted in an adjustment to the carrying amount of the liabilities of TEUR 5,524 and are amortised over the remaining term of the changed liability. The expense for unwinding the discount on transaction costs of TEUR 1,459 was recognised under 'Interest income/loss'.

In 2011, Tele Columbus Group was provided with loans in the form of a 'Super Senior Revolving Facility' amounting to EUR 28.3 million and a 'Super Senior New Term Tranche 2' in the amount of EUR 16.0 million. Both of these tranches are senior facilities.

As at the reporting dates, the loan balances (including outstanding interest) for the Tranche A loans and Super Senior facilities were as follows:

TEUR	31 Dec. 2014	31 Dec. 2013
Senior Tranche A loan (matures on 30 June 2017; as at 31 Dec. 2013: matures on 30 June 2014)	542,504	523,433
Second Lien Tranche A loan (matures on 31 Dec. 2017; as at 31 Dec. 2013: matures on 31 Dec. 2014)	37,627	35,684
Mezzanine Tranche A loan (matures on 30 June 2018; as at 31 Dec. 2013: matures on 30 June 2015)	35,630	33,790
Super Senior Tranche 2 (matures on 30 June 2017; as at 31 Dec. 2013: matures on 30 June 2014)	16,160	16,386
Super Senior Revolving Facility (matures on 30 June 2017; as at 31 Dec. 2013: matures on 30 June 2014)	209	212
	632,130	**609,505**

The remaining loan balance of TEUR 11,043 as at the reporting date (2013: TEUR 12,145) is composed of loans provided by the following lenders: Stadtsparkasse Magdeburg TEUR 4,611 (2013: TEUR 5,948), Sparkasse Gelsenkirchen TEUR 4,381 (2013: TEUR 5,585), Volksbank Magdeburg TEUR 525 (2013: TEUR 600) and other lenders TEUR 1,526 (2013: TEUR 12).

To secure the liabilities to banks, Tele Columbus Group primarily assigned or pledged the following types of collateral:

- Pledge of bank accounts
- Global and separate assignment of receivables, in particular assignment of all existing and future trade receivables
- Pledge of ownership interests in affiliated companies and associates
- Transfer of ownership of the Group's major head ends, cable networks, office equipment and real estate as security

Value of the loan collateral pledged as at the respective reporting dates:

TEUR	31 Dec. 2014	31 Dec. 2013
Property, plant and equipment	175,024	175,937
Shares in affiliated companies	284	797
Trade receivables	16,865	17,085
Cash and cash equivalents	17,748	70,539
	209,921	**264,358**

E.19 Trade payables

Trade payables mainly relate to the finance lease for the use of infrastructure facilities (we refer to the disclosures in Section F.1.3 'Finance leases'). Current and non-current lease liabilities amount to TEUR 40,439 as at 31 December 2014 (2013: TEUR 40,225).

E.20 Deferred income / revenue

Non-current deferred income / revenue was recognised for subsidies received for construction costs and investments.

Current deferred income / revenue, in particular, consist of deferred revenue from customers for prepaid annual fees, and deferrals for free months or purchases of hardware paid for with customers' monthly fees.

E.21 Other financial liabilities and payables

Other financial liabilities primarily relate to collection, security deposits, and cash in transit.

Other payables mainly include customers with credit balances, provisions for employee bonuses, the preparation of financial statements and administrative expenses.

F Other explanatory notes

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

F.1.1 Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2014 or 31 December 2013.

F.1.2 Purchase commitments

Purchase commitments relating to property, plant and equipment as at the reporting date amounted to TEUR 8,386 in 2014 (2013: TEUR 3,048).

F.1.3 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

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:

TEUR	31 Dec. 2014	31 Dec. 2013
Future minimum lease payments	40,439	40,225
Finance costs	–4,745	–5,304
	35,694	**34,921**

The future minimum lease payments under finance leases have the following maturities:

TEUR	31 Dec. 2014	31 Dec. 2013
Less than one year	7,696	7,025
Between one and five years	27,688	25,310
More than five years	5,055	7,890
	40,439	**40,225**

The maturities of liabilities under finance leases are as follows:

TEUR	31 Dec. 2014	31 Dec. 2013
Less than one year	6,180	5,501
Between one and five years	24,675	21,700
More than five years	4,839	7,720
	35,694	**34,921**

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

TEUR	31 Dec. 2014	31 Dec. 2013
Plant and equipment	32,736	32,195
Fixtures and fittings	0	0
	32,736	**32,195**

With regard to the repayment of finance lease liabilities, we refer to the information provided in the consolidated statement of cash flows.

F.1.4 Operating leases and other financial obligations

The operating leases within Tele Columbus Group are structured as follows:

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Buildings	1–15 years	To some extent	No	No
Plant and equipment	1–10 years	To some extent	No	No
Fixtures and fittings	1–3 years	No	No	No

The future minimum lease payments under operating leases have the following maturities:

TEUR	31 Dec. 2014	31 Dec. 2013
Less than one year	5,680	4,469
Between one and five years	11,269	9,164
More than five years	133	559
	17,082	**14,192**

In financial year 2014, there were expenses from operating leases of TEUR 2,818 (2013: TEUR 2,371).

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 operating and finance leases amounted to TEUR 57,521 in 2014 and TEUR 54,417 in 2013.

F.2 Related party disclosures

F.2.1 Legal relationships

As at 31 December 2014, the sole owner of Tele Columbus AG is Tele Columbus Management S.à r.l., Luxembourg, whose parent is Tele Columbus Holdings S.A., Luxembourg. The latter is the ultimate controlling party of Tele Columbus AG.

In principle, direct or indirect subsidiaries of Tele Columbus Holdings S.A., and associates of the Tele Columbus Holdings S.A. Group are considered related parties as defined by IAS 24.

This also includes the former group companies NeBeG Media Netzbetreiber-Pool GmbH, Berlin, Tele Columbus Netze GmbH, Berlin, and RFC Radio-, Fernseh- und Computertechnik GmbH, Chemnitz.

Furthermore, the board members of Tele Columbus AG as well as members of management of Tele Columbus Holdings S.A. and Tele Columbus Management S.à r.l., and their close family members, are considered related parties of Tele Columbus Group.

F.2.2 Intra-group receivables and payables

Transactions of consolidated Tele Columbus Group entities with Tele Columbus GmbH and its subsidiaries, which were not spun off from Tele Columbus GmbH, are considered transactions with related parties.

The following overview shows intra-group receivables and payables:

TEUR	31 Dec. 2014	31 Dec. 2013
Receivables from related parties (current)	3,129	2,165
Receivables from related parties (non-current)	0	9,418
Payables to related parties (current)	2,559	2,602
Payables to related parties (non-current)	0	13,229

As at 31 December 2013, non-current receivables from related parties mainly related to loan receivables of Tele Columbus Ost GmbH, Tele Columbus Sachsen-Thüringen GmbH and Tele Columbus Netze Berlin GmbH from Tele Columbus Beteiligungs GmbH. These loans payable by Tele Columbus Beteiligungs GmbH were not transferred to Tele Columbus AG as part of the spin-off.

As at 31 December 2013, non-current liabilities to related parties largely comprised loans payable by Tele Columbus Ost GmbH, Tele Columbus Sachsen-Thüringen GmbH and Tele Columbus Netze Berlin GmbH to Tele Columbus Management S.à r.l.

As at 31 December 2013, current receivables from related parties mainly consisted of receivables from RFC Radio-, Fernseh- und Computertechnik GmbH and Marienfeld Multimedia GmbH. The receivables from RFC Radio-, Fernseh- und Computertechnik GmbH relate to legacy payments accumulated under profit and loss transfer agreements, while the receivable from Marienfeld Multimedia GmbH originates from revenue that Marienfeld Multimedia GmbH invoiced for BMB GmbH & Co. KG. As at 31 December 2014, current receivables from related parties mainly consisted of receivables from RFC Radio-, Fernseh- und Computertechnik GmbH and receivables from Tele Columbus Beteiligungs GmbH.

As at 31 December 2013, current payables to related parties mainly referred to payables to RFC Radio-, Fernseh- und Computertechnik GmbH and, as at 31 December 2014, also payables to Tele Columbus Beteiligungs GmbH and MDCC Magdeburg City-Com GmbH.

Non-current loans payable to Tele Columbus Management S.à r.l.

TEUR	31 Dec. 2014	31 Dec. 2013
TC Management S.à r.l. (tranche B loan)	0	9,299
TC Management S.à r.l. (previously to Rudd S.à r.l.)	0	119
	0	**9,418**

Loan to Tele Columbus Management S.à r.l., Luxembourg (tranche B loan):

As the 'Amended Senior Tranche B Loan' was repayable to Tele Columbus Management S.à r.l., Tele Columbus Group reported this loan as payables to related parties as at 31 December 2013.

Loan overview – tranche B

		Interest	Matures in	Carrying amount including capitalised interest in TEUR	Repayment amount including capitalised interest in TEUR
31 Dec. 2014	Amended Senior Tranche B Loan	0.5 %	19 Jan. 2024	0	0
31 Dec. 2013	Amended Senior Tranche B Loan	0.5 %	19 Jan. 2021	9,299	9,299

The tranche B loans were recognised at fair value in the course of debt restructuring in 2011.

Tele Columbus Management S.à r.l.'s payment entitlements under the Senior Facility Tranche B Agreement as at 19 August 2014 were as follows: against Tele Columbus Ost GmbH (EUR 6.8 million), against Tele Columbus Sachsen-Thüringen GmbH (EUR 0.7 million), against Tele Columbus Netze Berlin GmbH (EUR 1.8 million). As a result of the shareholder resolution dated 19 August 2014, Tele Columbus Management S.à r.l. will make a one-time additional contribution to Tele Columbus GmbH's capital reserve. The additional contribution is made as an additional payment under contract law into the Company's capital reserve in accordance with Section 272 (2)(4) of the German Commercial Code [HGB]. The additional payment of EUR 9.3 million is made by assigning the foregoing payment entitlements.

The loans and interest accrued are repaid at the end of the term.

Loans to Tele Columbus Management S.à r.l., Luxembourg (former loans to Rudd S.à r.l.)

In addition, Tele Columbus Management S.à r.l., Luxembourg, acquired the following loan from Rudd S.à r.l. (via Tele Columbus Holdings SA, Luxembourg) in the course of debt restructuring, resulting in the payables to Tele Columbus Management S.à r.l., Luxembourg:

Loans overview (formerly Rudd)

		Interest	Matures in	Carrying amount including capitalised interest in TEUR	Repayment amount including capitalised interest in TEUR
31 Dec. 2014	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5 %	Dec. 2017	0	0
31 Dec. 2013	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5 %	Dec. 2017	119	7,901

As approved by shareholder resolution on 19 August 2014, Tele Columbus Management S.à r.l. will make a one-time additional contribution of EUR 7.9 million to Tele Columbus GmbH's capital reserve. The additional contractual contribution will be paid into the Company's capital reserve in accordance with Section 272 (2)(4) HGB. The additional payment of EUR 7.9 million will be made by assigning the payment claim against Tele Columbus Berlin-Brandenburg GmbH & Co. KG under a loan agreement.

Terminable non-controlling interests of BMB GmbH & Co. KG

Furthermore, terminable non-controlling interests of TEUR 3,810 were stated under non-current payables for the partnership BMB GmbH & Co. KG, with non-controlling interests of 49.5% held by other investors. Due to acquisition of the remaining interests in BMB GmbH & Co. KG by Tele Columbus Multimedia GmbH in September 2014, the related liabilities were recognised directly in equity.

Expenses and income from related-party transactions:

TEUR	31 Dec. 2014	31 Dec. 2013
Sale of goods and services		
Associates	3,173	5,485
Acquisition of goods and services		
Associates	4,025	5,068
Other		
Associates		
Income from recharged expenses	36	0
Other income(+)/expenses(–)	110	244

The transactions for reimbursement of expenses with related parties were immaterial. For further related party transactions, we refer to the explanatory notes in Section F.2.3 'Disclosures on management' (remuneration report).

Other

In connection with the preparation for the IPO, various costs were incurred which were charged on from Tele Columbus AG to Tele Columbus Management S.à r.l. in line with contract. As at 31 December 2014, charging on had not yet taken place so that the assets from this contract (TEUR 2,446) were recognised under other financial assets.

F.2.3 Disclosures on management

Composition of management

The management in key positions of Tele Columbus AG were as follows:

	Financial year 2014 and 2013	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 Management Board

In the current year, remuneration for members of the management amounted to TEUR 2,225 (2013: TEUR 2,398). No remuneration was paid to former members of the management/Management Board. Pension benefits granted in the financial year amounted to TEUR 13.

One member of management was granted a loan at an interest rate of 5.0% in 2010. As at the 2013 reporting date, the loan balance was TEUR 62. The loan was repaid as at the 2014 reporting date.

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 and/or Tele Columbus Management S.à r.l. (TC Management), Luxembourg, or Tele Columbus Holdings SA (TC Holdings), Luxembourg, and their close family members. The managing director (Christian Boekhorst) of the parent company, TC Management, is a member of the Supervisory Board of Tele Columbus AG. Several managing directors of the parent company, TC Holdings – Frank Donck, Christian Boekhorst and Yves Leterme – are members of the Supervisory Board of TC AG. There were no other business relationships with the managing directors of Tele Columbus Management S.à r.l. and/or Tele Columbus Holdings S.A.

In the current year, Supervisory Board members are entitled to remuneration of TEUR 3; the members of the Supervisory Board have waived fixed remuneration and attendance fees in the amount of TEUR 56.

A share-based remuneration system is planned for Tele Columbus AG's senior management, depending on the IPO. However, no such payment was arranged as at 31 December 2014.

We refer to the remuneration report for detailed and personalised information on remuneration. Appropriate provisions have been established for the remuneration components not paid in 2014.

F.2.4 Further disclosures on related parties and share-based compensation in connection with the management

Tele Columbus Management Equity Plan (old model):

In line with this model, the management and certain executive employees held shares in Tele Columbus Holdings SA, Luxembourg, and thus also indirectly in Tele Columbus AG. The Tele Columbus Management Equity Plan ('MEP (old model)') was an incentive-based compensation plan of 19 January 2011 agreed in the course of restructuring of what was Tele Columbus Group. The plan provides for an initial share in Tele Columbus Holdings SA ('Topco') for managers, which can be raised in accordance with predefined EBITDA level upon departure from the company. The acquisition of shares was based on fair value. The MEP draws a distinction between Topco's Board and other executive employees. While Topco board members held a share between 1.6% and 3.6%, the share of executive employees was determined by the Board, whereby their aggregate share was not permitted to exceed a total of 10% of all shares in Topco. The acquisition of shares by the Board and/or certain executive employees was based on fair value.

Members of the Board held direct shares in Topco in accordance with individual agreements. Each director was permitted to acquire additional shares, if EBITDA reached set levels before 1 January 2013 and 1 January 2012, respectively.

Shares granted to other executive employees are held in trust in their entirety by GmbH & Co KG (TC Management Participation GmbH & Co.KG). The company is a wholly-owned subsidiary of Tele Columbus Management S.à r.l. Each executive employee receives an initial share of 20% of his potential share limit. The share may be raised four times in 20% increments when set EBITDA levels are reached.

This previous program was ended in 2014. The company is in the process of liquidation. The executives and managers involved received compensation with a fair value of EUR 0.00.

This program was replaced with the Management Participation Program (MPP).

F.2.5 Management Participation Program (MPP)

As at the reporting date, the Management Board members, managerial staff and Supervisory Board members of Tele Columbus AG have a 16.75% stake in Tele Columbus AG via the Tele Columbus New Management Participation GmbH & Co. KG, Berlin (TC MP KG), and indirectly via their stake in Tele Columbus Holdings SA, Luxembourg, and their stake in Tele Columbus Management S.à r.l, Luxembourg. The regulations of the program stipulate that participation of the respective manager requires active employment at Tele Columbus AG or one of its subsidiaries. According to IFRS 2.43B(b) in conjunction with IFRS 2.3a, this program is an equity-settled share-based arrangement.

The regulations of the Manager Participation Program state that if a manager leaves a company of the Tele Columbus Group before termination of the Company, subject to further regulations of the Articles of Association, Tele Columbus Holdings SA, Luxembourg, has the right (option) to demand from that this manager sells and transfers his entire share in the limited partnership to Tele Columbus Holdings SA, Luxembourg. When exercising the option, the excluded manager has a claim to a settlement. Depending on the reason for departure, its range is between the capital contribution value (or lower fair value at the time of departure) and the market value of the stake.

All stakes in TC MP KG were acquired at fair value. The determination of the fair value took place at the time of commitment on the basis of a prompt offer from Tele Columbus Group. The Management Board members, managerial staff and Supervisory Board members taking part in the Management Participation Program paid this pro rate amount as purchase price from their stake. Consequently the value of the compensation components was zero at the time of grant. As a result no expense was recognised.

F.2.6 Matching Stock Program (MSP Phantom Stocks)

To reinforce the alignment of the compensation structure of the Management Board members to the development of the Company on a sustained basis, contracts for a share program for Management Board members were concluded in 2014. These were drawn up on the suspensive condition of the IPO (we refer to Section F9 – Subsequent events) and came into force with the IPO in 2015. Thus there was no compensation from this program in 2014.

Participation in the program (from 23 January 2015) requires the Management Board members to make their own investment in shares of the AG (so-called MSP shares). Each share acquired from own funds brings with it the entitlement to receive (in 2015) three virtual shares (so-called MSP Phantom Stocks) per allocated tranche. The number of options is determined by the Supervisory Board.

The MSP shares are deposited in a blocked securities account or via the TC Management Participation KG for the entire duration of the program. There are no further restrictions on disposal. The shares thus have full rights to participate in dividends and subscription rights.

The MSP Phantom Stocks are subject to a restriction on disposal. The program is repeated each year so that there are yearly tranches.

Each tranche of the allocated MSP Phantom Stocks is subject to a vesting period of four years. Depending on the exercise conditions being met, it can be converted into taxable compensation. This money must be used to acquire shares in Tele Columbus AG. The purchase of shares takes place at the market price at the exercise date via TC Management Participation KG or another trustee and are subject to a vesting period of two years.

The exercise conditions of each allocated tranche depend on the price trend during the vesting period. This is determined from the basis price, defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the grant date (2015 as an exception, after the initial price), 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). If a dividend payment or another subscription right relates to the MSP Phantom Stocks, this amount is deducted from the respective basis price.

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:

TEUR	Note	Measurement category	31 Dec. 2014	31 Dec. 2013
Financial assets				
Investments		Available-for-sale financial assets	8	523
Receivables from related parties	**F.2.2**	Loans and receivables	3,129	11,583
Trade receivables	**E.14**	Loans and receivables	19,115	18,931
Other financial receivables	**E.14**	Loans and receivables	5,810	8,604
Cash and cash equivalents	**F.4**	Loans and receivables	24,441	70,539
Financial liabilities				
Loans and borrowings	**E.18**	Financial liabilities measured at amortised cost	643,173	621,650
Payables to related parties	**F.2.2**	Financial liabilities measured at amortised cost	2,559	15,831
Trade payables	**E.19**	Financial liabilities measured at amortised cost	74,915	75,889
thereof lease liabilities	**F.1.3**	Financial liabilities measured at amortised cost	35,694	34,921
Other financial liabilities	**E.21**	Financial liabilities measured at amortised cost	255	4,635

By financial instrument measurement category according to IAS 39:

TEUR	31 Dec. 2014	31 Dec. 2013
Available-for-sale financial assets	8	523
Loans and receivables	52,495	109,657
Financial liabilities measured at amortised cost	720,902	718,005

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.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. In financial year 2014, there were no reclassifications between different levels of the fair value hierarchy.

Available-for-sale financial assets of TEUR 515 as at 31 December 2013 were interests in unconsolidated subsidiaries. With effect from 19 August 2014, Tele Columbus Multimedia GmbH sold all ownership interests in RFC Radio-, Fernseh und Computertechnik GmbH (RFC) to Tele Columbus Beteiligungs GmbH. The sale price corresponds to the carrying amount as at 31 December 2013.

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.

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 is TEUR 753,724 (31 December 2013: TEUR 619,683). The fair value of lease liabilities is TEUR 37,025 (31 December 2013: TEUR 35,346). Other lease liabilities of BIG were reported at a notional value of TEUR 2,469 (provisional value; we refer to the explanatory notes in Section B ‘Reporting entity’).

Net income (loss) from the different classes of financial instruments is shown in the following table:

Financial year 2014

TEUR	Gains/losses through profit or loss			
	Interest	Impairment	Gain/loss from recognition at fair value	Net income (loss)
Disclosed in the income statement	Interest income/loss	Other expenses	Other finance income/costs	
Loans and receivables	112	–5,064	0	–4,952
Financial liabilities measured at amortised cost	–47,296	0	–84	–47,380
Total	**–47,184**	**–5,064**	**–84**	**–52,332**

Financial year 2013

TEUR	Gains/losses through profit or loss			
	Interest	Impairment	Gain/loss from recognition at fair value	Net income (loss)
Disclosed in the income statement	Interest income/loss	Other expenses	Other finance income/costs	
Loans and receivables	447	–4,135	0	–3,688
Financial liabilities measured at amortised cost	–28,321	0	–618	–28,939
Total	**–27,874**	**–4,135**	**–618**	**–32,627**

Impairment losses for available-for-sale financial assets, which need to be recognised in other comprehensive income pursuant to IAS 39.55b, were not required during the reporting periods.

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 such as factoring of receivables 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 Bonds and loans

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 due to deferred payment, 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 unused credit lines available within Tele Columbus Group with a term until 30 June 2017 are designed to ensure a continuous supply of liquidity. As at 31 December 2013, Tele Columbus Group's unused credit lines amounted to TEUR 28,267 (2013: TEUR 28,267). These revolving credit lines were not utilised.

The following table shows the contractually agreed maturity dates for loan liabilities:

TEUR	31 Dec. 2014*	31 Dec. 2013
Less than one year	4,685	595,360
Between one and five years	643,480	43,202
More than five years	313	1,563
	648,478	**640,125**

* As at the reporting date, in line with contractual agreements, this includes interest due of TEUR 4,508, resulting from loans which were repaid in the context of the IPO at the beginning of 2015.

With regard to lease liabilities, we refer to the explanatory notes in Section F.1.3 'Finance leases'.

Payment obligations relating to trade payables, payables to related parties, and other financial liabilities are shown in the Group's statement of financial position, with such non-current liabilities falling due within one and five years. For further details on the comprehensive extension of loan agreements, we refer to Section F.9 'subsequent events'.

Various covenants are applicable in relation to financing agreements, which in the event of non-compliance, afford the lender the opportunity to call in these loans (particularly those under the Senior Facility and Mezzanine Facility Agreements). 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 two reporting dates, liquidity risk in the event of non-compliance with these covenants was as follows: TEUR 643,173 (2014) and TEUR 621,650 (2013). The risk of non-compliance with these covenants and associated financial regulations could have a negative impact on the Group's credit availability and going concern assumption in 2015 and beyond.

Interest risk

The risks from interest rate fluctuations identified mainly refer to floating rate loans.

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 floating rate liabilities and the corresponding hedge instruments are explained in Section E.18 'Interest-bearing liabilities (loans and borrowings)'. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest.

The effect of fluctuations in the Euribor on the consolidated income statement is as follows:

TEUR	2014	2013
1% rise in the Euribor	–6,342	–6,021
1% drop in the Euribor	6,342	6,021

This calculation is based on floating-rate liabilities as at the reporting date multiplied by the adjusted interest rate in each case. As Tele Columbus Group does not use derivative financial instruments, it is exposed to the risk of fluctuations in interest rate and the resulting cash flows. Therefore, a significant rise in the Euribor would have a direct increasing effect on the interest paid by Tele Columbus Group. Consequently, Tele Columbus Group monitors the interest rate environment meticulously and is ready to execute interest rate hedging transactions, if any, as necessary.

Fixed interest non-current 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.

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 and retail customers. Credit risk is based on the default risk of the contracting party concerned.

Preventative and other measures are taken and debt-collecting agencies are used to mitigate the credit risk of trade receivables.

Preventative measures include an assessment of the creditworthiness of customers with regard to credit ratings, past experience and other factors before entering into a contractual relationship.

Impairment losses are recognised for overdue receivables at varying percentages depending on dunning level. The percentages take account of the management's judgement as to their recoverability. This, in turn, is based largely on past experience. Impairment losses were recognised only for trade receivables 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. Therefore, the maximum credit risk is equal to the carrying amounts of these financial assets: TEUR 19,115 (2014) and TEUR 18,931 (2013). For other current financial liabilities, credit risk is assessed on a case by case basis. In the case of other non-current financial liabilities, expected payments are discounted based on the original effective interest rate.

It is assumed that the impaired carrying amount of trade receivables approximates their fair value.

F.4 Explanatory notes to consolidated statement of cash flows

Cash and cash equivalents largely comprise cash and bank deposits.

With regard to unused credit lines, we refer to the explanatory notes in Section F.3.2.1 ‘Liquidity risks’.

With regard to the amount of the collateralised cash and cash equivalents for loans, we refer to our explanatory notes in Section E.18 ‘Interest-bearing liabilities (loans and borrowings)’.

F.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss apportionable to shareholders (owners of the company) and the average number of shares outstanding. Dilutive effects such as those triggered by the issue of new shares, which have to be disclosed separately in the calculation, did not exist during the reporting period.

	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013*
Earnings apportionable to shareholders in TEUR	–24,121	–11,963
Weighted average of ordinary shares outstanding (in units)	20,025,000	20,025,000*
Basic earnings per share in EUR	–1.20	–0.60
Diluted earnings per share in EUR	–1.20	–0.60

* The change of legal form to a stock corporation (AG) took effect on 12 September 2014. For the determination of comparative figures, we assumed that the number of shares in the comparative period was the same as in the reporting period.

F.6 Segment reporting

F.6.1 Segment implementation

As part of the planned IPO, the management of Tele Columbus Group has introduced segment reporting, which is to be used as a basis for the Group's future control. In this context, segment information was compiled for the 2013 financial year in retrospect, although the Group was not controlled in this manner in that financial year.

Description of the segments

The Group divides its operating activities into two product segments: TV business and Internet and Telephony business. For these segments, the Group's Management Board will review internal management reports on a quarterly basis from August 2014.

Relationships within individual segments have been eliminated.

TV

The Group offers basic as well as premium programmes in the TV segment. Basic programmes include analogue as well as digital TV and radio services. The premium programme range includes, among others, 'Digital HD (Plus HD)', 'Digital Pay' and 'Pay TV'.

Revenue in the TV segment includes cable connection fees and recurring fees for service options of cable connection customers as well as revenue from the conclusion of new contracts and installation services.

Internet and Telephony

The Group subsumes Internet and telephone services in the Internet and Telephony segment.

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 items' as at 31 December 2013 and 31 December 2014.

Expenses and income not allocated to operating segments are largely attributable to the central functions of management, the legal department, personnel department, finance, purchasing and IT. Revenues in the amount of TEUR 4,328 (2013: TEUR 4,093) not allocated to operating segments mainly relate to other revenues of a subsidiary in relation to a third party. In determining the normalised EBITDA for individual segments, personnel expenses of TEUR 11,241 (2013: TEUR 10,927), other income of TEUR 3,003 (2013: TEUR 3,662) and other expenses of TEUR 11,206 (2013: TEUR 9,537) attributable to central functions were not taken into account.

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

In addition, non-recurring items (for a definition we refer to the explanatory notes under 'segment reporting') 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 insofar the accounting policies and definition of segments remains unchanged.

Therefore, reconciliation due to differences between internal measurement and measurement according to IFRS is not necessary, but with respect to items that are not allocated to reportable segments.

F.6.2 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. 'Normalised EBITDA' is the earnings before the financial result (earnings from investments in 'at equity-accounted' companies, interest income, interest expense and other financial results), income taxes as well as amortisation and impairment losses on intangible assets and goodwill.

Furthermore, it does not include any so-called 'non-recurring items'. These are defined by the Management Board as non-recurring, rare or extraordinary expenditures or income if the event is not likely to re-occur over the next two financial years or did not even occur over the past two financial years. As these expenses or income do not originate primarily from operating activities or relate to restructuring, they cannot therefore be used to assess operating profit/loss.

Non-recurring expenses largely relate to advisory fees incurred in 2014 in connection with the planned IPO, other legal and advisory fees classified as non-recurring items, as well as one-time rental expenditure incurred in the course of relocation of the Company to the new head office, as well as expenses relating to the provision for onerous contracts in connection with a long-term signal delivery contract.

Non-recurring income in 2014 is composed mainly of income from refundable IPO costs, income from the retirement of assets, and income from the reversal of provisions for onerous contracts in connection with the long-term signal delivery contract.

Non-recurring expenses in 2013 mainly consist of costs incurred in connection with the intended sale of Tele Columbus, severance payments and other one-time personnel costs. Non-recurring income in 2013 consists mainly of income from the reversal of provisions for onerous contracts in connection with the long-term signal delivery contract.

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

31 December 2014

TEUR	TV	Internet and Telephony	Other	Group total
Revenue	156,929	51,837	4,328	213,094
Normalised EBITDA	83,965	30,326	–15,355	98,936
Non-recurring expenses/income	–3,391	–486	–10,905	–14,782
EBITDA	80,574	29,840	–26,260	84,154

31 December 2013

TEUR	TV	Internet and Telephony	Other	Group total
Revenue	158,875	43,254	4,093	206,222
Normalised EBITDA	79,452	21,335	–12,710	88,077
Non-recurring expenses/income	9,412	–572	–5,751	3,089
EBITDA	88,864	20,763	–18,461	91,166

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]

In the reporting year, the Group employed an average of 497 staff (PY: 484), of which 479 were employees (PY: 463), 15 managerial staff (PY: 17) and 3 trainees (PY: 4).

The employees of BIG Medienversorgung GmbH have been taken into account since first-time consolidation as at 1 September 2014. BIG employed a total of 15 staff as at 31 December 2014.

The employees of ImmoMediaNet GmbH & Co. KG were taken into account proportionately until the date of deconsolidation (30 June 2013). That company employed a total of 12 staff.

With regard to personnel expenses during the reporting year, we refer to the explanatory notes in Section E.5 ‘Employee benefits’.

F.8 Auditors' fees

During the financial year, Tele Columbus was provided with the following services from its auditors:

TEUR	31 Dec. 2014	31 Dec. 2013
Audit of financial statements	791	768
Other assurance services	892	0
Tax advisory services	448	450
Other services	3,165	1,595
	5,296	**2,813**

F.9 Events after the balance sheet date

Capital increase

At the Annual General Meeting held on 11 January 2015, it was decided to increase the Group's share capital in connection with the IPO by up to 37,500,000 registered no par value shares by means of a cash contribution (authorised share capital).

By resolution dated 20 January 2015, the Management Board executed the capital increase by means of 33,333,334 shares plus 3,333,333 so-called 'green shoe' – i.e. a total of 36,666,667 shares – from authorised capital. The remaining authorised capital consists of 833,333 shares.

For the IPO, capital was thus increased by TEUR 366,667 (at an issue price of EUR 10 per share), which increases the Group's share capital by the same amount. According to IFRS, the share of transaction costs attributable to the capital increase is offset against the capital increase (EUR 4.1 million to 31 December 2014).

Initial public offering of Tele Columbus AG

Tele Columbus AG has been listed in Prime Standard of the Frankfurt Stock Exchange since 23 January of this year. This means that 51,022,500 shares are now tradable. Shares were traded at an initial price of EUR 10.70 and an issue price of EUR 10.00 per share.

Share placement generated gross earnings of TEUR 366,667. A large proportion of these earnings was used to improve the Group's capital structure and to reduce its liabilities. We also invest in our infrastructure, particularly the further expansion of our cable networks and the connection of additional private households to our own integrated network level 3, in order to be able to continuously enhance our range of services as a reliable service provider for our partners and customers.

The IPO incurred non-recurring expenses of TEUR 13,450 as at 31 December 2014. Of this amount, TEUR 4,090 was deferred in accordance with IFRS under prepayments, which was deducted from equity at the IPO, and TEUR 2,446 was charged on to the main shareholder TC Management S.à r.l, Luxembourg. In the current year, additional IPO expenses of TEUR 11,723 were incurred until 12 March 2015. Much of this will be charged on or deduced from equity. We anticipate low tax payments in the current financial year, due to non-capitalised expenses in accordance with the German Commercial Code, but expect our tax charge to rise again to the usual level in the medium term.

Changes to financing and loan agreements

Due to the new capital structure, loans were repaid in the amount of TEUR 638,969 on 26 January 2015 and new loans agreed at the same time for TEUR 375,000. This has reduced loans payable by TEUR 263,969 in total.

On 2 January 2015, Tele Columbus AG signed a new loan agreement (IPO Financing Agreement, version 2, dated 19 February 2015), which was arranged by BNP Paribas, J.P. Morgan and Goldman Sachs Bank, USA.

The credit volume of EUR 500,000,000 is divided into facility A (term loan) of EUR 375,000,000 and two unutilised credit lines of EUR 75,000,000 for capital investments and EUR 50,000,000 for general expenditures, respectively. Facility A matures in six years and facilities B and C in five years' time. The current interbank spread is 4.5% plus Euribor for facility A and 3.75% for facilities B and C. The loan commitment fee for facilities B and C is calculated at 35% of the spread for the two credit lines and is due on a quarterly basis.

This new loan (facility A) was used mainly to repay 'legacy liabilities' under the SFA and MFA. By also using the earnings from the IPO, all liabilities under legacy financing agreements were thus repaid. This has also eliminated the credit limit of EUR 28.3 million under the SFA.

Acquisition of RFC Radio-, Fernseh- und Computertechnik GmbH

By purchase agreement dated 22 January 2015, Tele Columbus Multimedia GmbH repurchased its 100% ownership of RFC from Tele Columbus Beteiligungs GmbH.

The provisional purchase price in the purchase agreement is TEUR 500.

Acquisition of shares in Wowisat GmbH

On 6 February 2015, an agreement was signed for the takeover of all shares in Wowisat GmbH (hereinafter referred to a 'Wowisat'). The company, which is headquartered in Duesseldorf, was established in 2008 with the intent of providing an alternative to companies in the housing sector for cable TV in that area, and provides housing units with TV and radio. So far, telephone and Internet services have been integrated only via external providers.

With the takeover of Wowisat, Tele Columbus AG has expanded its customer base in western Germany yet again and is further improving its presence in the Rhine/Ruhr region.

The provisional purchase price is TEUR 2,806. As at 31 December 2014, the Company's net assets amount to TEUR 309 (non-current assets TEUR 1,668) and sales revenue to TEUR 561, based on provisional figures from the German GAAP financial statements. No further information can be provided at this point due to the provisional nature of these figures.

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, 31 March 2015.

Management Board

Ronny Verhelst Chief Executive Officer (CEO)	Frank Posnanski Chief Financial Officer (CFO)

Auditors' 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 group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the 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 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 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 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 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 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, 7 April 2015.

KPMG AG
Wirtschaftsprüfungsgesellschaft

Neumann	Büchin
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

ARPU: Average Revenue per User

Bit: Binary Digit; a Bit is the smallest quantity of data; if the data quantity is defined per time unit, this provides the measurement unit for the speed of transmission in the telecommunications industry; the data quantity is usually defined per second, such as Bit/s, kbit/s, Mbits/s, Gbit/s, whereby k = kilo = 1,000 Bit; M = Megabit = 1,000 kilobit; G = Gigabit = 1,000 Megabit

CATV: Cable television

Coaxial cable: Broadband cable

Concession Agreement: A contract granting specific rights of use – here, this is a contract between real estate owners and cable suppliers for installing and operating a broadband distribution systema

Convergence: Convergence of various telecommunications services

DOCSIS: Data Over Cable Service Interface Specification; transmission standard, which enables data transmission at high speeds and in large quantities via the cable network

3D-TV: (Three dimensional) television

DSL: Digital Subscriber Line; transmission standard that uses copper cables

DVB-C: Digital Video Broadcast – Cable; transmission standard for the distribution of digital television signals within the cable network

DVB-T: Digital Video Broadcasting – Terrestrial; transmission standard for the terrestrial distribution of digital television signals per antennae

EBITDA: Earnings before interest, taxes, depreciation and amortization

EURIBOR: European Inter Bank Offered Rate; reference interest rate for time deposits in Euro on the interbank market

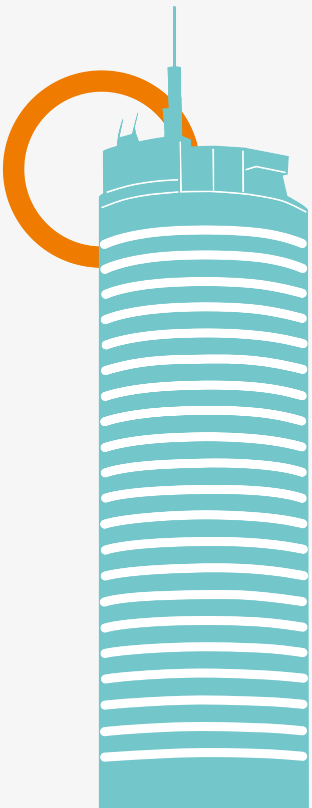
FTTH: Fibre To The Home; laying fibre optic cables to the home of the end customer

FTTC: Fibre To The Curb; laying fibre optic cables to the distribution box (cable refusers); FTTC is often laid together with VDSL

HDTV: High Definition Television

HFC: Hybrid Fibre Coax; Infrastructure used to distribute the signal regionally via fibre optic cable and then via coaxial cable to households

IAS: International Accounting Standard; accounting standard of the International Accounting Standards Board (IASB)



IPO: Initial Public Offering (first public share offer), stock market listing

M&A: Mergers & Acquisitions (M&A activities); collective term for fusions, company acquisitions or similar transactions

NE3: Network Level 3; term for regional distribution networks on public ground

NE4: Network Level 4; the „last mile" to customers (signal transmission within properties and buildings)

Pay-TV: Digital television service that can be ordered in addition to existing cable and satellite television

PIK: Payment-in-Kind; in the case of a PIK loan, the borrower does not pay interest or redemption payments to the lender until the maturity date of the loan

PVR: Personal Video Recorder; a device with an integrated hard disk for recording digital television signals

Receiver: Reception device

RGU: Revenue Generating Unit; a key indicator normally used in the cable sector, that provides information on the number of services sold and goes beyond the simple number of customers

SA: Société anonyme; a legal form used in Luxembourg comparable to a German "Aktiengesellschaft" (AG) or joint stock corporation

S.à r.l.: Société à responsabilité limitée; a legal form used in Luxembourg comparable to a German "Gesellschaft mit beschränkter Haftung" (GmbH) or limited liability company

Spin-Off: Spin-off or separation of a department or another organisational unit from the existing company by founding a company

TEUR: Thousand euro

Terrestrial Television: Television transmission from earthbound transmitters to households with antennae

Time-Shift Television: A function on some devices for recording and playing back a film simultaneously

VDSL: Very high data rate Digital Subscriber Line (see also DSL)

Video on Demand: Service for retrieving videos per Internet

Financial Calendar

Appointment for	Date
Publication of the figures for the first quarter	12/05/2015
Annual General Meeting	15/05/2015
Publication of the figures for the second quarter and for the first half of the year	07/08/2015
Publication of the six month closing report	14/08/2015
Publication of the figures for the third quarter and for the nine months	12/11/2015

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