11880.com

Da werden Sie geholfen.

ANNUAL REPORT 2017

Results

Key Figures of 11880 Solutions Group at a glance

in EUR million	2017	2016	Variance absolute	Variance in percent
Revenues and earnings 11880 Solutions Group				
Revenues	41.3	44.7	-3.4	-8 %
EBITDA[1]	-2.3	-2.7	0.4	15 %
Net loss	-9.6	-14.7	5.1	35 %
Details Segments				
Revenues Digital	26.9	28.5	-1.6	-6 %
EBITDA[1] Digital	-1.4	-2.4	1.0	42 %
Revenues Directory Assistance	14.4	16.2	-1.8	-11 %
EBITDA[1] Directory Assistance	-0.9	-0.3	-0.6	-200 %
Statement of financial position				
Total assets	26.2	34.4	-8.2	-24 %
Cash and cash equivalents[2]	6.0	10.5	-4.5	-43 %
Equity	14.0	23.5	-9.5	-40 %
Equity ratio (in percent)	53.4	68.2	-	-
Cash Flow				
Cash Flow from operating activities	-2.5	-4.5	2.0	44 %
Cash Flow from investment activities	2.4	4.4	-2.0	-45 %
Cash Flow from financing activities	-0.2	-0.03	-0.2	-
Net Cash Flow[3]	-4.5	-8.0	3.5	44 %
Key figures for the 11880 share				
Earnings per share (in EUR)	-0.50	-0.77	0.27	35 %
Share price at year-end (in EUR)[4]	0.87	0.68	0.21	28 %
Market capitalisation at year-end	16.7	13.0	3.7	28 %
Other KPIs				
Churn rate, Digital (in percent)	25	26	-	-
Revenues per call, Directory Assistance (in EUR)	3.56	3.51	0.05	1 %
Number of employees[5] group	624	672	-48	-7 %

1 Earnings before interest, tax and depreciation
2 Portfolio of cash and cash equivalents as well as financial assets, available for sale
3 The net cash flow is calculated as the operating cash flow plus cash flow from investing activities minus interest expenses, adjusted for the changes in money market and bond funds. To facilitate comparability, the prior-year figure has been adjusted to reflect the current definition.
4 XETRA-closing prices as of last trading day
5 Headcounts as of 31 December closing date

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Letter of the Management Board

Dear Shareholders, Customers and Friends of 11880 Solutions AG,

This annual report covers a highly exciting and eventful year in the history of our company. During 2017, we made significant progress towards a turnaround and laid the foundations for the successful future of 11880 Solutions AG. We succeeded in growing the digital business for the first time in more than ten years and gained a remarkable number of new customers, increasing our customer base from 21,000 to almost 26,000 in 2017.

11880 Solutions AG now has very little in common with its predecessor telegate AG, as we have completely restructured our company over the last two years. Both of our business segments and the entire product portfolio have been completely overhauled. A significant reduction in the team in general and in management in particular, as well as the concentration of our sites, has transformed an inflexible organisation into an agile, fresh and confident company. Our entirely new corporate culture has created an inspiring atmosphere similar to that of a start-up. We will continue to vigorously pursue this course and work even more closely together as a team at our Essen headquarters during the 2018 financial year.

Our new product portfolio now offers real added value to small and medium-sized companies in Germany. As well as presenting them effectively online, where their customers are actually searching for them, and providing them with real client orders via our specialist portals, we also take care of their online reputation. With werkenntdenBESTEN, our meta search engine for online reviews, we carry out proactive review management and inform our customers promptly if a review of their company has been submitted anywhere on the Internet. Positive customer reviews are now a highly effective and free marketing tool, as more than 70 % of all consumers research the experiences of others before choosing a supplier. Identifying this trend at an early stage has enabled us to effectively support our corporate clients with their customer engagement.

The listing service we launched in 2016 is also proving to be a big hit among our new products. With this service, we ensure that our customers are always represented with up-to-date company information on 30 key information portals. We supply our customers with new customers of their own and real orders via our 20 specialist portals for the most sought-after sectors in Germany without them having to do anything. There is no doubt that our customers are benefiting considerably more from their collaboration with 11880* than ever before, as demonstrated by the impressive growth in customer numbers.

Consumers in Germany are also making greater use of our online offering as it gives them specific information for their region rather than the enormous and wide-ranging array of data provided by major search engines.

Although we now divide our business into the two areas of directory assistance and digital for accounting purposes, these two segments have once again grown significantly closer together in our minds and our day-to-day operations and complement each other perfectly. This is a good thing, as Germany's consumers associate 11880* and its decades-long claim that "Da werden Sie geholfen" ("This is the place to get assistance") with everyday help and quick introductions to an individual or a suitable supplier, whether via telephone, online or now via voice-operated services such as Amazon Alexa.

Our greatest asset is a comprehensive database that, in addition to up-to-the-minute address details, is enriched with plenty of additional valuable information on small and medium-sized companies across Germany. It has been the core of our daily telephone and online business for more than two decades, as it enables us to bring consumers and suppliers together quickly and efficiently. We began successfully developing our product portfolio two years ago based on this wealth of data. 11880.com now provides consumers with a one-stop shop where they can gather non-binding offers from their preferred suppliers and not only contact them directly but even compare the latest prices. This enables them to get a variety of services from a single address that they would otherwise need to access via several different portals.

We have blurred the lines that previously existed between telephone and online, with our directory assistance business now increasingly benefiting from the diversity of data at our disposal. We have created a new business segment over the last two years with the call centre third-party business, where our experienced staff provide customer services on behalf of medium-sized companies. If we can help a caller to find a suitable service provider in their region quickly, we can transfer them immediately without our customer needing to take care of it. This means that as well as taking calls, we also provide additional assistance – a benefit that more and more companies appreciate and that is prompting them to leave their customer services in our hands.

With our growing call centre third-party business, we have found an excellent way to actively counteract the further decline in call volumes in the directory assistance business.

In 2017, we not only generated growth but also reduced costs further. The team consisted of 800 staff in 2015; this figure is now 600. In particular, highly-paid employees in the second tier of management are no longer with the Company, which has significantly reduced the burden on our cost structure without impacting the operating business. In fact, streamlining our business processes has significantly shortened our decision-making channels.

On 31 December 2017 we closed the site in Martinsried, near Munich. When the site closed, ten employees were still working in an office designed for at least 100 staff, making it financially unfeasible to further extend the lease agreement for this site. Even in Essen, where we are currently still working in two different office buildings, we will combine both sites during the 2018 financial year to enable us to work as one team in a single office.

As part of the closure of the Munich office, we created a new, smaller and more effective finance department at our headquarters to ensure that we remain well equipped for the future in this area.

We want to continue growing the digital business in 2018 and compensate for the declining directory assistance business as effectively as possible by acquiring new customers in the call centre third-party business. Our goal is to optimize our new product portfolio and establish ourselves even more firmly within the market. To provide our corporate customers with an additional service, we are planning to enter the booming job market, as we consider this to be the perfect addition to our online offering for small and medium-sized companies in Germany. We will showcase our customers' employee searches online and introduce them to suitable candidates.

We are confident that the capital markets will become increasingly receptive to our progress and would like to thank you for your confidence in our work.

Planegg/Martinsried, 16 March 2018

Christian Maar
Chief Executive Officer

* €1.99/min. from a German landline. Mobile prices may vary where applicable. Text message inquiries are €1.99 (Vodafone D2 portion: €0.12) in Germany.

Report of the Supervisory Board

for the financial year from 1 January 2017 to 31 December 2017

In the 2017 financial year, 11880 Solutions AG focused on improving the new digital services offered, particularly werkenntdenBESTEN, the meta search engine for online reviews. The Company's directory assistance activities concentrated on customer acquisitions in the third-party call centre business. Throughout the year, the Supervisory Board monitored the Management Board's business activities in compliance with its legal advisory and supervisory function.

Supervisory Board activities in the 2017 financial year

In the 2017 reporting period, the Supervisory Board of 11880 Solutions AG carried out its duties, as provided by law and the Company's Articles of Association. Four regular meetings were held during the year. Furthermore, the Supervisory Board continually advised the Management Board and supervised the management of the Company. The Supervisory Board was informed at all times about the most important financial indicators, risks and the general course of business of the Company through regular reporting by the Management Board. When issues arose, the Supervisory Board was available to assist the Management Board at any time. Deviations from approved planning occurring during the year along with important Company events were presented in detail and explained, then discussed by the Management Board and Supervisory Board and a course of action decided. The focus was on further developing the digital business, which saw a very favourable increase in customer numbers, and expanding the third-party call centre business as well as internally restructuring the Company and closing the offices in Martinsried (near Munich).

The 2018 budget was approved by the Supervisory Board at its fourth meeting of the financial year on 21 December 2017.

The Supervisory Board of 11880 Solutions AG thoroughly reviewed the accounting and financial reporting process as well as the effectiveness of the internal control system and risk management system throughout the year. The effectiveness of the Company's compliance processes and potential and pending legal disputes were monitored on an ongoing basis. After carefully reviewing the auditor's independence and qualifications, the services provided to date and the audit fee, the Supervisory Board again commissioned the auditor to audit the financial statements.

Organisation of the Supervisory Board's work.

In order to perform its duties efficiently, the Supervisory Board had in the past already formed an Audit Committee and a Nomination Committee. Regular reporting by the chairs of the committees ensures the flow of information between the committees and the Supervisory Board. The Audit Committee prepares resolutions of the Supervisory Board and topics to be handled by the Supervisory Board as a whole and concerns itself with monitoring the accounting and the internal control system and with the audit of the financial statements. Within the context of monitoring the auditor's independence, the Supervisory Board of 11880 Solutions AG initiated an approval process in 2016 that entails the release of permissible non-audit services by the auditor in accordance with EU Regulation 537/2014, which took effect on 17 June 2016.

Composition and personal details of the Supervisory Board

The Supervisory Board of 11880 Solutions AG was set up pursuant to the provisions of Sections 96 (1), 101 (1) AktG in conjunction with Sections 1 (1), 4 of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and, pursuant to Item 4.1 (1) of the Articles of Association of 11880 Solutions AG, comprises four members elected by the Annual General Meeting and two elected by employees. The self-described goal of the Supervisory Board is focusing on effectively supporting the Company in its new direction. In choosing candidates, digital industry knowledge, international experience and a variety of professional skills were taken into account, as was a suitable percentage of female members.

In the 2017 financial year, the Supervisory Board of 11880 Solutions AG comprised the following members: Dr. Michael Wiesbrock (Chairman), Ralf Grüßhaber, Antonio Converti, Andrea Servo (until 19 January 2017), Gabriella Fabotti (since 27 June 2017), Ilona Rosenberg and Jens Sturm. At the Annual General Meeting on 27 June 2017, Gabriella Fabotti was then elected as a shareholder representative, replacing Andrea Servo, who had stepped down in the first quarter of 2017. The replacement of Andrea Servo with Gabriella Fabotti was the only change in the Board's composition in 2017.

The additional members of the Audit Committee chaired by Dr. Michael Wiesbrock were Jens Sturm and Ralf Grüßhaber. Gabriella Fabotti replaced Andrea Servo, who stepped down in the first quarter of 2017. The Nomination Committee members were Dr. Michael Wiesbrock and Antonio Converti.

Meetings and attendance

The Supervisory Board held four regular meetings in the 2017 financial year – one in each quarter. Dr. Michael Wiesbrock, Ralf Grüßhaber, Ilona Rosenberg and Jens Sturm attended all meetings. Antonio Converti attended three meetings, as did Gabriella Fabotti, who was elected to the Supervisory Board at the end of June 2017. The Audit Committee met four times during the 2017 financial year; the Nomination Committee met once.

Changes in the Management Board

At the end of financial year 2017, Michael Geiger stepped down from the Management Board of 11880 Solutions AG.

Corporate governance and remuneration of the Management Board

The Supervisory Board again dealt intensively with the proposals and recommendations of the German Corporate Governance Code and its implementation within 11880 Solutions AG in the 2017 financial year. The implementation of the German Corporate Governance Code was also an item on the agenda of the Supervisory Board meeting held on 21 December 2017, during which the Management Board and the Supervisory Board issued a Declaration of Compliance in accordance with Section 161 German Stock Corporation Act. Any deviations from the recommendations of the German Corporate Governance Code were resolved after careful consultation and with particular regard to the Company's circumstances and requirements. The joint Declaration of Compliance by the Management Board and Supervisory Board can be inspected at any time on the Company's website at www.11880.com. Further information on the implementation of the recommendations and proposals of the German Corporate Governance Code and a detailed report on the remuneration system for members of the Management Board can be found in the Goup Management Report (see page 22 ff).

Audit of the 2017 annual and consolidated financial statements

Based on a resolution adopted by the Annual General Meeting on 27 June 2017, the Supervisory Board commissioned PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the financial statements. 11880 Solutions AG's annual financial statements in accordance with German commercial law, the management report, the IFRS consolidated financial statements and the Group management report for the 2017 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich. The consolidated financial statements for the period from 1 January to 31 December 2017 and the Group management report were prepared in accordance with section 315a German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRSs) applicable in the European Union (EU).

An unqualified auditor's report was issued for both the annual financial statements and the management report as well as the consolidated financial statements and the Group management report as of 31 December 2017. The annual financial statements and the management report according to German commercial law, the consolidated financial statements and the management report according to IFRSs, and the auditor's reports were discussed in detail with the auditor in the Audit Committee and forwarded to all members of the Supervisory Board in due time. The auditor also participated in the concluding discussion of the financial statements at the Supervisory Board meeting on 21 March 2017, explaining the process of the audit and providing additional information during the discussion.

The Supervisory Board examined the annual financial statements and the management report of 11880 Solutions AG. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2017 annual financial statements of 11880 Solutions AG, which are hereby adopted.

The Supervisory Board also examined the IFRS consolidated financial statements of 11880 Solutions AG and the management report. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2017 consolidated financial statements of 11880 Solutions AG.

Risk early warning system

In accordance with Section 91 (2) German Stock Corporation Act, the Management Board of 11880 Solutions AG established a monitoring system to identify significant risks to the Company and its subsidiaries at an early stage. The auditor's report confirmed that the Management Board fulfilled its duties as required under Section 91 (2) German Stock Corporation Act. The Supervisory Board therefore agrees with the auditor's report.

Closing declaration

We approve the auditor's findings and raise no objection after our own examinations of the annual financial statements, management report, consolidated financial statements and Group management report of 11880 Solutions AG. We accept the annual financial statements prepared by the Management Board, which are hereby adopted. We also accept the IFRS consolidated financial statements prepared by the Management Board.

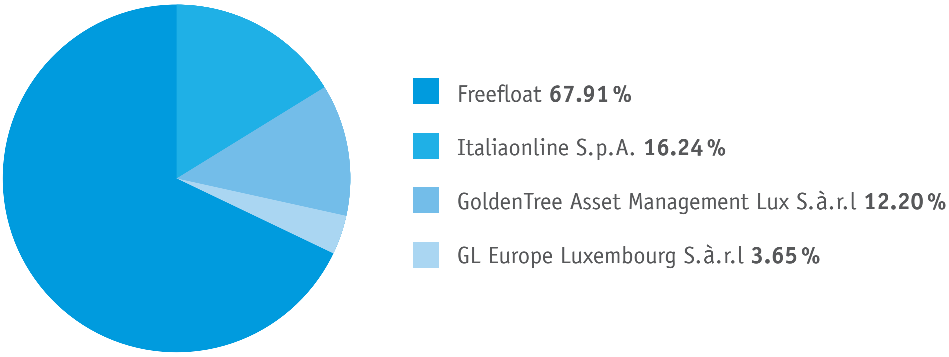
On behalf of the entire Supervisory Board, I would like to thank Management Board chairman Christian Maar and Management Board member Michael Geiger, who stepped down at year-end, for their efforts on behalf of the Company. We also extend our thanks to all employees for their dedication and commitment in financial year 2017.

Planegg/Martinsried, March 2018

Dr. Michael Wiesbrock
Chairman of the Supervisory Board

11880 Solutions AG on the capital markets

Shareholder structure on 31 December 2017



Uncertainty surrounding central banks' monetary policies prompted a rally for investors in the equity markets in 2017, with every index reaching record highs. The 11880 share also performed positively during the 2017 financial year. The price per share was EUR 0.67 at the start of the year, lost EUR 0.25 by the start of March and reached its annual low of EUR 0.42 on 6 March 2017. After the 2016 annual figures and 2017 first quarter results were announced, the share price climbed to an annual high of EUR 1.28 on 6 June 2017. During the summer, major shareholder GL Europe sold the majority of its investment in 11880 Solutions AG. It sold 19.89 % of the shares (3,801,195 shares) on the stock exchange and held 3.65 % at the end of the year. The share handled this immense selling pressure well and was trading at EUR 0.87 at the end of 2017.

Investor relations activities

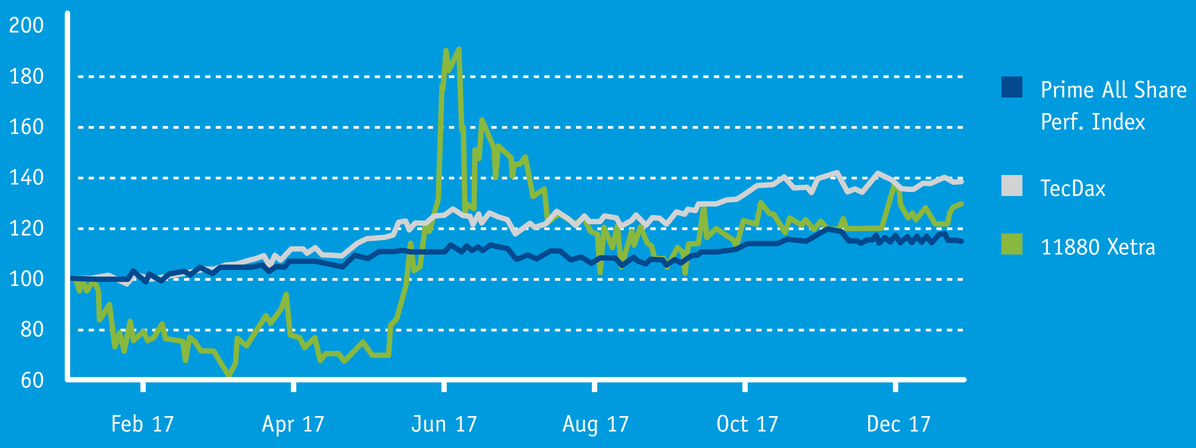
The Management Board of 11880 Solutions AG held a conference call with analysts and investors on the publication of the annual financial statements for 2017 and another on the publication of each of the quarterly results. During these calls, the Management Board gave detailed presentations outlining the current status of the Company before answering all questions in an open Q&A session. At the Annual General Meeting on 27 June 2017, the Management Board also gave a detailed overview of the Company's performance and fielded questions from the shareholders present.

Furthermore, the Management Board and Investor Relations team conducted several face-to-face meetings and conference calls with existing and potential investors throughout the year. Chief Executive Officer Christian Maar met potential investors at a roadshow in October, the German Equity Forum in Frankfurt in late November and the Munich Capital Markets Conference in mid-December 2017. The Company's presentations were extremely well attended at all these events, with very high demand for one-to-one meetings.

The capital markets' interest in the 11880 share increased significantly by the end of 2017, with finance and business media interest picking up accordingly.

11880 share in comparison with the Prime All Share index and the TecDAX

31 December 2016 to 31 December 2017



Key figures for the 11880 share

		2012	2013	2014	2015	2016	2017
Number of shares	pcs.	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091
Share capital	EUR	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091
Share price at year-end	EUR	7.27	6.28	3.31	1.15	0.68	0.874
Highest share price[1]	EUR	7.27	9.88	6.40	3.35	1.17	1.283
Lowest share price[1]	EUR	4.99	5.35	2.75	1.13	0.68	0.422
Market capitalisation at year-end	EUR million	139	120.0	63.2	22.0	13.0	16.7
Earnings per share	EUR	2.46	-0.10	-0.33	-0.49	-0.77	-0.50
Dividend or proposed dividend per share	EUR	2.00	0.40	0.00	0.00	0.00	0.00
Dividend yield[2]	%	27.5	6.4	0.0	0.0	0.0	0.0

[1] Xetra closing prices
[2] based on the respective Xetra closing price

Corporate Social Responsibility

Corporate Social Responsibility (CSR)

1. Description of business model

We operate Germany's second largest directory assistance service and offer our customers personalised support under the well-known 11880 number. In addition, our 11880.com online business directory and the app of the same name provide information to customers searching for local service providers and companies in their chosen region. Our 11880.com online business directory brings consumers and suppliers together quickly and efficiently via specialist portals for the 20 most searched-for sectors. As small and medium-sized companies can reach their customers without wastage via 11880.com, they use the platform and its specialist portals to market their offering. The 11880.com portfolio offers a variety of products, from a listing service on the largest search engines to professional homepages and Google campaigns. This online offering is supplemented by a secretarial service that is particularly popular among small companies without a back office function.

Our werkenntdenBESTEN.de meta search engine offers small and medium-sized companies a unique opportunity to effectively manage their reviews.

2. Environmental matters

Protecting our environment is an important part of our sustainability efforts. We contribute to the conservation of our planet by optimising our energy and resource efficiency as effectively as possible both internally and in partnership with our customers and suppliers.

As part of the process of restructuring 11880 Solutions AG and the associated site concentration, the Group's energy consumption will also be significantly lower in future. We pursue a green IT strategy and have been using new tools, mechanisms and processes to enable us to transparently monitor our energy consumption since the end of 2017.

At the end of the 2017 financial year, the decision was made to combine the two existing sites in Essen. The server hardware currently being used will be consolidated at the future site's data centre and replaced by new environmentally friendly hardware. Undoubtedly the most important deciding factor when installing the new data centre is hardware energy consumption. In addition, several services are also being relocated to the cloud to save additional energy.

At our site in Rostock, we use power distribution units (PDU). We use these PDUs to continuously measure the power consumption of individual devices and act proactively.

Our IT department has developed a printer concept across all sites designed to ensure energy-efficient use of multifunction printers. The use of pull printing and new management software will prevent unnecessary and duplicate printouts. The concept is being implemented in mid 2018 and will significantly reduce not only energy consumption but also paper and toner use.

When selecting company cars, 11880 Solutions AG stringently ensures that only environmentally friendly vehicles with low fuel consumption from well-known manufacturers are selected. Employees without company cars are primarily booked on train journeys for business trips. The Munich site was also closed as part of the restructuring carried out during the 2017 financial year, which means employees no longer take flights to our Essen headquarters.

3. Employee matters

We are committed to respecting the fundamental rights of all of our employees. The prohibition of discrimination and right to equal treatment are particularly important to us, as well as the right to collective bargaining and freedom of association.

Working hours and working time models play a key role at our call centres, where our employees process directory assistance calls and advise small and medium-sized companies over the telephone. In order to achieve the best possible work-life balance when carrying out traditional call centre activities, we offer employees an optimal duty roster that is particularly helpful for single parents and employees who care for family members. Where an employee's preferred duties can be implemented as part of our operating business, they are understandably taken into account.

Our call centre employees in the Directory Assistance segment receive regular training to enhance their product knowledge and telephone skills. In order to expand the range of tasks and make the job more interesting, we placed an even stronger focus on the call centre third-party business in 2017, where we provide various customer services for companies.

The team leaders at our call centres add variety to the daily routine of our employees by organising special fruit, tea and massage days.

11880 Solutions AG engaged Talingo EAP to offer telephone counselling to all of our company's employees and their relatives. This can be used at any time free of charge in the event of money, family or addiction problems as well as symptoms of exhaustion.

11880 Solutions AG has not signed a collective wage agreement. We cultivate a cooperative working style with employee representatives and participate in all elected bodies according to the provisions of the Works Council Constitution Act governing codetermination.

We have always paid our employees in accordance with minimum wage guidelines. By the time the statutory minimum wage was introduced, the Company had already decided not to take high-risk variable salary components into account when calculating the minimum wage even though the ruling subsequently handed down by the German Federal Labour Court would allow this.

4. Social matters

As a socially responsible company, we support cultural and social activities. Our aim is to protect values, promote creativity, improve cross-cultural understanding and stimulate progress.

The 2017 financial year was dominated by the restructuring of the entire Company and did not present any opportunities for social commitment. Several employees at the Rostock site collected donations totalling EUR 750.00 on their own initiative as part of a Christmas campaign to help the homeless and actively supported the project.

5. Respect for human rights

Our business activities have a direct and indirect impact on many people. We are therefore aware of our responsibility to respect and promote human rights. As a result, we are unconditionally committed to the promotion of human rights and sustainable development.

6. Anti-corruption matters

11880 Solutions AG pursues a zero-tolerance approach to corruption, competition law breaches and other violations of applicable law. As soon as there are even indications of these kinds of cases, the Company reacts consistently and emphatically. One important element of integrity is the observance of laws and internal company regulations.

Specific measures include a comprehensive Code of Conduct issued by the Management Board that can be viewed by all employees on the Company's intranet, where the issue is handled in detail under its own section entitled "Corruption and bribery".

All relevant department heads are members of a special Compliance Committee that meets regularly, monitors the Company's compliance management system, develops optimisations and advises the Management Board on all compliance issues. 11880 Solutions AG's compliance management system includes wide-ranging measures and processes and provides regular online and offline compliance training for employees.

Other guidelines such as operating procedures and signature and purchasing guidelines are key elements of the compliance management system, which was the subject of an external audit in 2014. The findings of the audit certified the high level of effectiveness of the system, with few potential improvements immediately implemented.

In the event of suspected corruption, the suspicion is extensively and consistently investigated followed up and the internal investigation documented in detail in the system. Appropriate sanctions are imposed immediately if required.

The Company's compliance management system has always been supplemented by an effective risk and opportunity management system. For 11880 Solutions AG, „risk" means both the danger of potential losses and of lost profits. Both can be triggered by internal and external factors. The Company's risk management system contains the entirety of all organisational regulations and measures for identifying and dealing with risks associated with the company's business activities.

Group Management Report

Group Management Report

1. Macroeconomic and sector-specific environment

Macroeconomic environment

During the 2017 financial year, the economy grew by approximately 3.3 %, representing a significant rise compared to 2016. Industrial production has been the main driver of this upturn in both advanced economies and emerging countries. International trade expanded by 4.4 % overall in 2017, growing more than twice as much in the past year as in the years 2012 to 2016. This was mainly due to general reinvigoration in the global economy as well as the resulting acceleration in worldwide investment.

In the euro zone, GDP growth for 2017 was approximately 2.4 %. consolidating the region's strong and stable growth trajectory. The continuing economic upturn is mainly being driven by the increase in private consumption and investments. Improved labour market and lending conditions were primarily responsible for this development. Spain and Germany recorded the highest expansion rates. This positive trend is expected to continue, as the risks for other economic forecasts appear stable.

German GDP increased by 2.3 % in 2017: Overall, aggregate economic output is expected to have grown by approximately 3.0 % in 2017, the highest economic upturn since 2010. As a result, the tight supply situation in the German economy continued to increase, although growth rates were spread more widely across the country's economy. The construction industry and consumer economy again made a considerable contribution to the upturn in the previous year. In 2017, export-oriented businesses particularly benefited from positive momentum from abroad. The wage and price increases expected in an economic boom did not materialise during the 2017 financial year.

The aforementioned data was taken from the ifo Economic Forecast for 2017 to 2019, ifo Schnelldienst 24/2017 – Volume 70 – 22 December 2017.

Market development in Germany/Austria

The market for local online advertising in Germany continued to grow by 6 to 7 % annually according to the Circle of Online Marketers (Online-Vermarkterkreis – OVK). In 2016, net advertising volumes totalled EUR 1.8 billion, up EUR 109 million on 2015. The forecast for 2017 is Euro 1.9 billion. This trend also provides the 11880 Solutions Group with positive growth prospects, as even small and medium-sized companies can no longer do without a comprehensive online presence when marketing their products and services. With this in mind, packages have been developed in the Digital division to provide an efficient web presence suiting any company size and offering. The 11880 Solutions Group's media consultants work with business owners to put together advertising packages tailored to the needs and strategy of each company. The significant customer growth in the 2017 financial year shows that these packages help to ensure efficient client communication with the respective company.

The Directory Assistance division is largely unaffected by economic trends and has been declining sharply for several years as consumers increasingly search for information online. The 11880 Solutions Group is still number two in the German market for conventional directory assistance services behind Deutsche Telekom. In order to make use of staffing and technical capacity and compensate for declining call volumes in the directory assistance business, the 11880 Solutions Group is increasingly focusing on acquiring corporate customers. Our experienced and skilled 11880 employees answer calls for these corporate clients and forward them accordingly.

2. Fundamental information about the Group

Basis of presentation

In its Digital and Directory Assistance operating segments, the 11880 Solutions Group uses a system to control key figures that are relevant to decision-making. In order to respond to new developments and changes in its operating business, the Group makes use of daily reporting instruments both in the directory assistance and in the digital business. In the financial area these include mainly the key performance indicators revenues, profitability (EBITDA) and cash funds, with the latter replacing the "cash flow" figure used in the previous year. Monitoring its cash funds is essential for the Group in order to be able to meet its payment obligations at all times. Different key figures are used for non-financial performance: In the Digital segment, the new and existing customer development as well as the churn rate are used as non-financial key figures. These key figures make it possible to assess the level of customer loyalty and customer satisfaction. The Directory Assistance segment is mainly controlled by the non-financial key figures "call volume" and "revenue per call". The companies also measure employee satisfaction as a non-financial key performance indicator at Group level.

In the Digital segment the 11880 Solutions Group offers online packages to give small and medium-sized enterprises (SMEs) an extensive and efficient online presence. In addition to an entry in the 11880.com classified directory and an appropriate 11880 specialist portal, these packages include listing services in more than 30 additional directory portals, Google AdWords, the production of websites or a telephone secretarial service.

During the 2017 financial year, we added packages for active review management via our search engine for online reviews werkenntdenBESTEN.de. For larger companies, the 11880 Solutions Group also offers stand-alone or network solutions for access to the latest digital telephone book and yellow pages database. Among the customers acquired in this segment in 2017 was the Munich Fire Department.

In its second division, the Directory Assistance segment, the 11880 Solutions Group primarily offers services relating to its 11880 telephone directory. Consumers can call a service number to receive telephone numbers and addresses in Germany and worldwide via telephone, email or text in addition to other information on timetables and flight schedules, share prices, movie schedules, hotel reservations and much more. Callers can also be connected directly to the desired subscribers upon request. 11880 Solutions Group employees in this division also provide customer services to large third-party companies.

Financial key figures

Revenue:

In both the Digital and Directory Assistance segments, one of the main key performance indicators is revenue.

In the Digital segment revenues are generated in the business with new customers and existing customers. The basis for sustainable revenue growth is an efficient sales team in new customer business and a focus in customer retention management on customer loyalty especially by offering products optimised for customers.

In the Directory Assistance segment, revenue is essentially calculated as the product of call volume and price per call. The call volume is made up of calls from landlines and the networks of the mobile phone service providers, where the rates may vary depending on the network operator.

Profitability (EBITDA):

The main key figure used by the Company to control profitability is EBITDA (earnings before interest, taxes, depreciation and amortisation). The 11880 Solutions Group uses this key indicator to control segment profitability in both the Digital and Directory Assistance segments. The objective is to make it possible to evaluate the operational performance of the segments independent of factors that are not directly related to operations such as amortisation/depreciation, financing and tax issues in order to maximise financial performance.

Cash funds:

Analysing this indicator makes it possible to evaluate the Company's financial health, among others. This information enables the 11880 Solutions Group to assess and optimise its financial position and net assets.

Cash holdings is the sum total of cash and cash equivalents and financial assets available for sale short-term.

Non-financial key figures

The development of new and existing customers as well as the churn rate as key figures measuring customer loyalty and satisfaction in the Digital segment

A high level of customer loyalty and satisfaction is of particular importance for the development of the Digital segment. This basically involves making use of a customer support concept to establish a long and sustainable relationship between customers and the Company. This ensures future revenues, generates high profit margins and increases the profitability of the Digital segment.

The quantifiable parameters relating to customer loyalty and satisfaction include the churn rate (customer migration rate) and the change in the number of new and existing customers.

The churn rate is a percentage that represents the number of customers in the period who do not extend their contracts in relation to the number of existing customers in the same prior-year period.

Call volume and revenue per call in the Directory Assistance segment

The reason for the continuous decline in the market for directory assistance observable for many years now is the change in consumer usage behaviour towards the digital acquisition of information. This makes it even more important for the 11880 Solutions Group to make an accurate prediction of the development of call volume. The 11880 Solutions Group has an efficient reporting system, proven forecast models and many years of experience. In addition to a reliable estimation of the expected revenues, information about call volume is just as important in planning staffing levels in the call centres.

Employee satisfaction

The 11880 Solutions Group believes that the sustainable economic success of a company is inextricably linked to a high level of employee satisfaction. The recruitment of highly qualified new employees is as vital as the training of and support for the existing workforce.

For this reason, the 11880 Solutions Group conducts regular company-wide employee surveys. The result of these surveys is what is termed the HEI (Happy Employee Index), which tracks the overall satisfaction of the workforce in the 11880 Solutions Group.

In 2017, the 11880 Solutions Group decided to accompany the reorganisation and site concentration process and carried out three sounding board sessions as a one-off initiative in place of the employee survey. Employees from various departments, divisions and sites took part in moderated discussions at the sounding board events. The advantage of this method is that management “can take the pulse of the organisation” and obtain undistorted information, as the open format means that the events almost automatically consist entirely of issues that concern the workforce.

The Group-wide employee survey will resume again in the coming financial year.

3. Course of business

During the 2017 financial year, the Group focused on three key issues: establishing the new product portfolio, strengthening cooperation between the Digital and Directory Assistance divisions and consolidating company sites.

The site at Martinsried, near Munich, was closed at the end of the 2017 financial year. With the Company's operating business gradually relocating to Essen over the past ten years after the acquisition of what was then klicktel AG, there were only ten employees still working in the Munich office, which is designed to accommodate more than one hundred staff. With this in mind, management decided not to extend its lease agreement beyond its expiry date at the end of March 2018 for financial reasons. Three of the ten employees moved to Essen, while the others have left the Company or will do so soon. The Finance department, which was previously based primarily in Munich, was re-established in Essen during the year under review.

The operating business was characterised by the further development and optimisation of specialist portals connected to the 11880.com online directory and the werkenntdenBESTEN.de meta search engine. Specialist portals for the 20 most important sectors offer consumers the opportunity to directly contact providers in their local area and obtain non-binding quotes for the services they require. At the same time, companies receive specific customer requests via 11880.com without needing to be actively involved. In the trade and services sectors in particular, the number of incoming inquiries from consumers rose steadily, reaching almost 20,000 per day by the end of 2017.

Having been developed in 2016 as the first and so far only search engine for online reviews, werkenntdenBESTEN.de was further enhanced in 2017 to show companies all of the ratings published about them on the Internet. As well as saving consumers from carrying out their own time-consuming research, this aggregation of ratings from more than 50 portals also provides companies with a unique overview of how their customers rate them. They can also react directly to the ratings and thus make direct contact with their customers. By the end of 2017, werkenntdenBESTEN.de had already aggregated well in excess of 50 million online ratings at a single address. With more than 70 % of all consumers already making purchasing decisions based on online ratings, this figure is set to rise further in 2018. It is therefore reasonable to assume that both the number and significance of all customer reviews published online will continue to increase sharply.

The Directory Assistance segment was linked more strongly with the digital business back in 2016 with the introduction of the secretarial service. Companies can book this service in addition to their online presence packages. Our experienced and capable telephone staff take calls for customers and inform them about all of the calls received upon request. In 2017, the Company also stepped up its efforts in the call centre services business. 11880 employees now answer calls for a major medium-sized corporate client acquired during the year. Customers can also be connected directly to service providers or tradespeople listed in the comprehensive and up-to-date 11880 Solutions Group database together with valuable additional information upon request. The Directory Assistance and Digital divisions can also leverage synergies in this area.

The Company opened up an additional medium for 11880 services in 2017 by developing its first skills for the voice-controlled Amazon Echo device. These efforts began with the emergency pharmacy search, which is also widely used online and via telephone.

By the end of the 2017 financial year, the 11880 brand was synonymous with fast, uncomplicated assistance across all media – whether online, via telephone or voice-controlled audio devices.

Consolidated revenues declined by 8 % compared to the prior-year period. With an actual revenue volume of EUR 41.3 million, the projected revenue volume in the range of EUR 37.2 million to EUR 43.2 million was achieved. Revenue generated in the Digital segment totalled EUR 26.9 million (previous year: EUR 28.5 million), within the forecast range of EUR 25.1 million to EUR 28.1 million. The Digital business's share of total revenue remained stable at 65 % compared to 64 % in the previous year.

Revenue in the Directory Assistance segment developed more positively than expected; at EUR 14.4 million, actual revenue was within the expected range of EUR 12.1 million to EUR 15.1 million.

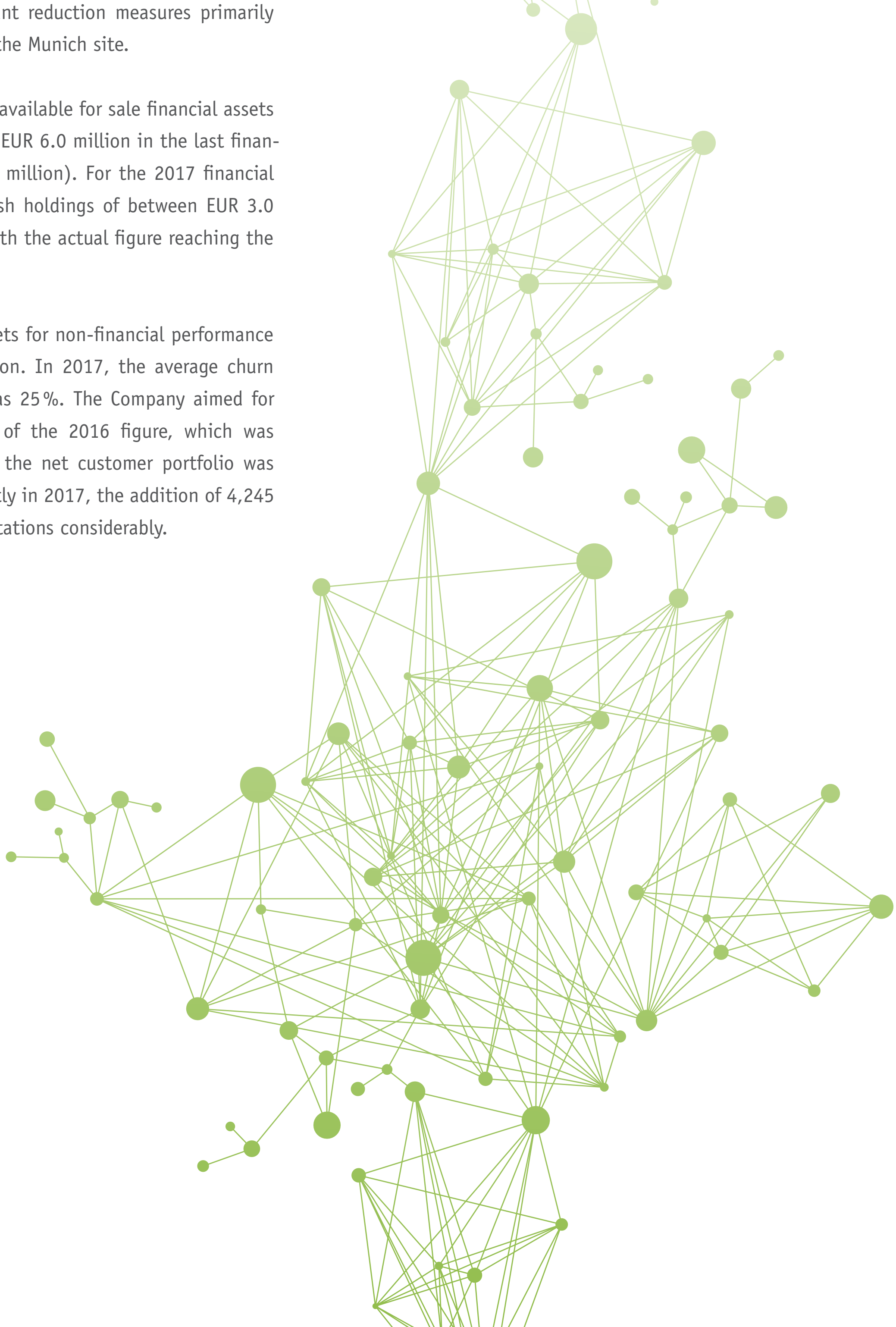
Group EBITDA improved from EUR -2.7 million to EUR -2.3 million and reached the expected range of EUR -2.3 to EUR -0.7 million. With a projected EBITDA share of the Digital segment in the range of EUR -1.4 to EUR 0.1 million, this figure improved from EUR -2.4 million in the previous year to EUR -1.4 million. This is due in particular to the considerably improved cost structure in Sales. EBITDA in the Directory Assistance segment declined from EUR -0.3 to EUR -0.9 million; EBITDA in this segment was expected to range between EUR -0.9 million and EUR 0.6 million. The Company succeeded in maintaining its forecast ranges despite non-budgeted headcount reduction measures primarily associated with the closure of the Munich site.

Cash and cash equivalents and available for sale financial assets declined by EUR 4.5 million to EUR 6.0 million in the last financial year (prior year: EUR 10.5 million). For the 2017 financial year, the Company forecast cash holdings of between EUR 3.0 million and EUR 6.0 million, with the actual figure reaching the upper end of this range.

The Company achieved its targets for non-financial performance indicators in the Digital division. In 2017, the average churn rate in the Digital segment was 25 %. The Company aimed for a continued, slight reduction of the 2016 figure, which was an average of 26 %. Although the net customer portfolio was expected to increase significantly in 2017, the addition of 4,245 new customers exceeded expectations considerably.

The negative trend in caller volume in the Directory Assistance segment continued as expected. The Company predicted a less marked decline in call volumes compared to the previous year (2016: 25 % decrease). The call volume actually declined by 19 % in 2017. Revenue per call again increased by 1 % in 2017, which means that the anticipated slight increase was achieved.

At the Annual General Meeting held on 27 June 2017, Gabriella Fabotti was appointed to the Supervisory Board to succeed Andrea Servo.



4. Financial situation

Results of operations

Segment report

Revenue in the Digital segment was EUR 26.9 million. As expected, this figure was down on the previous year's revenue of EUR 28.5 million. Further significant cost savings in sales achieved again in 2017 meant that, despite the decline in revenue, the negative EBITDA improved from EUR -2.4 million in the previous year to EUR -1.4 million during the financial year ended.

While the directory assistance market again contracted in 2017, the year-on-year percentage decrease was 19 %, significantly lower than the previous year's figure of 25 %. In the past financial year revenues in the Directory Assistance segment amounted to EUR 14.4 million, which is down 11 % compared with the previous year (previous year: EUR 16.2 million). The decline in revenue was partially offset by additional revenue in the call centre services business and an increase in revenue per call. EBITDA fell from EUR -0.3 million to EUR -0.9 million. Despite the negative EBITDA, it should be noted that the Directory Assistance segment continues to make a significant contribution to covering overhead costs.

Group

Consolidated revenues in the 2017 financial year were EUR 41.3 million, compared to EUR 44.7 million in the previous year. This represents a decline of 8 % (previous year: 16 %).

Cost of revenues at the reporting date totalled EUR 26.6 million (previous year: EUR 26.9 million). This is a decrease of approximately 2 % year-on-year, primarily attributable to lower depreciation and amortisation and personnel costs. Personnel costs were still impacted by non-recurring costs associated with site concentration.

Selling and distribution costs were reduced from EUR 17.8 million to EUR 14.9 million, an improvement of 16 % compared to the previous year (previous year: 29 %). This positive trend was primarily due to lower expenses relating to losses on receivables achieved by the optimisation and realignment of receivables management. Lower amortisation of intangible assets and additional savings in variable personnel costs also helped to account for this encouraging development. Personnel costs were also impacted by non-recurring costs associated with site concentration.

The general administrative expenses in the amount of EUR 9.8 million (previous year: EUR 11.3 million) primarily include the costs of corporate services such as finance, legal, human resources, IT, costs of the Management Board and infrastructure costs of these units. These mainly comprise consulting, personnel and maintenance costs. The reduction in general administrative expenses resulted mainly from the headcount reduction measures carried out at the end of 2016 and cost savings measures implemented in 2017.

Other operating expenses amounted to EUR 0 million in 2017. In the previous year, they included an impairment loss on goodwill of EUR 3.3 million.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) as of the reporting date amounted to EUR -2.3 million (previous year: EUR -2.7 million).

Net financial income in 2017 ended the year with income of EUR 0.2 million, compared with EUR 0.1 million in the previous year.

In 2017, the Group generated positive income from income tax totalling EUR 0.2 million (previous year: tax expense of EUR 0.2 million). This was primarily due to the reversal of deferred tax liabilities and lower expenses from deferred taxes compared to the previous year. In the previous year, the tax result was still impacted by payments relating to a tax audit.

The net income/loss for the period amounted to EUR -9.6 million compared to EUR -14.7 million in the previous year. The reduction in costs, mainly of selling and distribution costs and general administrative expenses totalling EUR 4.4 million, more than compensated for the decline of EUR 3.4 million in consolidated revenues.

Net assets and financial position

Capital expenditures

The total investments in intangible assets and property and equipment as of the reporting date were EUR 2.2 million (previous year: EUR 3.5 million). In the Digital segment, the Company mainly invested in internally generated intangible assets in order to make 11880's product portfolio competitive. Capital expenditures in this area amounted to EUR 1.3 million. In the Directory Assistance segment, investments were made primarily in call centre technology.

As in the previous year, the 11880 Solutions Group as of 31 December 2017 had no noteworthy open obligations from capital expenditures which will be incurred in financial year 2018.

Statement of financial position

As of the reporting date, total assets amounted to EUR 26.2 million, down significantly by EUR 8.3 million compared to the 31 December 2016 figure of EUR 34.4 million.

Assets

Current assets decreased from EUR 23.2 million to EUR 17.9 million. This was due primarily to the decrease in available-for-sale financial assets by EUR 4.4 million as a result of the negative cash flow. As of 31 December 2017, the 11880 Solutions Group had investments in short-term money market and bond funds that were reported as available-for-sale financial assets. The fair value of these investments was EUR 5.3 million (previous year: EUR 9.7 million). Other current assets (EUR 2.0 million; previous year: EUR 2.2 million) decreased by EUR 0.2 million (previous year: increase of EUR 0.5 million), which was mainly a result of the decrease in current customer websites. Trade accounts receivable (EUR 9.7 million; previous year: EUR 10.3 million) decreased by EUR 0.6 million (previous year: EUR 0.8 million) and cash and cash equivalents (EUR 0.7 million; previous year: EUR 0.8 million) were down by EUR 0.1 million (previous year: EUR 0.1 million). The decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower revenue volume. The capitalised customer websites included in other current assets up to one year (EUR 0.2 million; previous year: EUR 0.6 million) decreased by EUR 0.4 million.

The Company had overdraft facilities of EUR 2.0 million (previous year: EUR 3.0 million) with financial institutions at its disposal as of 31 December 2017.

As of the reporting date, bank balances and securities (money market and bond funds) were exclusively kept with renowned German financial institutions which are classified as investment grade by international rating firms.

As of the reporting date, the Group had non-current assets worth EUR 8.2 million (previous year: EUR 11.2 million). The decline by EUR 3.0 million stemmed from the decrease in intangible assets (EUR 2.4 million) and property and equipment (EUR 0.6 million). The decline is due exclusively to depreciation and amortisation.

Equity and liabilities

On the liabilities side, current liabilities increased by EUR 1.9 million to EUR 11.4 million (previous year: EUR 9.5 million). Accrued current liabilities as of the reporting date amounted to EUR 5.5 million (previous year: EUR 5.7 million) and mainly include amounts for obligations to employees and outstanding invoices.

The other current liabilities of EUR 5.2 million (previous year: EUR 3.0 million) increased by EUR 2.2 million. This trend is due primarily to the increase in new customer contracts and the resulting rise in deferred revenues.

The 11880 Solutions Group has no significant non-current liabilities, no liabilities in foreign currencies and no loan liabilities to banks.

Equity declined by EUR 9.5 million year-on-year to EUR 14.0 million (previous year: EUR 23.5 million). This was due primarily to the net loss for the period of EUR 9.6 million (previous year: EUR -14.7 million). As of 31 December 2017, the equity ratio was 53.4 % (31 December 2016: 68.3 %).

Cash flow and financing

The 11880 Solutions Group's financial management ensures that the Group is at all times able to meet its payment obligations and to generate an adequate return from the investment of excess liquidity.

During the year, the Group was able to meet its financing needs through own funds.

When investing excess liquidity, the 11880 Solutions Group pursues as conservative an investment approach as possible in order to minimise the risk of losses. Excess funds are invested short-term in money market or bond funds.

The 11880 Solutions Group's dividend policy is in line with its financial strategy. The dividend amount reflects the Group's financial management objectives – in particular, ensuring a solid financial foundation as part of the implementation of its corporate strategy. Due to the current earnings situation, no dividend payments are possible.

Liquidity developed significantly more positively during the financial year. The negative cash flow was significantly lowered by excellent cost discipline and the implementation of structural measures relating to personnel in particular.

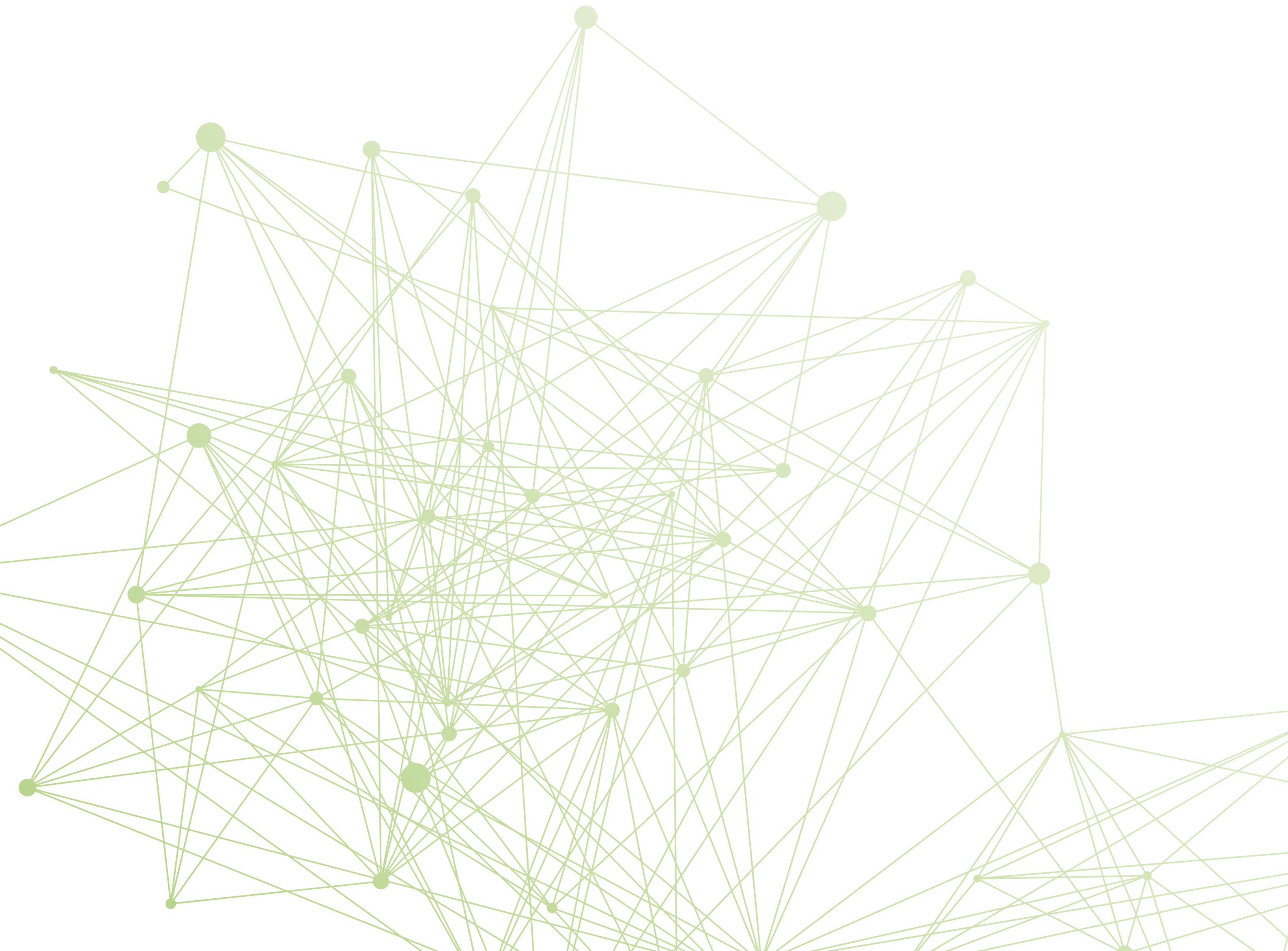
Cash flow from operations in the past financial year amounted to EUR -2.5 million, compared to EUR -4.5 million in the previous year.

Cash inflows from investing activities at the 31 December 2017 reporting date amounted to EUR 2.4 million (previous year: EUR 4.4 million). The cash flow from investing activities included the purchase and sale of money market funds and bond funds. Adjusted for these items, cash flows from investing activities amounted to EUR -2.1 million in 2017 (previous year: EUR -3.5 million). This was the result mainly from payments made for investments in intangible assets and property and equipment.

Cash flow from financing activities (interest expense) amounted to EUR -0.2 million (previous year: EUR -0.03 million).

The net cash flow, which is calculated as the operating cash flow plus cash flow from investing activities minus interest expenses, amounted to EUR -4.5 million as of the reporting date, adjusted for the changes in money market and bond funds (previous year: EUR -8.0 million).

The portfolio of cash and cash equivalents as well as financial assets available for sale amounted to EUR 6.0 million (previous year: EUR 10.5 million) as at December 31 2017. Cash and cash equivalents subject to drawing restrictions totalled EUR 0.2 million at the reporting date. Available-for-sale financial assets can be sold short-term and are available to the Company with no restrictions.



5. Research and development

As a service provider, the 11880 Solutions Group does not carry out basic research in the original sense, and therefore no research costs are shown. However, the Company did recognise development costs for internal software generation used to generate revenue in the Digital and Directory Assistance segments. The 11880 Solutions Group's in-house development department based in Essen and a team of software specialists in Armenia were responsible for this again in 2017. The range of services in this area included mainly the programming of applications, the development and maintenance of the "klicktel.de", "11880.com" and "WerkenntdenBesten.de" specialist portals and online directories, and the development of user interfaces in voice-based directory assistance. The total amount recognised for internally generated intangible assets in relation to the service ranges described above was EUR 1.3 million in the past financial year (previous year: EUR 2.0 million).

6. Employees

The 11880 Solutions Group's qualified workforce is vital to securing the Group's continued success in future. Recruiting highly qualified new employees is an important pillar of this. Just as important for the Group is the further development and support of its existing workforce in order to keep them with the Company long term.

In view of the inevitable strain placed on the workforce by reorganisation measures associated with site concentration in 2016 and 2017, the sounding board was used as an appropriate tool for gaining a more direct overview of employee sentiment. The resulting measures and areas of action made a not insignificant contribution to guiding the 11880 Solutions Group's through this process of change. The results of the survey also show that the employees of the 11880 Solutions Group have an ongoing awareness of the Company and the role they can play in shaping the Company's future.

As of 31 December 2017 the 11880 Solutions Group had 624 employees Group-wide (headcount; excluding the Management Board, trainees, "mini-jobs" and dormant employment contracts), 48 less than a year ago (previous year: 672). The headcount reduction is mainly the result of adjusting the Group to the new product and sales structure.

7. Opportunity and risk management

General information

Establishing an effective opportunity and risk management system is a priority for the 11880 Solutions Group. For the 11880 Solutions Group, "risk" means both the danger of potential losses and of lost profits. Both can be triggered by both internal and external factors. The 11880 Solutions Group's risk management system contains the entirety of all organisational regulations and measures for identifying and dealing with risks associated with the Company's business activities.

The constant challenge for the 11880 Solutions Group is bringing together the established sub-systems for risk assessment and developing these further into an integrated, company-wide risk management system with dynamic structures. In order for the risk management system to work, the 11880 Solutions Group focuses not only on the Company's objectives but also on its vision, strategy and corporate culture. Due to the growing complexity in the area of risk management (e. g. treasury, compliance, etc.), the 11880 Solutions Group also highlights the dependencies of the sub-systems, which has improved the efficiency of the risk management system.

The 11880 Solutions Group's risk management system is used for the early recognition, assessment and control of internal and external risks and opportunities. The aim is to identify material risks for the Group in good time in order to initiate the appropriate countermeasures. On the one hand, risks reflect potential internal and external developments that can have a negative impact on the achievement of the 11880 Solutions Group's strategic and operating goals, while on the other hand they represent existing market potential or the potential for increased profitability in value creation that cannot be improved upon.

The 11880 Solutions Group's opportunity and risk management system is anchored in its strategic development and is integrated in all further planning processes. For example, all business activities are reviewed and assessed for opportunities and risks at annual planning meetings. Objectives are then set on this basis (particularly revenue and earnings targets) and their achievement is monitored within the budget process and rolling forecasts by the person responsible for planning in the Group's controlling department.

The 11880 Solutions Group's opportunity and risk management system is regularly reviewed for its efficiency and fitness for purpose. The Management Board is regularly informed of the risk situation in the 11880 Solutions Group. In addition, the Supervisory Board, particularly the Audit Committee, monitors the risk management system.

In addition to the company-level assessment, the "Digital" and "Directory Assistance" segments are also monitored.

In order to ensure responsible handling of any risks, the Company has a Compliance Committee. This committee advises the Management Board on all matters of compliance: These include suggestions on prevention, process improvements and possible sanctions. The committee also discusses possible improvements, also with respect to new legal requirements. Since 2014, the compliance system has been focused particularly on sales processes and has been enhanced in subsequent years. This includes operational and organisational measures, among others. For example, the Company very successfully introduced an additional quality process to improve sales advice. The entire compliance system was the subject of an independent audit by an external law firm in 2014. The result of the audit showed that the quality of the sales processes and the compliance culture in the Company is particularly high. The compliance system was adapted and optimised further in 2017, with a particular focus on changes associated with the entry into force of the General Data Protection Regulation in May 2018.

Accounting-based internal control system, internal audit and occasion-based audits

Since the parent company 11880 Solutions AG is a publicly traded company as defined by section 264d HGB, the main features of the internal control and risk management system (ICS), both in respect of the financial reporting processes of the consolidated companies and in respect of the Group's financial reporting process, must be described pursuant to section 315 (2) no. 5 HGB.

There is no legal definition of the internal control and risk management system with respect to the accounting process and the consolidated accounting process. 11880 Solutions AG understands the internal control and risk management system to be a comprehensive system and bases it on the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, IDA), Düsseldorf, for the internal control system relevant to the financial reporting system (IDW PS 261 subsection 19 et seq.) and for the risk management system (IDW PS 340, subsection 4).

Accordingly, an internal control system comprises those principles, procedures and measures that the management employs in a company with the aim of implementing its organisational decisions for the purpose of:

- Ensuring the effectiveness and profitability of the Company's business (which includes protecting its assets, as well as preventing and detecting any impairment of its assets);
- Ensuring that both the internal and the external financial reporting processes are proper and reliable; and
- Ensuring compliance with all statutory requirements applicable to the Company.

The risk management system comprises the totality of all organisational regulations and measures serving to detect and handle risks arising from entrepreneurial activity.

With respect to the accounting process, the Group has implemented the following structures and processes:

Full responsibility for the 11880 Solutions Group's ICS lies with the Management Board of 11880 Solutions AG. All of the Group's strategic business areas are integrated via a specifically defined management and reporting organisation. Meetings held once every two weeks with the department and division heads are held for this purpose to discuss all relevant key performance indicators of the operating business.

The departments and divisions involved in the accounting process are appropriately equipped, both in terms of quantity and quality. Uniform consolidated financial reporting guidelines apply to the Group's accounting processes. Accounting data that has been received or passed on is regularly reviewed for completeness and correctness. Dedicated software performs programmed plausibility checks. Information relevant to the financial reporting process is continuously exchanged between the commercial directors and the Head of Accounting and communicated to the CFO in regularly scheduled meetings.

The dual control principle is also applied for important transactions, such as order and invoices/payment runs, for example. Confirmations of review and payment instructions must be signed and dated.

Invoices received are also submitted to the relevant departments in line with the dual control principle by means of a document management system to ensure that these are factually and arithmetically correct. This principle states that no single person alone may be responsible for a process. Instead, sufficiently qualified individuals must be involved in the process in order to recognise and prevent possible deviations and control weaknesses. Specifically, this means that the party placing the order must provide a signature to confirm that the goods were received or the service was rendered according to the order specifications.

Orders must be checked immediately and passed on to the supervisor or cost centre manager along with a cost centre account number so that payment can be authorised. As a final means to ensure correctness, two authorised signatories with power of attorney release payment.

In addition to the ICS in the individual subsidiaries, these levels of control are also implemented at group level. Group-wide controls are managed by centralised entities such as Finance, Personnel or the Legal Affairs department, and are also documented centrally. A typical example of this is the centralised approval of capital expenditures.

The ICS is supported by IT systems that are regularly checked for their efficiency. IT systems used in accounting are standard software to the extent possible. These systems are protected against unauthorised access by appropriate security and authorisation concepts.

The aim of the internal control and risk management system with respect to the accounting process, the main features of which are described above, is to ensure that business facts are consistently recorded, processed and recognised correctly in the accounting and incorporated in the external financial reporting. The right personnel, the use of appropriate software and clear legal and internal company specifications form the basis for a proper, uniform and continuous accounting process. The clear definition of areas of responsibility, as well as various control and review mechanisms, as described in more detail above, make it possible to ensure correct and responsible accounting. Specifically, this ensures that business transactions can be recorded, processed and documented in accordance with legal requirements and internal guidelines, and be recognised immediately and correctly in the accounts. At the same time, it ensures that assets and liabilities are appropriately recognised, reported and measured in the annual and consolidated financial statements, and that reliable and relevant information is provided promptly and in full.

Group-wide opportunities

In order to determine the potential opportunities of the 11880 Solutions Group, opportunities are assigned a percentage indicating their probability of occurrence and assessed with respect to the impact they would have on the Company's business goals and results. Finally, the opportunities are ranked from bottom to top on the basis of their net impact or weighted impact on the Company's results.

Market development in the Digital segment

The segment relevant to the Group is expected to see continued market growth in the coming years and the current trends are expected to continue.

With a high number of commercial search queries again in financial year 2017, the 11880 Solutions Group has secured an excellent position for itself in this market with its 11880.com online directory.

This large number of search queries in a commercial environment is a key asset for the 11880 Solutions Group when selling online ad products to SMEs. With its products for website creation, the sale of prominently-placed advertisements and the adoption of search engine optimisation measures, the 11880 Solutions Group has transformed itself into one of the largest providers of all-in-one services for regional online advertising targeting SMEs in Germany.

Should the efficiency and/or productivity of sales in the Digital business perform 13 % better than expected, this would produce an increase in EBITDA of approx. EUR 0.8 million in the first year. Conversely, should sales productivity perform less well than expected, this would constitute a risk. There was no material change in the extent of this opportunity compared to the previous year. Due to the good predictability of sales processes, these are again assumed to vary by 6 % (previous year: 6 %).

Development of the churn rate in the Digital segment

Due to structural process and organisational changes, customer base management in the Digital segment has shown continued improvement over the last few years. Increased customer satisfaction and its effects on customer loyalty has enabled successive reductions to the churn rate.

Should the Group make greater progress in customer satisfaction – and therefore in customer loyalty – than planned, this would translate into positive effects for its sales trends. If the churn rate trend were to show a 5 percentage-point improvement (from 26 % to 21 %) over the plan value, this would translate to an EBITDA improvement of EUR 0.6 million. Conversely, an unexpected rise in the churn rate would constitute a risk of the same magnitude.

There was no material change in the extent of this opportunity compared to the previous year. The probability of occurrence is estimated at 25 %, as previously.

Market development in the Directory Assistance segment

Due to the shift in media usage from traditional media to digital media, the directory assistance market has been on the decline for many years. This negative trend in caller volume has been accounted for in the 2018 business plan. There is, nonetheless, a small chance that the market will shrink to a lesser degree than expected. This would have a positive effect on the caller volume trend and hence on revenues.

Should the 11880 Solutions Group's directory assistance caller volume shrink by 2 % less than expected, this would result in an increase in EBITDA of EUR 0.2 million. Conversely, should caller volume shrink more rapidly than expected, this would constitute a risk of the same magnitude. Due to the steady decline in caller volume, the impact of this opportunity on earnings has decreased accordingly compared with the previous year.

Overall summary of the opportunities

Overall, the 11880 Solutions Group's opportunities have not changed significantly from the previous year from an operational perspective.

Group-wide risks

As previously indicated, the opportunities presented represent corresponding risks in the event of negative developments. Key risks, which can be influenced by countermeasures, are presented below.

To determine which risks are most likely to jeopardise the continued existence of the 11880 Solutions Group, the risks are weighted by their probability of occurrence and assessed with respect to the impact they would have on the Company's goals and results. Finally, in order to help the Company focus and prioritise, the risks are ranked from top to bottom on the basis of their net impact or weighted impact on the Company's results.

Financial and liquidity risks

The Group is constantly optimising its funding base and limits its financial risk with the aim of safeguarding the Group's financial independence. The financial risks are part of the risk management system and are also monitored by way of rolling monthly finance planning and financial analysis within the context of liquidity management.

Based on the currently available cash and cash equivalents in connection with the budgetary planning prepared for the next 3 financial years, the funding of the 11880 Solutions Group is secured in the short term. The medium and long-term existence of Group companies as going concerns depend on the realisation of the assumptions made in the business plan with regard to revenue growth in the Digital business and the development of expenses and liquidity. As of the reporting date, the Group had already initiated suitable countermeasures in the form of structural measures and sustainable cost discipline. In the worst case this could lead to an essential uncertainty regarding the continued existence of the company.

The decline in volumes in the highly profitable Directory Assistance segment is increasing pressure to accelerate improvement in profitability in the Digital segment. With the help of efficiency-enhancing measures, particularly in sales, and sustainable cost discipline across the entire Company, the cost structure and cash flow are being improved so as to ensure sufficient liquidity. At the same time, cooperation options are being reviewed, existing products optimised and promising new products developed to reduce the liquidity risk even further.

As in the previous year, the liquidity risk is measured at a probability of 10 %, which would lead to a negative effect on EBITDA of EUR 6.5 million (previous year: EUR 7.2 million).

The default of the debt collection service could bring about a temporary loss of data that results in a loss of the pending receivable. The 11880 Solutions Group would be forced to select a new service provider and integrate it into the collection processes; this start-up requires a certain amount of time.

This risk has been significantly reduced year-on-year as a result of successful process changes in receivables management. With the same probability of occurrence as last year at 5 %, the negative impact on EBITDA was reduced to EUR 0.6 million (previous year: EUR 1.0 million).

There is a risk that despite the adoption of controls and measures by the 11880 Solutions Group, there could be illegal publications. As a result, there is a chance that information could enter the public domain inadvertently or prematurely. Such information could include details about the Company's strategy, about mergers and takeovers or unpublished financial results.

The risk is measured at a probability of 2 %, with a negative effect on EBITDA of EUR 0.5 million.

Market risks

The 11880 Solutions Group manages its sales activities respectively customer contacts in the Digital segment mainly in outbound. There is a risk of negative media coverage in connection with sales negotiations, among others in social networks, which could lead to damage to the Company's reputation.

To prevent this, the Group has implemented a series of precautions, which are also anchored within the structure of its corporate processes and organisation. These include mandatory training for all employees, standards for correct internal and external communication (including external sales communications in the digital business), and technical security measures related to the Company-wide communication channels.

The probability of occurrence is 15 % and it would have a negative impact on EBITDA of EUR 2.2 million if the risk occurred.

In the Digital segment, products are sold in outbound. This sales channel is in line with current legislation. There is a low risk that the legislature may act to further restrict telephone contacts to corporate customers. The 11880 Solutions Group's legal department is closely involved with this subject and is working on counteracting this risk.

The negative impact of further regulation on EBITDA would be EUR 3.3 million. The probability of occurrence is 10 %.

Regulatory risks

The business activities of the 11880 Solutions Group depend to an extent on the decisions of legislators and regulatory authorities. These also include the rules on the assignment of telephone numbers. The regulatory requirements specify, for example, what kind of directory assistance services the 11880 Solutions Group may provide and how the directory assistance phone numbers are assigned. An infringement of the rules of assignment for directory assistance numbers, for example, could result in a warning from the regulatory authorities or, ultimately, to revocation of a number.

While the 11880 Solutions Group estimates the risk to be very low at a probability of occurrence of 0.5 %, it is possible that numbers assigned to the 11880 Solutions Group could be withdrawn again. In the event of this happening, the negative EBITDA effect would be EUR 13.0 million.

Overall summary of the risk position

The greatest challenges for the Group lie in the regulatory and legal risks described above.

In summary, it should be noted that the volume of weighted net risk (total of the damage amounts of the individual risks, with the probability of occurrence factored in) decreased slightly compared to the previous year. The weighted net risk volume decreased by 9 % in 2017 (or EUR 0.2 million) to EUR 2.1 million. This reduction is primarily due to the generally improved assessment of support risks as a result of measures implemented during the last few financial years.

Internal and external optimisation measures are also designed to further reduce the probability of occurrence and the effect on results in the event of occurrence.

At present, no risks have been identified that, severally or together, could threaten the continued existence of the Group companies as going concerns in the short term. Medium and long-term risks affecting the continued existence of the Group are assessed in accordance with the explanations in the section on "Financial and liquidity risks".

8. Report on expected developments

The statements made here are based on the 11880 Solutions Group's operations planning for the 2018 financial year, as adopted by the Management Board and Supervisory Board in December 2017. The planning is based on the objectives of the Digital and Directory Assistance segments and of the Group. Planning for the 2018 financial year is based on a corporate structure that doesn't change.

Corporate strategy

During the 2018 financial year, the 11880 Solutions Group will continue to establish and optimise the wide variety of products introduced in 2016 and 2017. Additional skills for voice-controlled audio devices such as Amazon Echo will be introduced. In a similar way to the 11880 emergency pharmacy search that has been available on Echo since summer 2017, the Group will develop skills that many consumers already use via telephone and online at 11880.com.

An additional new service will also be launched for SMEs in 2018, enabling corporate customers to publish current job opportunities as part of their information on all relevant online portals. The 11880 Solutions Group also provides corporate customers with appropriate current job searches, making it simple for small and medium-sized enterprises to specifically benefit from online recruiting opportunities without any additional effort on their part.

In the Directory Assistance segment, the 11880 Solutions Group will continue to expand the call centre services business in 2018. The aim is to gain additional companies as customers in order to carry out customer services on their behalf. At the same time, the Group plans to make greater use of the synergies between the Directory Assistant and Digital Business divisions as it did in 2017. This will involve developing new products that link telephone and Internet together in a meaningful way in order to further reinforce the commercial success of SME customers.

Digital segment

In the Digital segment, the Group posted EBITDA of EUR -1.4 million. After successfully establishing the new product portfolio primarily developed in 2016 and promoting cooperation between the Digital and Directory Assistance divisions during 2017, the Group has laid a foundation for sustainable revenue and customer growth. In 2018, the strategic focus will be on further customer-led optimisation of the existing product range and the introduction of new products and services.

In the area of new customer business, the Group will be working on an increase in the 2018 financial year. After a phase of consolidation in sales and distribution/telesales, success will also be reflected in revenue figures starting in the 2018 financial year.

The 11880 Solutions Group is committed to building on its success in 2017 and achieving a significant increase in the customer portfolio again. The focus will be on the positive development of two key figures: the churn rate and the development of the net customer portfolio. In 2017, the average churn rate was 25 %, slightly below the figure for the previous year. The aim for 2018 is to stabilise this figure at the positive level achieved in the 2017 financial year. A range of measures are intended to achieve this result.

The optimisations already implemented have significantly improved the online presence of portfolio customers. The increase in the customer portfolio should also serve as the basis for upselling and contract renewal revenue. Customer growth should, among other things, be ensured through the sale of low price entry-level products and the sustainable products in verticals.

Overall, the 11880 Solutions Group plans to generate revenues within a range from EUR 29.1 to EUR 30.3 million in the Digital segment in 2018. In 2017, segment revenues were EUR 26.9 million.

Turning to the development of earnings in the Digital segment, the 11880 Solutions Group expects EBITDA in 2018 of EUR 0.3 to EUR 1.4 million. By means of comparison, the figure for the last financial year was EUR -1.4 million.

Directory Assistance segment

In the Directory Assistance segment, the 11880 Solutions Group anticipates that the declining trend with respect to call volumes in Germany will also persist in 2018. The Group expects call volume in the Directory Assistance segment in 2018 to decline less markedly compared to the past financial year due to the expansion of the third-party business. Caller volume downturn for the 2017 financial year just ended was 19 %.

To partially offset the effects of this downturn in revenue, the Group continued to work on increasing revenue per call. In 2017, these efforts resulted in an increase of approx. 1 % per call. The Group assumes that a 1 % increase will again be possible in 2018.

New business models are being examined continually – and in some cases also tested – in order to ward off decreases in business volume and ensure long-term success.

The 11880 Solutions Group expects the Directory Assistance segment to generate revenues in the range of EUR 10.7 to EUR 12.9 million in 2018. In 2017, segment revenues were EUR 14.4 million.

In terms of the development of earnings, the 11880 Solutions Group plans posting EBITDA of around EUR 0.1 to 1.0 million for the Directory Assistance segment in 2018. In 2017, EBITDA amounted to EUR -0.9 million.

11880 Solutions Group

As a result of different trends prevailing in the two segments, Digital and Directory Assistance, the Group continues to evolve into a digital company. The Group will continue to push its Digital segment in 2018. However, the Company is also working on long-term strategies in the segment for classic directory assistance.

At group level, the 11880 Solutions Group expects to post revenues of EUR 39.8 to EUR 43.2 million in 2018. In comparison, revenues were generated in the amount of EUR 41.3 million in 2017. With respect to profitability, the Group expects EBITDA in 2018 to be in the range of EUR 0.4 to EUR 2.4 million as a result of capital expenditures in the digital business. In comparison, the Company generated EBITDA in the amount of EUR -2.3 million in 2017.

The Group showed cash holdings of EUR 6.0 million in the financial year ended.

Based on a planned cash flow in the range of EUR -4.9 to EUR -2.9 million, the Company expects cash holdings at the end of 2018 to amount to EUR 1.2 to EUR 3.2 million.

Finance strategy

The 11880 Solutions Group's finance strategy aims to secure liquidity in the long term and to provide financial support for developing the digital business.

The decline in volumes in the highly profitable Directory Assistance segment is increasing pressure to accelerate improvement in profitability in the Digital segment. Restructuring measures have improved the cost structure and thus the cash flow sufficiently to ensure the availability of adequate liquidity. At the same time, cooperation options are also being reviewed to further reduce the liquidity risk.

9. Disclosures pursuant to section 315 (4) HGB and explanatory report in accordance with section 176 (1) sentence 1 AktG

Composition of subscribed capital

As of 31 December 2017 11880 Solutions AG's subscribed capital was composed of 19,111,091 no-par value ordinary bearer shares (no-par value shares) (previous year: 19,111,091 shares). As of 31 December 2017, 19,111,091 of these shares were outstanding (previous year: 19,111,091 shares).

Restrictions affecting voting rights and the transfer of shares

The Management Board of 11880 Solutions AG is not aware of any restrictions pertaining to the share voting rights. With respect to the transfer of shares, the Management Board has received a notification from Italiaonline S.p.A. (formerly: Seat Pagine Gialle S.p.A.) stating that the shares it holds directly and indirectly in the Company are not freely transferable.

Holdings in the Company's capital of more than 3 % of the voting rights

As of the reporting date, there were the following holdings in the Company's capital of more than 3 % of the voting rights:

- Italiaonline S.p.A. (formerly: SEAT Pagine Gialle S.p.A.): 16.24 % (*)
- GoldenTree Asset Management Lux S.à.r.l.: 12.20 % (**)
- GL Europe Luxembourg S.à.r.l.: 3.65 % (**)

(*) Pursuant to the quarterly report of Italiaonline S.p.A. as of 30 June 2017.

(**) The percentages result from the latest WpHG notifications available to 11880 Solutions AG. As these notifications only have to be disclosed if shareholders exceed or fall below certain thresholds, it cannot be ruled out that the ownership ratios within the threshold intervals have changed since the latest notification.

Shares with special rights conferring powers of control

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

Nature of voting control where employees have an equity interest and do not directly exercise their control rights
Employees who hold shares as part of a stock option plan may exercise control rights, like other shareholders, directly in accordance with legal requirements and the provisions of the Articles of Association.

Appointment and dismissal of members of the Management Board
The Management Board of 11880 Solutions AG is comprised of at least one member. The appointment of deputy members of the Management Board is permitted pursuant to Art. 3.1 (1) of the Articles of Association. The Supervisory Board determines the number, the appointment and the dismissal of the ordinary and the deputy members of the Management Board, and may also appoint a Management Board chairman.

Amendment of the Articles of Association
Pursuant to section 179 AktG, amendments to the Articles of Association shall be passed by resolutions of the Annual General Meeting. Pursuant to Art. 4.5 of the Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the wording.

Authorisations of the Management Board, in particular pertaining to the possibility to issue or buy back shares
There are no authorisations of the Management Board, in particular pertaining to the possibility to issue or buy back shares.

Significant agreements entered into by the Company providing for a change of control following a takeover bid
No significant agreements exist as of 31 December 2017.

Compensation agreements for the event of a takeover bid
11880 Solutions AG does not have any compensation agreements with members of the Management Board or employees for the event of a takeover bid (change of control).

10. Statement and report on corporate governance

The statement on corporate governance (section 289f HGB) contains the declaration of compliance pursuant to section 161 AktG, disclosures on corporate governance practices, the description of the procedures of the Management Board and Supervisory Board and disclosures on the equal participation of women and men (diversity).

The above information can be found on the 11880 Solutions AG website at: https://ir.11880.com/corporate-governance/erklaerung-zur-unternehmensfuehrung

The German Corporate Governance Code outlines the regulations for efficient and responsible management and supervision of listed German stock corporations.

The corporate governance report can be found on the 11880 Solutions AG website at: https://ir.11880.com/corporate-governance/corporate-governance-bericht

11. Remuneration system

The remuneration report summarises the principles and methods used to determine the total remuneration of the members of the Management Board of 11880 Solutions AG and explains the structure as well as the remuneration received by the Management Board members. The principles and the amount of remuneration received by the members of the Supervisory Board are also described.

Principles of Management Board remuneration
The Supervisory Board advises and regularly reviews the structure of the remuneration system for the Management Board and on the recommendation of the Supervisory Board Chairman determines the total remuneration of the individual Management Board members. The committee also regularly reviews the remuneration system for the Management Board. In doing so, it makes vertical and horizontal remuneration comparisons.

The remuneration model for the Management Board should be attractive and appropriate to compete for highly qualified management personnel. Criteria for the appropriateness of the remuneration are in particular the responsibilities of the respective

Management Board members, their personal performance, the performance of the Management Board, as well as the economic situation, the success and future prospects of the Company in comparison with other companies in its sector.

Remuneration system

The German Corporate Governance Code (GCGC) recommends that the Chairman of the Supervisory Board inform the Annual General Meeting once about the principles of the remuneration system and subsequently of any changes thereto. Deviating from this, the Chairman of the Supervisory Board of 11880 Solutions AG informs the Annual General Meeting about the principles of the remuneration system each year at the regular Annual General Meeting in order to take into account the information requirements of new shareholders attending their first Annual General Meeting.

General information on the components of Management Board remuneration

The total remuneration for the members of the Management Board of 11880 Solutions AG consists basically of monetary remuneration components, which are divided into non-performance-related and performance-related components. The performance-related components consist of fixed remuneration components and fringe benefits, and pension commitments. Performance-related components include variable remuneration components.

Fixed remuneration components

As a basic remuneration that is independent of annual performance, the fixed portion is paid out as a monthly salary and is based on an income plan stipulated by the Supervisory Board. It takes into consideration the Company's situation and medium-term objectives, as well as the criteria relevant pursuant to section 87 (1) AktG and the German Corporate Governance Code.

Variable remuneration components

Variable remuneration components have upper limits and consist of performance-related and qualitative components. The performance-related components have a multi-year orientation in order to take account of the sustainable development of the Company.

Other components of remuneration, fringe benefits, obligations or benefits from third parties

Another component of the total remuneration of Management Board members are pension awards, other awards, especially in the event of termination of activity, fringe benefits of all kinds and benefits from third parties which were promised or granted in the financial year with regard to Management Board work.

Remuneration in 2017

Fixed and variable remuneration

During the 2017 financial year, 11880 Solutions AG complied fully with the remuneration structure recommendations set out in art. 4.2.3 (2) of the German Corporate Governance Code. The remuneration structure continues to be focussed on the sustainable growth of the Company. Monetary remuneration components include fixed and variable components, with variable components generally based on performance over several years and primarily designed to be forward-looking. In addition to the LTI agreed with the CEO, Christian Maar, over a period of 3.5 years, variable remuneration components for the entire Management Board are in part invested in multi-year deferrals (phantom stocks) as goals are met.

Deferred amounts are converted into phantom stocks of the Company (deferral) as variable remuneration invested for the long term. The relevant share price of the phantom stocks at the time of the conversion is the arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed.

Following a vesting period of two years after the conversion into the respective deferrals, the value of the phantom stocks is determined and the deferral is paid out. The share price relevant for determining the value is the arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the respective next financial year but one. Any dividends distributed to shareholders during the vesting period are added to the value of the deferral thus determined. This results in the total value of the deferral to be paid out after the vesting period has expired. However, independent of the share price performance and/or any dividends, the total value of the deferral may not exceed 120% of the starting value of the virtual shares calculated based on the arithmetic mean upon conversion into the deferral. If the total value of the deferral after the vesting period has expired is less than 50%, the deferral is not paid out and the retained performance bonus thus reduced to zero.

Other components of remuneration, fringe benefits, obligations or benefits from third parties

The German Corporate Governance Code recommends in art. 4.2.3 (4) that the severance payment cap should be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, should take into account the expected total remuneration for the current financial year. 11880 Solutions AG deviates from this recommendation.

In the Management Board contracts of Management Board members Christian Maar and Michael Geiger, reference is made to the variable remuneration of only the financial year just ended and not also to that of the current financial year in addition to a reference value formed from the average fixed remuneration (i. e. average of the fixed monthly salary paid until the ending date) in order to calculate the severance payment cap.

The Supervisory Board is of the opinion that the recommendation contained in Art. 4.2.3 GCGC to also refer to the current financial year when measuring the severance payment cap has little practicality for the reference value related to the variable remuneration, because it is frequently difficult to determine whether an interim or proportionate goal has been met. In contrast, for fixed remuneration, the measurement is based not only on the average of the last financial year, but also on the entire previous contractual term in order to reflect typically lower fixed remuneration payments in previous years.

The exclusion of the current financial year can in individual cases theoretically result in a higher severance payment amount than the remuneration to be realised until the end of the contractual term, because any reduction in the variable remuneration in the current year will not be factored in. Considering the difficulty of determining the amount of variable remuneration for the current financial year during the course of the year and in light of the lower amount of fixed remuneration that flows into the severance payment, the Company considers this theoretically possible deviation from art. 4.2.3 (4) sentence 1 GCGC to be justified.

For the existing Management Board contracts, the severance payment cap is equal to 18 times the average fixed monthly remuneration for the entire contract period and 18 times one-twelfth of the variable remuneration earned in the last financial year.

If the remaining term of the contract is less than 18 months, the severance payment cap is limited to the number of months of the remaining term.

Members of the Management Board received defined contribution post-employment benefits amounting to EUR 25 thousand in 2017 (previous year: EUR 25 thousand). There were no defined benefit pension obligations in accordance with IFRSs in 2017 (previous year: EUR 0 thousand). Details can be found in the notes accompanying the consolidated financial statements in the section entitled “Pension obligations”.

Payments in kind and fringe benefits (company car, value of company car use, rent, accident insurance, reimbursement of mobile phone costs, parking pass, monetary value of payments in kind) – if made – are taxable to the individual member of the Management Board.

Members of the Management Board were granted phantom stocks (deferrals) in both 2017 and 2016. Details can be found in the notes to the consolidated financial statements under “Share-based payment”.

No advances or loans were paid to any members of the Management Board during the reporting year.

No members of the Management Board received payment or promises of payment from third parties in the past financial year in respect of their activities as a member of the Management Board. No remuneration was or is paid for intragroup Management Board and Supervisory Board positions.

Remuneration of the Management Board

The following benefits were granted/allocated to the members of the Management Board in the 2017 financial year as defined by the German Corporate Governance Code:

Benefits granted	Management Board total	
in EUR thousand	2017	2016
Fixed remuneration	555	532
Fringe benefits	55	54
Total	**610**	**587**
One-year variable remuneration (excluding deferral), bonus	144	141
Multi-year variable remuneration (deferral – 2 years)		
2017	**45**	**45**
LTI (annual share, at least over 3 years)	0	0
Total	**800**	**773**
Service cost (defined contribution pension fund)	25	25
Total remuneration	**825**	**798**

In accordance with Section 285 no. 9a of the German Commercial Code (HGB), the following total remuneration was granted the 2017 financial year:

Benefits granted acc. to HGB	Management Board total	
in EUR thousand	2017	2016
Fixed remuneration	555	532
Fringe benefits	55	55
Service cost (defined contribution pension fund)	25	25
Total, non-performance-related	**635**	**612**
One-year variable renumeration (excluding deferral), bonus	160	71
Multi-year variable remuneration (deferral – 2 years)		
2017	51	22
LTI (annual share, at least over 3 years)	0	0
Total, performance-related	**211**	**93**
Total remuneration	**846**	**705**

In addition to the benefits the prior-year figures granted to Christian Maar and Michael Geiger, the prior-year figures also include the benefits granted to Franz Peter Weber.

The disclosure of remuneration paid to members of the Management Board has been a legal requirement since financial year 2006. 11880 Solutions AG discloses the Management Board's remuneration as a collective total, since the Annual General Meeting on 27 June 2017 elected to make use of the opt-out clause (dispensation from the obligation to disclose the remuneration paid to individual members of the Management Board for financial years 2017 to 2021, inclusive).

No benefits were granted / allocated to former members of the Management Board in the 2017 financial year as defined by the German Corporate Governance Code. Accordingly, no benefits were received.

A two-stage severance provision applies if the Company revokes the appointment of a Management Board member prematurely, entitling both the Company and Management Board member to terminate the employment contract, or in the event of a termination following a resignation for good cause. In the first stage, the Management Board member receives a severance payment based on their previous average monthly fixed salary in accordance with their employment contract. The average monthly fixed salary (to be) paid until the termination date is used as Reference Value I. This reference value is multiplied by the number of months remaining on the employment contract (pro rata in the case of incomplete months) to determine Severance Payment I. If the employment relationship is terminated prematurely, the Management Board member also receives Severance Payment II if they have a claim to variable remuneration for the last financial year completed before the termination of the employment contract in accordance with the aforementioned agreement. Reference Value II for Severance Payment II is equivalent to one-twelfth of the variable remuneration for the previous financial year. This reference value is multiplied by the number of months remaining on the director's contract (pro rata in the case of incomplete months). An LTI bonus is not taken into account when calculating Reference Value II. The severance payment amount is limited to a maximum of 18 times the applicable reference value in each case (severance cap). The above provisions do not apply if the appointment is revoked in accordance with Section 84 (3) of the German Stock Corporation Act (AktG) for good cause attributable to the Management Board member. In this case, the Company is also entitled to terminate the employment contract for good cause. The Management Board member is not entitled to a severance payment in accordance with the above provisions in such cases. If the Management Board member resigns their position without good cause, the Company can extraordinarily terminate the employment contract. Similarly, the Management Board member is not entitled to a severance payment in such cases.

Contract terms

As of the reporting date of 31 December 2017, the remaining term of the Management Board agreement of Christian Maar is 12 months. Following a resolution by the Supervisory Board at its meeting on 27 June 2017, the employment contract with Michael Geiger was not extended beyond 31 December 2017.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Art. 4.6 of the Articles of Association. It is based on the duties and responsibilities of the Supervisory Board members. The remuneration regulation was modified when the amendment of the Articles of Association adopted at the Annual General Meeting on 24 June 2015 became effective.

Each member of the Supervisory Board received a fixed annual remuneration of EUR 15 thousand (previous year: EUR 15 thousand), in addition to reimbursement for any expenses. The remuneration is payable in each case after the Annual General Meeting that resolves upon formally approving of the actions of the Supervisory Board for the financial year ended. The remuneration for the Chairman of the Supervisory Board increased to triple this amount and that of the Deputy Chairman to 1.5 times this amount.Members of the Supervisory Board who had only served on the Supervisory Board for part of the financial year received a pro-rated remuneration, based on length of service on the Supervisory Board. If a Supervisory Board member had not participated in at least 75 % of the Supervisory Board meetings in a financial year, the member's remuneration was reduced by 50 %.

In addition to the basic remuneration, members of a Supervisory Board committee were paid an annual lump sum of EUR 1 thousand. The remuneration of committee chairs increased to double this amount. This payment was subject to the requirement that the committee has convened during the financial year and that the respective committee member has actually attended at least one of the committee meetings.

Art. 5.4.6. (3) of the German Corporate Governance Code recommends an individualised breakdown of Supervisory Board remuneration. In the remuneration report, 11880 Solutions AG shows the total remuneration for the Supervisory Board as a whole and for committee activities. An individualised breakdown does not take place because 11880 Solutions AG believes that this has no relevance in the capital markets. The Supervisory Board members received remuneration totalling EUR 127 thousand in the 2017 financial year (previous year: EUR 131 thousand).

No members of the Supervisory Board received any additional remuneration or benefits in the financial year for services personally rendered, in particular for consultancy and agency services.

No advances or loans were paid to any members of the Supervisory Board during the reporting year.

Planegg/Martinsried, 12 March 2018

The Management Board

Christian Maar

Chairman of the Management Board

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group."

Planegg/Martinsried, 12 March 2018
The Management Board

Christian Maar
Chairman of the Management Board

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position (IFRS)

in EUR thousand	Notes	31. December 2017	31. December 2016
ASSETS			
Current assets			
Cash and cash equivalents	19	523	801
Restricted cash	19	185	0
Trade accounts receivable	20	9,684	10,310
Current tax assets	15	97	132
Available for sale financial assets	21	5,302	9,691
Other financial assets	22	149	141
Other current assets	23	1,966	2,164
Total current assets		**17,906**	**23,239**
Non-current assets			
Goodwill	24	3,489	3,489
Intangible assets	25	3,555	5,982
Property and equipment	26	1,166	1,723
Other financial assets	22	0	2
Other non-current assets		4	0
Deferred tax assets	27	26	0
Total non-current assets		**8,240**	**11,196**
Total assets		**26,146**	**34,435**

in EUR thousand	Notes	31. December 2017	31. December 2016
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payable	28	435	737
Accrued liabilities	29	5,492	5,690
Provisions	30	242	72
Current tax liabilities	15	0	0
Other current liabilities	31	5,238	2,962
Total current liabilities		**11,407**	**9,461**
Non-current liabilities			
Provisions	30	139	593
Provisions for retirement benefits	32	176	243
Deferred tax liabilities	27	472	649
Total non-current liabilities		787	1,485
Total liabilities		**12,194**	**10,946**
Equity			
Share capital		19,111	19,111
Additional paid in capital		32,059	32,059
Retained earnings		-37,364	-27,780
Other components of equity		146	99
Equity attributable to owners of the parent		13,952	23,489
Total equity	33	**13,952**	**23,489**
Total liabilities and equity		**26,146**	**34,435**

See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in EUR thousand	Notes	12-Months Report 1.1.–31.12.2017	1.1.–31.12.2016
Continuing operations			
Revenues	5	41,268	44,714
Cost of revenues	6	-26,586	-26,902
Gross profit		**14,682**	**17,812**
Selling and distribution costs	7	-14,925	-17,778
General administrative expenses	8	-9,847	-11,345
Other operating income	12	5	56
Other operating expense	13	-3	-3,319
Operating income (loss)		**-10,088**	**-14,574**
Interest income		195	161
Interest expense		-25	-77
Gain (loss) from marketable securities		49	-7
Gain (loss) on foreign currency translation		-2	0
Financial income (loss)	14	**217**	**77**
Income (loss) before income tax		**-9,871**	**-14,497**
Current income tax		-9	-71
Deferred income tax		246	-101
Income tax	**15**	**237**	**-172**
Net income (loss) from continuing operations		**-9,634**	**-14,669**
Discontinued operations			
Net income (loss) from discontinued operations	17	0	-6
Net income (loss)		**-9,634**	**-14,675**
Attributable to:			
Owners of the parent		-9,634	-14,675
Non-controlling interests		0	0
		-9,634	**-14,675**
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	-0.50	-0.77
Earnings per share for continuing operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	-0.50	-0.77
Earnings per share for discontinued operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	0.00	0.00

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in EUR thousand	Notes	12-Months Report 1.1.–31.12.2017	1.1.–31.12.2016
Net income (loss)		**-9,634**	**-14,675**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net		50	-133
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets – Changes of the fair value, net		85	103
Available for sale financial assets – Reclassification to profit or loss, net		-37	-7
Foreign currency translation differences		-1	-3
Other comprehensive income (loss) after tax	33	**97**	**-40**
Total comprehensive income (loss)		**-9,537**	**-14,715**
Thereof from:			
Continuing operations		-9,537	-14,709
Discontinued operations		0	-6
		-9,537	**-14,715**
Attributable to:			
Owners of the parent		-9,537	-14,715
Non-controlling interests		0	0
		-9,537	-14,715

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders Equity (IFRS)

in EUR thousand	Equity attributable to owners of the parent			
	Share capital	Additional paid in capital	Retained earnings	Net loss
	Note 33	Note 33	Note 33	Note 33
Balance at January 1, 2017	**19,111**	**32,059**	**0**	**-27,780**
Net income (loss)	–	–	–	-9,634
Actuarial gains (losses) from pensions and similar obligations	–	–	–	50
Available for sale financial assets	–	–	–	–
Foreign currency translation	–	–	–	–
Other comprehensive income (loss)	**0**	**0**	**0**	**50**
Total comprehensive income (loss)	**0**	**0**	**0**	**-9,584**
Balance at December 31, 2017	**19,111**	**32,059**	**0**	**-37,364**
Balance at January 1, 2016	**19,111**	**32,059**	**0**	**-12,972**
Net income (loss)	–	–	–	-14,675
Actuarial gains (losses) from pensions and similar obligations	–	–	–	-133
Available for sale financial assets	–	–	–	–
Foreign currency translation	–	–	–	–
Other comprehensive income (loss)	**–**	**–**	**–**	**-133**
Total comprehensive income (loss)	**0**	**0**	**0**	**-14,808**
Balance at December 31, 2016	**19,111**	**32,059**	**0**	**-27,780**

See accompanying notes to the consolidated financial statements.

Other components of equity	Total	Non-controlling interests	Total equity
Note 33			
99	**23,489**	**0**	**23,489**
–	-9,634	–	-9,634
–	50	–	50
48	48	–	48
-1	-1	–	-1
47	**97**	**0**	**97**
47	**-9,537**	**0**	**-9,537**
146	**13,952**	**0**	**13,952**
6	**38,204**	**0**	**38,204**
–	-14,675	–	-14,675
–	-133	–	-133
96	96	–	96
-3	-3	–	-3
93	**-40**	**–**	**-40**
93	**-14,715**	**0**	**-14,715**
99	**23,489**	**0**	**23,489**

Consolidated Statement of Cash Flows (IFRS)

in EUR thousand	Notes	1.1. – 31.12.2017	1.1. – 31.12.2016
Cash Flow from operating activities			
Income (loss) before income tax from continuing operations		-9,870	-14,497
Income (loss) before income tax from discontinued operations		0	-6
Income (loss) before income tax		**-9,870**	**-14,503**
Adjustments for:			
Impairment of goodwill	24	0	3,300
Amortisation and impairment of intangible assets	25	4,161	5,352
Depreciation and impairment of property and equipment	26	955	1,048
Depreciation of current intangible assets	23	2,675	2,148
Gain (loss) on disposal of property and equipment		1	17
Interest income	14	-195	-161
Interest expense	14	25	77
Gain (loss) from marketable securities	14	-49	7
Gain (loss) on foreign currency translation	14	2	0
Valuation allowance for trade accounts receivable	20	-1,857	465
Gain (loss) from the sale of subsidiaries	17	0	6
Changes in non-current provisions	30	-210	-545
Changes in non-current other and financial assets		-1	10
Operating loss / profit before changes in operating assets and liabilities		**-4,363**	**-2,779**
Changes in operating assets and liabilities:			
Trade accounts receivable	20	2,483	317
Current intangible assets	23	-2,634	-2,576
Miscellaneous current assets	23	149	548
Trade accounts payable	28	-189	-344
Current provisions	30	-60	55
Accrued expenses and other current liabilities	29	2,076	233
Income taxes paid		26	0
Cash used in operating activities		**-2,512**	**-4,546**

in EUR thousand	Notes	1.1.–31.12.2017	1.1.–31.12.2016
Cash Flow from investing activities			
Purchase of intangible assets excl. customer contracts		-1,693	-2,737
Purchase of customer contracts with contract period > 1 year		-24	-513
Purchase of property and equipment		-533	-135
Proceeds from sale of property and equipment		1	17
Disbursement for the sale of subsidiaries	17	0	-296
Disposal of available for sale financial assets	21	4,507	7,971
Interest received		174	133
Cash provided by investing activities		**2,432**	**4,440**
Cash Flow from financing activities			
Disbursement for security deposit		-185	0
Interest paid		-13	-34
Cash used in financing activities		**-198**	**-34**
Effect of exchange rate changes on cash and cash equivalents		**0**	**1**
Change in cash and cash equivalents		**-278**	**-139**
Cash and cash equivalents at the beginning of reporting period		**801**	**940**
Cash and cash equivalents at the end of reporting period		**523**	**801**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period		6,010	10,492

See accompanying notes to the consolidated financial statements.

Consolidated notes

General principles

1. Presentation of the consolidated financial statements

The business operations of the 11880 Solutions Group (hereinafter also referred to as the 11880 Solutions Group / the Group), consisting of 11880 Solutions AG and its subsidiaries comprise the provision of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements, the provision of online marketing services, the provision of DA services (directory assistance services) about the subscribers of public telephone networks as well as other DA services in Germany and abroad.

11880 Solutions AG (hereinafter also referred to as the Company) is a listed stock corporation under German law and the parent company of the 11880 Solutions Group. It is domiciled in Fraunhoferstrasse 12a, 82152 Planegg-Martinsried, Germany, and has been registered in the Commercial Register of the Munich Local Court, Germany, under registration number HRB 114518.

The consolidated financial statements of 11880 Solutions AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRSs) – as applicable in the European Union – as of 31 December 2017.

All International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretations Committe (SIC) whose application was mandatory as of the reporting date were taken into account.

The consolidated annual financial statements were supplemented by specific disclosures in accordance with article 4 of the Directive (EC) no. 1606 / 2002 of the European Parliament and of the Council of 19 July 2002 in conjunction with section 315a HGB (German Commercial Code).

The Group currency is the euro. Unless stated otherwise, all values were rounded to thousands of euros (EUR thousand). For computational reasons, rounding differences of the mathematically exact values may occur in tables and references.

As a rule, the consolidated financial statements were prepared on a historical cost basis unless stated otherwise in note 2 “Summary of significant accounting policies”.

The consolidated financial statements and the Group management report prepared as of 31 December 2017 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

The consolidated financial statements of 11880 Solutions AG for the 2017 financial were released for publication by the Management Board on 16 March 2018.

Basis of consolidation

These consolidated financial statements comprise the separate financial statements of 11880 Solutions AG and the separate financial statements of all of its direct and indirect subsidiaries over which 11880 Solutions AG exercises control according to IFRS 10.7. These financial statements are prepared as of the reporting date of the consolidated financial statements – i.e. 31 December 2017 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the Group as of 31 December 2017 in accordance with section 313 (2) HGB (German Commercial Code):

Company name	Domicile	Share in capital
11880 Internet Services AG	Essen, Germany	100 %
WerWieWas GmbH [1]	Planegg/Martinsried, Germany	100 %
11880 telegate GmbH	Vienna, Austria	100 %
telegate LLC [2]	Yerevan, Armenia	100 %

[1] The shares in this company are held indirectly.
[2] The share capital of the Armenian company amounts to AMD 50,000 (Armenian Dram).

The basis of consolidation did not change in the financial year under review compared with 31 December 2016.

Consolidation methods

Acquisition accounting was based on the purchase method in accordance with IFRS 3 Business Combinations. This involved measuring the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The cost of a business combination is the sum total of the consideration assigned, which is measured at the acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in connection with a business combination are recognised as an expense.

Goodwill as of the acquisition date is measured as the difference which is the excess of the consideration assigned and the amount of the share in the non-controlling interest over the Group's identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.

Earnings of the subsidiaries acquired or sold are included in the consolidated income statement from the time when control is obtained or until control is effectively lost.

All material receivables and liabilities, expenses and income as well as interim earnings between the Group companies were eliminated within the scope of consolidation in accordance with IFRS 10.B86.

2. Summary of significant accounting policies

The significant accounting policies used for the preparation of these consolidated financial statements are explained below. Unless indicated otherwise, the policies described were applied consistently to the reporting periods covered by these notes. Accounting and measurement were carried out on going concern basis.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. Revenues are the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity in the respective financial year (IAS 18.7 in conjunction with F.74 of the IFRS Framework). Rebates, value added tax and other taxes connected with the sale shall be deducted from this amount.

In accordance with IAS 18.20, revenues, as a rule, are recognised if it can be estimated reliably. This is the case when all of the following four conditions are satisfied:

- the amount of revenues can be measured reliably;
- it is sufficiently probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The 11880 Solutions AG Group shows its revenues in the income statement if services were rendered.

Revenues of the Directory Assistance division are recognised in profit or loss as of the date of rendering the service based on the number and duration of calls made by the customer via the Company. Revenues generated by virtue of service agreements with telecommunications providers are based on the number and duration of calls made by the customer via the Company of the corresponding telecommunications provider.

In accordance with IAS 18.24 (b), revenues from in the Digital business are recognised in profit or loss based on an agreement concluded with the customer in accordance with the degree of completion taking into account the services performed to date as a percentage of the total services to be performed. As a result, the revenues mentioned are realised over the term of the contract according to the provision of the service. Costs of services which are directly attributable to revenues (direct selling expenses) are recognised as intangible assets and amortised over the term of the agreement (see explanations under "Contracts with customers"). Customers in this field of revenue are mainly small and medium-sized enterprises.

Revenues from the software business are recognised in profit or loss as of the date of the transfer of access to the software to the customer. These revenues are based on the agreements concluded with the customers on the type and volume of the respective software. This business primarily addresses corporate customers.

Recognition of interest income

Interest income is recognised when interest has accrued. Interest income is calculated based on the outstanding investment and the interest rate agreed with the contracting partner. Income interest is accrued.

Foreign currency translation

Foreign currency transactions in the Group are accounted for in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

Foreign currency transactions are recognised initially at the exchange rate applicable at the date of the transaction. At each end of the reporting period, monetary assets and liabilities denominated in a foreign currency are translated into euros (IAS 21.23a) using the exchange rate applicable at this day (closing rate). The resulting translation differences are recognised in profit or loss. In accordance with IAS 21.23b, non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost in a foreign currency are translated into euros using the exchange rate applicable at the date of the transaction. In accordance with IAS 21.23c, non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated are translated using the exchange rate at the date when the fair value was determined.

Assets and liabilities of foreign subsidiaries are translated during consolidation at the exchange rate applicable at the end of the reporting period. Income and expenses are translated at average exchange rates of the respective reporting period, except when exchange rates fluctuate significantly. The resulting foreign currency translation differences are recognised in other comprehensive income. These cumulative translation differences are reclassified to the income statement on the date on which the Group company is disposed of.

Advertising costs

In accordance with IAS 38.69c, advertising and marketing costs are recognised as an expense in the period in which they are incurred.

Cash and cash equivalents

In accordance with IAS 7 cash flow Statements, the 11880 Solutions AG considers as cash or cash equivalents (IAS 7.6) all immediately available balances with financial institutions, cash and short-term deposits with a remaining term of three months or less counted from the date of acquisition. Deposits with a term of up to three months are allocated to cash equivalents if the risk of fluctuations in value is insignificant.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position as of that date on which the corresponding Group company becomes a party to the contractual provisions of the financial instrument (IAS 39.14).

Financial assets are classified as:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets;
- derivatives that are designated and effective hedging instruments.

Financial liabilities are classified as:

- financial liabilities measured at amortised cost; and
- financial liabilities at fair value through profit or loss

The Group determines the classification of its financial assets and financial liabilities upon initial recognition and reviews this classification at the end of each financial year, provided that this is admissible and appropriate.

Financial assets or financial liabilities are recognised initially at their fair value plus – in the case of financial assets or financial liabilities recognised not at fair value – transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

All regular way purchases and sales of financial assets are recognised at the trade date, i. e. the date on which the Company commits itself to purchase or sell an asset. Regular way purchases and sales are purchases and sales of financial assets that provide for the delivery of the assets within a period determined by market provisions or conventions.

Trade accounts receivable are assigned to financial assets because they represent a contractual right to receive cash funds at a future date. Trade accounts receivable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less valuation allowances due to impairment. Gains and losses are recognised in net income for the period, if the receivables are derecognised or impaired, as well as through the amortisation process.

Securities are measured at fair value upon acquisition including transaction costs in accordance with IAS 39.43. Securities are either classified as trading securities or available-for-sale in the case of non-derivative financial assets not classifiable in any other category, and are measured at their fair value in subsequent periods. If securities are held for trading purposes, the gains and losses resulting from changes in their fair value are recognised in net income or loss for the period. Gains and losses resulting from changes of the fair value of available-for-sale securities are recognised directly in equity until the security is sold or an impairment has been determined. At this point, the accumulated profits and losses that were previously recognised in equity will then be shown in the income statement of the period.

Trade accounts payable are assigned to financial liabilities because they represent a contractual obligation to pay cash funds at a future date. Trade accounts payable are initially recognised at their fair value and subsequently at amortised cost using the effective interest method.

Fair value measurement

The Group measures financial instruments at their fair value at the respective reporting date in accordance with IFRS 13 Fair Value Measurement.

IFRS 13 defines the fair value as the price that a party would receive or pay, respectively, in a regular transaction between market participants for the sale of an asset or the transfer of a liability on the measurement date. The Group measures the fair value of an asset or liability on the basis of assumptions market participants would use when pricing an asset or liability.

The 11880 Solutions Group uses valuation techniques that are appropriate under the relevant circumstances and for which sufficient data is available for measuring fair value.

Based on the inputs used in the valuation techniques for measuring fair value, all assets and liabilities for which a fair value is determined or reported in the financial statements are classified in the fair value hierarchy described below:

- Level 1: Inputs are quoted (unadjusted) prices in active markets accessible to the Company for identical assets and liabilities.
- Level 2: Inputs are quoted market prices other than those in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Value of the asset or liability is based on unobservable inputs.

If inputs of different levels are used to determine the fair value, the classification is based on the lowest level input significant to the entire measurement.

On subsequent measurement, the inputs are reviewed to determine whether reclassification to a different level is necessary.

Information from third parties such as pricing services and appraisers are analysed to determine whether the evidence used meets the requirements of IFRS.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is only impaired if, as a result of one or more events occurring after the initial recognition of the asset, objective evidence of impairment exists, and this event has an effect on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated . Objective evidence of impairment include aspects such as major financial difficulties of a debtor; high probability of insolvency proceedings against a debtor; elimination of an active market for the financial asset; a significant change in the technological, economic or legal environment or the market environment of the issuer; a sustained decrease in the fair value of the financial asset to below amortised cost.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it allocates the asset to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a portfolio-based assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 estimated future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i. e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment is recognised in profit or loss.

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 amount of the reversal may not exceed the amortised cost applicable at the time of reversal. The reversal of the impairment loss is recognised in profit or loss.

If there is objective evidence (e. g. the probability of bankruptcy or significant financial problems of a debtor) in connection with trade accounts receivable indicating that not all amounts due will be paid according to the originally agreed invoicing terms, an impairment loss using an allowance account is recognised. Trade accounts receivable classified as uncollectible are derecognised.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount recognised in equity corresponding to the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss will be transferred to the income statement.

Reversals of impairment losses of equity instruments classified as available for sale are recognised in other comprehensive income. Reversals of impairment losses of debt instruments classified as available for sale are recognised in profit or loss if the increase in the instrument's fair value objectively results from an event arising after the recognition of the impairment in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised if the contractual rights to the cash flows from the financial assets no longer exist or the financial assets have been transferred including all material risks and rewards.

A financial liability is derecognised upon satisfaction, cancellation or expiration of the underlying obligation.

Goodwill

Goodwill results from the acquisition of subsidiaries and, in accordance with IFRS 3.32, represents the difference resulting from the sum total of consideration transferred, the amount of all non-controlling interests in the acquiree, and the fair value of the previously held equity interest in the acquiree less the fair value of the acquired net assets.

Goodwill is tested for impairment as specified in IAS 36 at least once every year. For this purpose, goodwill is assigned to a cash generating unit or a group of cash generating units, And the carrying amount of a cash-generating unit or group of cash-generating units is compared to its recoverable amount, i. e. the higher of fair value less costs to sell and value in use. If the carrying amount of the cash-generating unit or group of cash-generating units exceeds its recoverable amount, the difference is recognised as an impairment loss directly in profit or loss.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

Internally generated intangible assets

Internally generated intangible assets are recognised in accordance with the provisions of IAS 38 Intangible Assets. Expenditure for an internal project, which are defined as research costs in accordance with IAS 38.56, is recognised as an expense when it is incurred.

Development costs of internal projects are capitalised if the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use internally or sale;
- the intention and the ability to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the development and use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

According to SIC 32.7 – 8 in conjunction with IAS 38.8, the website is recognised as an internally generated intangible asset if, in addition to the general criteria for recognition of intangible assets pursuant to IAS 38.21, it also satisfies the special criteria for internally generated intangible assets in IAS 38.57. In accordance with SIC 32.9, website costs must be capitalised in the development stage. The useful life is determined pursuant to SIC 32.10 in conjunction with IAS 38.88 et seq., IAS 38.95 as the period during which an entity receives an inflow of economic benefits; in the case of customer websites, the useful life corresponds to the respective minimum contract period.

From the date of completion, internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses.

The company only has internally generated intangible assets with a specified useful life, which are amortised using the straight-line method over their useful lives.

Acquired intangible assets

Acquired intangible assets are initially recognised at cost in accordance with IAS 38.24. Cost according to IAS 38.27 to

IAS 38.30 also includes all other costs required for bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Third-party grants reduce cost according to IAS 20.24 in conjunction with IAS 20.27.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful life using the straight-line method in accordance with IAS 38.97 and IAS 38.98. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed and, if necessary, adjusted at the end of each financial year in accordance with IAS 38.104.

The useful life of an intangible asset with an indefinite useful life is reviewed once a year in accordance with IAS 38.109 to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If this is no longer the case, the assessment is changed prospectively.

Gains and losses arising from the derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Contracts with customers

The costs to acquire a contract can be recognised as an intangible asset if the definition and recognition criteria of IAS 38 are met. The costs for the commission fees incurred upon acquisition of a customer contract can be recognised as an intangible asset, since the Company hereby acquires an identifiable benefit in the form of the customer's payments under the contract as well as a legally enforceable right to receive the payments. Furthermore, it can be regarded as probable that this payment also flows to the Company. This also applies for internal fees if the costs can be directly attributed to the contract that has been entered into and would not have been incurred if the contract had not been entered into. Accordingly, they also constitute an intangible asset as defined under IAS 38 and can be capitalised (IAS 19.11b).

On this basis, sales commissions that can be directly attributed to the customer contracts are capitalised as intangible assets as defined under IAS 38 and amortised over the contractual term.

Property and equipment

Items of property and equipment are initially measured at costs in accordance with IAS 16.15. Cost in accordance with IAS 16.16b also includes any costs directly attributable to bringing the asset to the environment and condition intended by management. After initial recognition, items of property and equipment are measured at depreciated cost in accordance with IAS 16.30.

Items of property and equipment are depreciated over their expected useful life using the straight-line method, taking into account any impairment necessary. The residual value and depreciation period are reviewed and, if necessary, adjusted at the end of each financial year in accordance with IAS 16.51.

Third-party grants reduce cost according to IAS 20.24 in conjunction with IAS 20.27. Maintenance costs are recognised as an expense.

Impairment of non-financial assets

Intangible assets with an indefinite useful life and intangible assets that are not yet ready to be used are not amortised, but instead tested annually for impairment. Assets subject to depreciation or amortization are tested for impairment if there is an indication that the carrying amount of the asset can no longer be recovered.

An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. If the recoverable amount cannot be determined for an individual asset, the recoverable amount of the cash generating item to which the asset belongs is determined in accordance with IAS 36.22. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In determining the value in use, the estimated future cash flows are discounted to the present value based on a current market-determined pre-tax rate that reflects the risks of the asset that are not taken into account in the cash flows. If the determined recoverable amount of an asset or a cash generating unit is lower than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are immediately recognised in profit or loss in accordance with IAS 36.60.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed through profit or loss to depreciated cost (IAS 36.114 in conjunction with IAS 36.117).

Accrued current liabilities

These liabilities are defined in IAS 37.11 as liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. They differ from trade accounts payable because these have been invoiced by the supplier or formally agreed. The Group shows liabilities under this item which result from supplier invoices not yet received and from obligations towards employees.

Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised to the extent that there is a current obligation vis-à-vis a third party arising from a past event which will probably lead to a future outflow of resources and the amount of this obligation can be reliably estimated. Provisions which do not lead to an outflow of resources in the following year are carried at the amount required to settle the respective obligation, discounted as of the reporting date. For this purpose, the settlement amount most likely to arise is presumed for individual obligations. Discounting is based on market interest rates. The settlement amount also comprises the expected cost increases. Provisions are not offset against claims for reimbursement.

In accordance with IAS 37.72, provisions for restructuring expenses are recognised if the Group has prepared a detailed formal plan for the restructuring which was communicated to the parties concerned.

Pension obligations

Retirement benefit plans at the Group are accounted for in accordance with IAS 19 Employee Benefits and is dependent on a plan's classification as being a defined contribution or defined benefit plan.

Defined benefit retirement plans constitute obligations of the 11880 Solutions Group arising from pension entitlements of former Management Board members and their surviving dependants.

The provision for defined benefit plans shown in the statement of financial position under the item "Provisions for retirement benefits" corresponds to the present value of the defined benefit obligation on the reporting date, less the fair value of the plan assets. Should the value of the plan assets exceed the corresponding pension obligations, the excess amount is shown under the item "Other non-current assets", taking into account the asset ceiling.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Demographic assumptions (e.g. fluctuation rate) and financial assumptions (e.g. interest rate, salary and pension increase trends) are included in the valuation of the present value of the defined benefit obligation using this method.

Actuarial gains and losses resulting from empirical adjustments and changes in actuarial assumptions are recognised in other comprehensive income as incurred.

Past service costs are immediately recognised in profit or loss.

In accounting for defined benefit plans, all income and expenses, with the exception of net interest income, are recognised in general administrative expenses. Net interest income is shown under net financial income.

For defined contribution plans, the Group pays contributions to public or private pension insurance entities as required by statutory or contractual provisions. Other than making the contributions, the Company has no other benefit obligations.

The contribution payments incurred are recognised as an expense under cost of revenues, selling and distribution costs and general administrative expenses in the period in which they become due.

Share-based payment

A portion of the annual performance-based variable remuneration of the Management Board is converted as variable remuneration invested for the long term into phantom stocks of 11880 Solutions AG (deferrals). The phantom stocks are recognised in accordance with IFRS 2 Share-based Payment as cash-settled share-based payment transactions.

Cash-settled share-based payment transactions are to be recorded as non-current provisions in the amount of the expense (IFRS 2.30). The expense is recognised in full in the financial year for which the phantom stocks are granted. The amount of the provision is to be adjusted through profit or loss to the respective fair value of the obligation for the period until the respective phantom stocks are paid out.

Contingent liabilities and assets

If it is likely that fulfilment will entail the possibility of an outflow of resources embodying economic benefits, the risk to which the Company is exposed is taken into account accordingly in the consolidated financial statements by means of provisions. In case of a possible but unlikely outflow of resources as defined in IAS 37.86, the individual risks and their potential financial effects are disclosed as a contingent liability.

Contingent assets may not be recognised (IAS 37.31), but instead must be disclosed in accordance with IAS 37.89 if the future inflow of economic benefits is probable. However, if the realisation of income is virtually certain, the general recognition criteria for assets apply (IAS 37.33) and the item can be recognised as a receivable.

Leases

Leases under which a substantial proportion of the risks and rewards incidental to ownership of the leased asset remain with the lessor are classified as operating leases in accordance with IAS 17. Lease payments made under operating leases (net) are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Taxes

Current income taxes

Current tax assets and liabilities for current and prior periods (prior period tax expenses or tax income, if appropriate) are measured in the amount expected to be refunded by the tax authorities or paid to the tax authorities. The given amount is calculated based on the tax rates and laws applicable in the respective tax assessment periods.

The current tax expense is determined on the basis of the taxable income for a financial year. The taxable income (before offsetting any losses) differs from the net profit or loss shown in the income statement because it excludes expenses and income that concern other assessment periods or that will never be tax deductible or are exempted from taxation.

Deferred taxes

Deferred taxes concern the tax burden or tax relief to be expected from differences between the carrying amounts of assets and liabilities and their tax base. IAS 12 bases the recognition of deferred taxes on the "temporary" concept. This accounting-oriented concept takes into consideration the differences of assets and liabilities between IFRS financial statements and tax accounts. These differences are called temporary differences and according to IAS 12.5 are defined as the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Group generally recognises deferred tax liabilities for all taxable temporary differences. It recognises deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. No deferred tax liabilities resulting from the initial recognition of goodwill are recognised.

The obligation to recognise deferred tax assets in accordance with IAS 12.34 also covers deferred taxes on unused loss carryforwards.

The deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available or that sufficient deferred tax liabilities exist against which the deductible temporary differences and the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed with regard to its recoverability at the end of each reporting period in accordance with IAS 12.56.

Deferred taxes are determined on the basis of the expected tax rates applicable at the time the liability is settled or the asset is recovered. The are recognised in profit or loss. However, if they relate to items not recognised in profit or loss, they are not shown in profit or loss. Instead, the taxes are recognised either in other comprehensive income or directly in equity depending on the underlying transaction. Deferred taxes are determined in accordance with the tax regulations of the countries where the Group is active.

Deferred tax assets and tax liabilities are shown netted in the consolidated financial statements in accordance with IAS 12.74.

Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. IFRS 5.15 requires such assets to be measured at the lower of carrying amount and fair value less costs to sell. Plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Income and expenses of discontinued operations are recognised separately from income and expenses of continuing operations in the income statement for the reporting period and comparative period and are shown separately as post-tax profit or loss of discontinued operations (IFRS 5.33).

In accordance with IFRS 5.26, assets that were classified as held for sale but no longer meet the applicable criteria are no longer classified as held for sale.

Earnings per share

The Group calculates earnings per share in accordance with the provisions of IAS 33 Earnings per Share.

Basic earnings per share in accordance with IAS 33.10 are calculated by dividing the net income or loss for the period attributable to ordinary shareholders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating diluted earnings per share in accordance with IAS 33.31, the net income or loss for the period attributable to ordinary shareholders of the parent entity and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares (options that may be converted but have not yet been converted into ordinary shares).

The calculation diluted earnings per share corresponds to the calculation of basic earnings per share because the Group did not issue any ordinary shares that have a potentially dilutive effect.

Statement of cash flows

The 11880 Solutions Group presents its statement of cash flows in accordance with IAS 7 Statement of cash flows. Cash flows from operating activities are presented by choosing the option of using the indirect method in accordance with IAS 7.18b. However, for the presentation of cash flows from investing and financing activities, IAS 7.21 requires the use of the direct method, which has been applied accordingly.

3. Estimates and discretionary decisions

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events. The preparation of the consolidated financial statements therefore requires management to make discretionary decisions, estimates and assumptions that affect the Group's net assets, financial position and results of operations. The key assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Valuation allowances on trade accounts receivable

The Group recognises valuation allowances on doubtful trade accounts receivable in order to take expected losses into account that may result from non-receipt of customer payments. Determining adequate valuation allowances is based on maturity profiles of the receivables, experience with regard to writing off receivables in the past and knowledge of the customer's credit standing. Please see note 20 for information on changes in these valuation allowances.

Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires estimating the recoverable amounts of those cash generating units to which the goodwill has been allocated. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. Determining the recoverable amount is based on estimates and discretionary decisions in particular as regards expected cash flows of the cash generating units and an appropriate discount rate.

As a result of the annual impairment test, in financial year 2016 the Company recognised an impairment loss of EUR 3,300 thousand that was allocated to the cash generating unit Digital Business. The impairment was triggered by the fact that the transformation process took longer than expected, which affected the development of revenue and expense.

As of 31 December 2017, the carrying amount of the goodwill was EUR 3,489 thousand (2016: EUR 3,489 thousand); see also note 24.

Intangible assets

Upon initial consolidation of 11880 Internet Services AG in 2008, customer bases in the media and software business were identified as intangible assets and recognised at their fair value. Based on management's assessment, the amortisation period was fixed at 10 years and the straight-line method of amortisation was chosen. The useful life of the customer base in the media business (now: part of the Digital segment) was adjusted to seven years in financial year 2010. Determining the amortisation period was based on the estimate of probable future cash flows from these intangible assets and the discounting rate to be used for determining the present values of these cash flows.

As a result of the annual impairment test, the Group recognised an impairment loss totalling EUR 3,289 thousand on both customer bases in financial year 2012. This was due to the general market trend in the software business and the regressive development of the customer base in the Media division (today: Digital). The useful lives did not change.

As of 31 December 2017, the carrying amounts of these acquired customer bases amounted to EUR 96 thousand (2016: EUR 487 thousand).

Deferred taxes on tax loss carryforwards

In accordance with IAS 12.34, 11880 Solutions AG also recognises deferred taxes on unused tax loss carryforwards. These are to be recognised to the extent that it is probable there will be taxable profit or sufficient deferred tax liabilities in the future against which the unused tax loss carryforwards can be utilised. Management bases its assessment of probability on the criteria set forth under IAS 12.36. However, any estimates of future amounts are subject to the risk that the carrying amounts may have to be adjusted in the future.

The gross value of deferred tax assets on tax loss carryforwards (before impairment) amounted to EUR 10,118 thousand as of the reporting date (2016: EUR 7,497 thousand); see also note 27.

Litigation

The Group uses discretion in disclosing ongoing litigation in its financial statements. Significant risks and rewards are assessed by including assessments made by external legal advisers. For more information see also note 37.

Pension obligations

The present value of the pension obligations depends on multiple factors that are based on actuarial assumptions. The assumptions applied in the determination of net expenses (or income) for pensions include the discount rate. Every change to these assumptions will have an impact on the carrying amount of the pension obligations.

The Group determines the appropriate discount rate at the end of each financial year. The discount rates applied are determined on the basis of yields that are realised on the reporting date for senior, fixed-interest corporate bonds with a corresponding term and currency. Please refer to note 32 for further information on this.

4. Changes in accounting policies

New and revised standards and interpretations

The accounting policies applied in financial year 2017 were essentially the same as those used in the previous year. In addition, the following new and revised standards were applied for the first time.

Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 clarify the question of the recognition of deferred tax assets on temporary differences from unrealised losses.

The clarifications include an extensive new example (Example 7) that clearly explains the new rules. The EU endorsed the amendments on 6 November 2017. The amendments do not affect the Group's net assets, financial position and results of operations.

Amendments to IAS 7 Statement of cash flows – Disclosure Initiative

The objective of this amended standard is to improve the information provided about an entity's financing activities. The amendments to IAS 7 require entities to provide enhanced disclosures on changes in liabilities arising from financing activities in the statement of financial position during the reporting period if cash flows from those financial liabilities were, or future cash flows will be, included in cash flows from financing activities in the statement of cash flows. The disclosure requirement also applies to changes in the carrying amount of financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. The EU endorsed the amendments on 6 November 2017. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods. The amendments will not affect the consolidated financial statements.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB on 24 July 2014. With few exceptions, the new rules replace those in IAS 39 – Financial Instruments: Recognition and Measurement. The provisions of IAS 32 – Financial Instruments: Presentation and IFRS 7 – Financial Instruments: Disclosures must continue to be applied with adjustments to comply with the new rules in IFRS 9. The standard includes new rules on classifying and measuring financial assets based primarily on the underlying business model of the portfolio to which the financial asset is assigned and the specific structure of the contractually agreed cash flows. Financial assets currently measured at amortised cost or at fair value through other comprehensive income will be reported at fair value through profit or loss in the future. According to IFRS 9, the impairment of financial assets will be recognised based on expected losses, not the losses incurred, as has been the case to date with IAS 39.

Financial assets were reviewed individually with respect to their classification. All financial assets considered equity instruments (shares) in accordance with IAS 32.16 that are not held for trading fulfil the conditions of IFRS 9.5.7.5. According to this provision, these equity instruments may be voluntarily measured at FVTOCI. Since the business model of the financial assets also meets the conditions for the "hold and sell" category, not the "trade" category, the Company has exercised the option in IFRS 9 of voluntary classification as FVTOCI from the date of initial application of IFRS 9 as at 1 January 2018. These financial instruments are therefore measured at fair value, and changes in value are not recognised in profit or loss, but instead in other comprehensive income.

No material measurement effects from the exercise of the option of reclassification to FVTOCI according to IFRS 9 as at 1 January 2018 are expected on the "available for sale" category according to IAS 39 selected in 2017.

The simplified approach will be applied for the risk analysis of trade accounts receivable. According to this impairment method, a loss allowance must be recognised for all instruments (regardless of their credit quality) in the amount of the expected losses over the remaining term.

Due to the implementation of measures to reduce credit losses, the default rate decreased substantially in 2017. The Group anticipates only a minimal increase in expected losses on receivables in 2018 from the application of the new impairment model (simplified approach), which requires earlier recognition of expected losses on trade accounts receivable.

In preparing the provision matrix, the expected loss as at the reporting date is calculated over the remaining maturity as a flat percentage depending on the number of days past due.

The trade accounts receivable do not contain a financing component because they are generally due within 30 days of the invoice date. This means the Company does not account for the time value of money because it is insignificant. There is therefore no need to discount expected credit losses. The simplified approach must be applied here, according to which recognition of a provision is required over the entire term of the trade accounts receivable.

A provision matrix can be used to simplify calculation of the expected credit losses according to the simplified approach. This matrix is based on observed, historical default rates and is adjusted for forward-looking estimates.

On every reporting date, the observed, historical default rates must be updated and changes in the forward-looking estimates analysed.

The attached provision matrix for trade accounts receivable shows the calculation of the expected loss of EUR 7,251 thousand on unimpaired receivables as at the balance sheet date:

	Carrying amount EUR thousand	**Expected default rate for the remaining term of the receivables**	**Impairment** in EUR thousand
Not due	4,513	0.18 %	8
1–30 days past due	1,760	1.36 %	24
31–60 days past due	62	2.72 %	2
61–90 days past due	71	4.08 %	3
> 90 days past due	845	9.06 %	77

The provision matrix outlining the expected loss rates will be adjusted and applied to the provision for 2018 in accordance with the results of the ongoing analyses.

The rules regarding financial liabilities were mostly carried over from IAS 39. The expanded quantitative and qualitative disclosures in the notes to the consolidated financial statements required by IFRS 9 are still being reviewed.

The new standard must be applied to annual periods beginning on or after 01 January 2018. IFRS 9 must generally be applied retrospectively, although there are a number of different simplification options available which are used by 11880 Solutions AG. The regulation adopting IFRS 9 in the EU was published in the Official Journal of the EU on 29 November 2016.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 in May 2014. It replaces existing guidelines for the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard presents a framework for determining when revenue should be recognised, the carrying amount, and the point in time or time period when recognition should occur. The standard lays down a principle-based, uniform, five-stage revenue recognition model for this purpose that is applicable to all categories of revenue-generating transactions with customers. Revenue must be recognised when the customer receives control over and can obtain benefits from the agreed goods and services. IFRS 15 must be applied to annual periods beginning on or after 1 January 2018. In 2017, a project concerned with IFRS 15 considered the extent of the effects of the amendments to the standard. The findings obtained in the course of implementing IFRS 15 Customer contracts and self-created websites previously capitalized under IAS 38 as short-term and long-term intangible assets will fall into the scope of IFRS 15 in the future. As a result, there is a need to reclassify these items to other current assets and other non-current assets. The following table illustrates the effects:

in EUR thousand	Short-term intangible assets from capitalized customer contracts	Short-term intangible assets from capitalized self-created websites	Long-term intangible assets from capitalized customer contracts	Long-term intangible assets from capitalized self-created websites
Carrying amount as of 31 December 2017	1,063	123	97	50
Carrying amount as of 31 December 2018	–	–	–	–

in EUR thousand	Short-term assets from capitalized customer contracts	Short-term assets from capitalized self-created websites	Long-term assets from capitalized customer contracts	Long-term assets from capitalized self-created websites
Carrying amount as of 31 December 2017	–	–	–	–
Carrying amount as of 31 December 2018	1,063	123	97	50

Clarifications to IFRS 15 Revenue from Contracts with Customers

The amended standard includes clarifications on the following issues in IFRS 15:

- Identification of performance obligations
- Classifying a company as a principal or an agent
- Revenue from granting licences
- Relief provisions for first-time application

The amendments were issued in April 2016 and must prospectively be applied for the first time for reporting periods beginning on or after 1 January 2018. Transposition into European law was announced on 31 October 2017.

The Group does not expect the application of IFRS 15 to have material effects on its net assets, financial position and results of operations.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

These amendments include the following clarifications and / or revisions:

- Effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- Classification of share-based payment transactions with net settlement features, i. e. free of withholding tax
- Accounting for modifications to share-based payment transactions from cash-settled to equity-settled

The amendments were issued in June 2016 and must be applied to transactions granted or amended in annual periods beginning on or after 1 January 2018. Earlier application is permitted, subject to recognition by the EU. Retrospective application is only permitted if this is possible without the use of hindsight. EU endorsement of the amendments is currently expected in the first quarter of 2018.

The amendments will not affect the consolidated financial statements.

Annual Improvements to IFRSs 2014 – 2016 Cycle

These include clarifications concerning:

- IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in other Entities, and
- IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments were issued in December 2016. The date of mandatory application is 1 January 2018 for amendments to IFRS 1 and IAS 28 (with voluntary early application with regard to IAS 28) and 1 January 2017 for amendments to IFRS 12.

The application of these amendments did not affect the Group's net assets, financial position and results of operations.

IFRIC 22 Foreign Currency Transaction and Advance Consideration

This interpretation clarifies the exchange rate used when reporting foreign currency transactions in a company's functional currency for the first time if the company makes or receives advance payments for the transaction's underlying assets, expenses or income.

The interpretation was issued on 8 December 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2018. Voluntary earlier application – subject to EU endorsement – is permitted. EU endorsement is currently expected in the first quarter of 2018.

Effects on the Group's net assets, financial position and results of operations are not expected.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 on lease accounting which supersedes IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27. IFRS 16 eliminates the previous classification of leases on the lessee's side as operating or finance leases. Instead, the standard introduces a uniform lessee accounting model according to which lessees are required to recognise right-of-use assets and lease liabilities for leases with a term of more than 12 months. This results in previously unrecognised leases being recognised in the future in a way that is comparable to a large degree to the current accounting for finance leases. IFRS 16 must be applied to annual periods beginning on or after 1 January 2019. Voluntary early application is permitted if the entity also applies IFRS 15 Revenue from Contracts with Customers at this time. EU endorsement of the standard was announced on 9 November 2017. The Group is currently analysing the effects of IFRS 16 on the consolidated financial statements. We assume that there will be a recognition of usage rights and leasing liabilities. Through this approach, there will be a shift between depreciation, interest and other operating expenses.

IFRIC 23 Uncertainty over Income Tax Treatments

The IFRIC 23 Uncertainty over Income Tax Treatments interpretation issued by the IFRS Interpretation Committee on 7 June 2017 contains provisions concerning the recognition and measurement of tax risk positions and thus closes relevant existing loopholes in IAS 12 Income Taxes.

The published interpretation also includes references to existing obligations concerning explanatory notes in accordance with IAS 1.112 and IAS 1.125 – 1.129 for discretionary decisions, assumptions and estimates made while accounting for tax risk positions. Reference is also made to the provisions of IAS 12.88 and the obligation to indicate any contingent tax assets and liabilities.

The interpretation was published on 7 June 2017. The mandatory date of initial application for IFRIC 23 is 1 January 2019; however, voluntary early application is permitted – once the corresponding disclosure and endorsement has taken place. Endorsement by the EU is expected in 2018.

Annual Improvements to IFRSs 2015 – 2017 Cycle

Amendments to the following standards are proposed:

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing costs

The IASB on 12 December 2017 issued the Annual Improvements to IFRSs (2015 – 2017 Cycle), a series of amendments to IFRSs in response to issues raised during this cycle. This standard has not yet been endorsed by the EU. The changes are applicable to reporting periods beginning on or after 1 January 2019. The improvements include the following clarifications:

IFRS 3 Business Combinations / IFRS 11 Joint Arrangements

The amendments to IFRS 3 and IFRS 11 clarify that when an acquirer obtains control over a business that constitutes a business combination, the acquirer must remeasure any previously held interest in the business.

IAS 12 Income Taxes

The amendments clarify that all income tax consequences of dividends (distribution of dividends) must be recognised in profit or loss regardless of how the taxes arise.

IAS 23 Borrowing Costs

This standard clarifies that when an asset that is ready for its intended use or sale, an entity must treat any outstanding borrowings made specifically to obtain that asset as part of the funds that it has borrowed generally. As general borrowings, these borrowing costs are therefore again available for determination of the borrowing costs to be recognised for another qualified asset based on the weighted average of all borrowing costs.

Notes to the Consolidated Income Statement

5. Revenues

Consolidated revenues in the 2017 financial year amounted to EUR 41,268 thousand (2016: EUR 44,714 thousand).

11880 Solutions AG and the subsidiaries included in the consolidated financial statements provide telephone directory assistance services to private and business customers in Germany and abroad. These services are also provided to other telephone companies in Germany on the basis of outsourcing agreements. The Group has offered a secretarial service since the second half of 2016. Additional services are provided by the call centre business.

Furthermore, the Group's companies render online marketing services for small and medium-sized enterprises. They provide companies with an online presence with products such as corporate websites, Google AdWords (search engine marketing), Google My Business and Facebook company pages and supports them in the planning and implementation of their digital advertising efforts. The Group's companies also provide company entries (product: advertisement entry) on its 11880.com online business directory and partner portals as well as on the 11880.com app (and partner apps). Since 2016 , the specialist portal entry product has been continually expanded to include further industries and optimised. Having been developed in 2016 as the first and so far only search engine for online reviews, werkenntdenBESTEN.de was further enhanced in 2017.

The software solutions business includes digital telephone books and yellow pages on CD-ROM and as an intranet solution, and also database solutions.

The drop in revenues from the prior year is primarily due to many years of continuous decline in the directory assistance market caused by the shift in consumer usage behaviour towards digital. The decline in the digital business is attributable to the higher accrual effects on the basis of higher unabated sales than in the previous year. Further explanations on the development of revenues can be found in the Group management report and in the presentation by operating segment in note 34.

6. Cost of revenues

The cost of services rendered in order to generate revenues of EUR 26,586 thousand (2016: EUR 26,902 thousand) primarily consisted of capacity and infrastructure costs of the Directory Assistance and Digital divisions.

The decline in the cost of revenues resulted mainly from the continuing optimisation of the personnel cost structure in the Directory Assistance division.

7. Selling and distribution costs

The selling and distribution costs of EUR 14,925 thousand (2016: EUR 17,778 thousand) mainly included the costs of the Company's own staff in the digital business, the costs of receivables management, including losses on receivables, as well as fixed costs for the locations used. In addition, selling and distribution costs included the amortisation of capitalised contracts with customers as well as the amortisation of customer bases of the software business and the klickTel brand, which was recognised in 2008 in connection with the acquisition of 11880 Internet Services AG as part of the purchase price allocation.

The sharp decline in selling and distribution costs is mostly due to a reduction in losses on receivables. Due to the reorganisation of receivables management successfully implemented in 2017, this cost item decreased considerably. Additional savings in human resources and a reduction in amortisation and impairment losses on intangible assets were additional contributing factors.

8. General administrative expenses

The general administrative expenses in the amount of EUR 9,847 thousand (2016: EUR 11,345 thousand) primarily included the costs of corporate services such as finance, legal, human resources, IT, as well as the management board and infrastructure costs of these units. Furthermore, this item included consulting fees incurred for company-wide consulting projects.

The reduction in general administrative expenses is due mainly to the decline in overhead personnel costs as a result of the headcount reduction measures carried out at the end of 2016.

9. Staff costs

The following employee benefit expenses were included in the costs of corporate services:

in EUR thousand	2017	2016
Wages and salaries	18,744	20,984
Social security costs	3,367	3,666
Pension costs	50	69
Multi-year variable remuneration	27	21
Total	**22,188**	**24,740**

The year-on-year reduction in staff costs was mainly attributable to the decline in overhead personnel as a result of the optimisation of structural costs in all divisions of the 11880 Solutions Group.

10. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment included in the costs of corporate services were composed as follows:

in EUR thousand	2017	2016
Amortisation of intangible assets	4,161	5,352
Depreciation of plant and equipment	955	1,048
Depreciation of non-current assets	**5,116**	**6,400**
Impairment of goodwill	**0**	**3,300**
Amortisation of current intangible assets	**2,675**	**2,148**
Depreciation, amortisation and impairment, total	**7,791**	**11,848**

See notes 23 – 26 for more information and explanation.

11. Rental and leasing expenses

Rental and leasing expenses of EUR 2,839 thousand (2016: EUR 3,108 thousand) were recognised in the income statement in the 2016 financial year. These expenses mostly stemmed from rental and lease contracts for real estate, line costs and the vehicle fleet.

For information on future obligations from rental and leasing agreements, see note 36.

12. Other operating income

Other operating income amounted to EUR 5 thousand (2016: EUR 56 thousand) and, as in the previous year, was mainly the result of on-charging of incentive sales payments.

13. Other operating expenses

in EUR thousand	2017	2016
Impairment of goodwill	0	3,300
Loss on disposal of non-current assets	2	18
Other	1	1
Other operating expenses	**3**	**3,319**

See note 24 for more information and explanations regarding the impairment of goodwill.

14. Net financial income

Net interest income

in EUR thousand	2017	2016
Interest income from available-for-sale financial assets	174	133
Other interest and similar income	21	28
Interest and similar income	**195**	**161**
Interest expense for bank overdrafts and guarantees	-12	-14
Other interest and similar expenses	-13	-63
Interest and similar expenses	**-25**	**-77**
Net interest income	**170**	**84**

Net interest income mainly results from available-for-sale financial assets.

Net income from marketable securities

in EUR thousand	2017	2016
Gain on sale of marketable securities	49	29
Loss on sale of marketable securities	0	-36
Net income from marketable securities	**49**	**-7**

The net income from the sale of marketable securities results from the sale of shares in money market and bond funds.

Net income from foreign currency translation

in EUR thousand	2017	2016
Gains on foreign currency translation	7	8
Loss on foreign currency translation	-9	-8
Net income from foreign currency translation	**-2**	**0**

Net gains and net losses on financial instruments by measurement category

	Net interest income from financial instruments		Net income from financial instruments	
in EUR thousand	2017	2016	2017	2016
Cash and cash equivalents	-12	-14	-2	1
Loans and receivables	0	0	-1,334	-2,334
Available-for-sale financial assets	174	133	48	-7
Financial liabilities measured at amortised cost	0	0	0	-1

The net interest income from available-for-sale financial assets resulted from annual distributions of fund profits, see also note 21.

Net income from loans and receivables mainly included changes in impairment allowances, losses from derecognition, gains from subsequent payments received and the reversal of valuation allowances previously recognised on trade accounts receivable.

15. Income taxes

Income taxes in Germany comprise corporate income tax, trade tax and the solidarity surcharge. Subsidiaries abroad were charged with income taxes comparable to the German corporate income tax.

in EUR thousand	2017	2016
Current income taxes	-9	-71
Deferred income taxes	246	-101
Recognised income / expense from income taxes	**237**	**-172**

The following fiscal reconciliation shows why the tax expense recognised for the current year does not correspond to the expected tax income when earnings before taxes are multiplied with the tax rate of 30.84 % applicable for the full 2017 financial year (2016: 30.83 %):

Financial year ended on 31 December in EUR thousand	2017	2016
Net loss before taxes	**-9,871**	**-14,497**
Applicable tax rate	**30.84 %**	**30.83 %**
Expected income from income taxes	**3,044**	**4,469**
Increase / reduction by:		
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	-2,808	-3,731
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the past	-70	91
Tax expense resulting from tax audits	0	-71
Impairment of goodwill	0	-1,017
Income tax rate differences	61	164
Tax effects on expenses / income (permanently) non-deductible for tax purposes	-65	-77
Tax effects of other differences	75	0
Recognised income / expense from income taxes	**237**	**-172**

Calculated as the ratio of income tax expense / income shown to net loss for the period before taxes, the effective tax rate was 2.40 % (2016: -1.19 %).

The change in the effective tax rate mainly resulted from tax effects on loss carryforwards for which no deferred tax assets were recognised in the current period and from the impairment of goodwill recognised in the previous year.

As of 31 December 2017, the current tax assets totalled EUR 97 thousand (2016: EUR 132 thousand) and mainly comprised receivables from the tax authorities related to withholding tax on investment and the solidarity surcharge on withholding tax on investment.

The 11880 Solutions Group shows deferred tax assets after offsetting in the amount of EUR 26 thousand as of 31 December 2017 (2016: EUR 0 thousand). The recognition of deferred tax liabilities after offsetting decreased from EUR 649 thousand (as of 31 December 2016) by EUR 177 thousand to EUR 472 thousand; see also note 27.

16. Restructuring measures

In August 2017 a detailed and formal restructuring plan for moving the entire Producing business from Rostock to Essen as at 31 October 2017 and its integration into the Customer Care unit there starting on 1 November 2017 were announced. The aim of this move is to leverage synergy effects arising from the direct proximity and cooperation with the Customer Care unit in Essen. Restructuring expenses accrued for this move in the amount of EUR 473 thousand as at the reporting date (2016: EUR 0 thousand) and are recognised in the cost of revenues.

The restructuring plan initiated in October 2015 aimed at the discontinuation and closure of the entire field sales unit as of 31 December 2015 was largely completed in the current financial year. By carrying out these restructuring measures in the field sales unit, the Group responded to the Company's challenging economic situation and focused on the telesales distribution channel as part of a new sales strategy. As of 31 December 2017, the restructuring obligations presented in the consolidated statement of financial position totalled EUR 12 thousand (31 December 2016: EUR 88 thousand). This amount was included in the income statement under selling and distribution costs.

In connection with restructuring measures mentioned, the Group generated an expense effect (after deducting income) of EUR 473 thousand (2016: income effect of EUR 59 thousand).

See notes 29 and 30 for more information and explanation.

17. Discontinued operations

11880 Solutions AG sold the wholly owned subsidiaries 11811 Nueva Información Telefónica S. A. U. and Uno Uno Ocho Cinco Cero Guías, S. L. to Spain-based Titania Corporate S. L. with effect from 7 June 2013. Accordingly, the companies were deconsolidated from the 11880 Solutions Group on 7 June 2013. The two subsidiaries had formed the Group's Spain segment. The sale of the Spanish subsidiaries in the past financial years in financial year 2016 resulted in directly attributable subsequent expenses EUR 6 thousand, which were reported in the gain / loss from the disposal of the discontinued Spanish operations. In this context, there are no expenses incurred in 2017.

In connection with the sale of the Spanish subsidiaries, payments of EUR 0 thousand were made in the 2017 financial year (2016: EUR 296 thousand).

18. Earnings per share

Financial year ended on 31 December in EUR	**2017**	**2016**
Earnings per share from continuing operations based on the net income attributable to ordinary shareholders of the parent	-0.50	-0.77
Earnings per share from discontinued operations based on the net income attributable to ordinary shareholders of the parent	0.00	0.00
Earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.50	-0.77

The calculation of earnings per share for the financial years ended on 31 December was based on the following data:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Income from continuing operations attributable to ordinary shareholders of the parent	-9,634	-14,669
Income from discontinued operations attributable to ordinary shareholders of the parent	0	-6
Net income attributable to ordinary shareholders of the parent applicable for calculating earnings per share	-9,634	-14,675

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Weighted average number of ordinary shares for calculating earnings per share	19,111	19,111

Notes to the consolidated statement of financial position

19. Cash and cash equivalents

Cash and cash equivalents were composed as follows as of the reporting date:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Bank balances and cash	522	799
Short-term deposits	1	2
Cash restricted	185	0
Total	**708**	**801**

As of the reporting date, bank balances and short-term deposits were exclusively kept with renowned German financial institutions which are classified as investment grade by international rating firms. Restricted cash is used to secure rental guarantees.

The fair value of cash and cash equivalents amounted to EUR 708 thousand (2016: EUR 801 thousand) and thus corresponded to their carrying amount.

The 11880 Solutions Group had overdraft facilities of EUR 2,000 thousand (2016: EUR 3,000 thousand) with financial institutions at its disposal as of 31 December 2017.

20. Trade accounts receivable

The amounts presented in the statement of financial position are amounts after valuation allowances that were recognised in order to account for possible counterparty credit risks.

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Trade accounts receivable, gross	11,808	14,291
Less impairment losses	-2,124	-3,981
Trade accounts receivable, net	**9,684**	**10,310**

As a rule, trade receivables were due within 8 to 90 days.

The following table shows the age structure of the trade accounts receivable:

in EUR thousand	Carrying amount of trade accounts receivable before impairment	of which: neither impaired nor past due	of which: not impaired and past due within the following time bands		
			less than 90 days	between 91 and 180 days	more than 180 days
As of 31 December 2017	11,808	7,251	1,111	219	1,103
As of 31 December 2016	14,291	6,506	1,304	295	2,205

In the case of non-overdue receivables that are not impaired, the company assumes that the receipt of the payment is not endangered. For those receivables, there are no findings to suggest that full payment would be in doubt.

Non-impaired overdue receivables are generally those portions of receivables that have not yet been written down in accordance with the ratios established in the management of receivables. The timing of the valuation adjustments on a portfolio basis follows the ongoing analysis and evaluation of past years.

The following trade accounts receivable were impaired with an amount of EUR 2,124 thousand (2016: EUR 3,981 thousand) as of 31 December 2017. Changes in the allowance account were as follows:

in EUR thousand	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 1 January 2016	**272**	**3,245**	**3,517**
Additions	83	2,346	2,429
Utilisation	-46	-1,424	-1,470
Reversal	0	-495	-495
As of 31 December 2016	**309**	**3,672**	**3,981**
Additions	50	1,343	1,393
Utilisation	-63	-2,359	-2,422
Reversal	0	-828	-828
As of 31 December 2017	**296**	**1,828**	**2,124**

For additional information on counterparty credit risks, see note 40.

Recoveries of the authorised collection agency were included in the position “Reversal of portfolio-based valuation allowance”.

The net decline in trade accounts receivable was primarily attributable to lower revenues as a result of the downturn experienced in the directory assistance business.

21. Available-for-sale financial assets

11880 Solutions AG invests in short-term, low-risk money market and bond funds. The assets of the bond funds are mainly invested in fixed- and variable-interest bonds by European issuers with investment-grade credit ratings as well as in time deposits and liquid money market instruments. The returns are derived from changes in price and annual distributions. The fair value of these investments as of 31 December 2017 was EUR 5,302 thousand (2016: EUR 9,691 thousand). The investments denominated in euros were neither past due nor impaired.

The available-for-sale financial assets changed as follows:

in EUR thousand	Available-for-sale financial assets
As of 1 January 2016	**17,530**
Addition	0
Disposal	-7,978
Losses recognised in equity	150
Gains reclassified from equity to the income statement	-11
As of 31 December 2016	**9,691**
Addition	0
Disposal	-4,458
Gains recognised in equity	123
Gains reclassified from equity to the income statement	-54
As of 31 December 2017	**5,302**

22. Other financial assets

Other financial assets consisted of the following items:

Financial year ended on 31 December in EUR thousand	2017	2016
Other financial assets, current	149	141
Other financial assets, non-current	0	2

As of 31 December 2017, current other financial assets included only receivables from non-recourse factoring.

Current and non-current other financial assets were neither impaired nor past due in the financial year under review.

23. Other current assets

Other current assets consisted of the following items:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Current intangible assets	1,186	1,227
Prepayments made	737	894
Other current assets	43	43
Other current assets	**1,966**	**2,164**

Current intangible assets included current customer contracts in the amount of EUR 1,063 thousand (2016: EUR 673 thousand) as well as customer websites in the amount of EUR 123 thousand (2016: EUR 554 thousand).

Current customer contracts were capitalised direct selling expenses that are directly associated with the Digital division. They were amortised on a straight-line basis over the one-year term of the customer contract. Additions amounted to EUR 2,127 thousand (2016: EUR 1,419 thousand) and the amortisation amounts included in the selling and distribution costs to EUR 1,736 thousand (2016: EUR 1,433 thousand).

Current customer websites were recognised in the amount of the website's directly attributable production costs with a contractual term of up to one year and amortised correspondingly over the course of one year on a straight-line basis. Additions amounted to EUR 507 thousand (2016: EUR 1,157 thousand) and the amortisation amounts included in the cost of revenues to EUR 939 thousand (2016: EUR 715 thousand).

Prepayments made related primarily to deferred maintenance expenses and rent for technical equipment.

24. Goodwill

Cost

in EUR thousand	Goodwill
As of 1 January 2016	**6,791**
As of 31 December 2016	**6,791**
As of 31 December 2017	**6,791**

Accumulated impairment

in EUR thousand	Goodwill
As of 1 January 2016	**2**
As of 31 December 2016	**3,302**
As of 31 December 2017	**3,302**

in EUR thousand	Goodwill
Carrying amounts as of 31 December 2016	**3,489**
Carrying amounts as of 31 December 2017	**3,489**

Impairment test of goodwill

The carrying amounts of goodwill in the amount of EUR 3,489 thousand (2016: EUR 3,489 thousand) included EUR 416 thousand (2016: EUR 416 thousand) attributable to the directory assistance business of 11880 Internet Services AG. The majority of the goodwill was attributable to 11880 Internet Services AG's digital business (EUR 3,073 thousand). Goodwill acquired as part of business combinations was assigned to cash-generating units in accordance with IAS 36.80 for the purpose of impairment testing.

The impairment test of goodwill on the basis of the cash-generating units Digital Business and Directory Assistance Business within 11880 Internet Services AG found no indication of impairment in financial year 2017 (previous year: EUR 3,300 thousand). No indication of impairment was found in the directory assistance business in the reporting year, either.

The recoverable amount of EUR 29.54 million of the cash-generating unit Digital Business was determined based on the calculation of value in use using management's cash flow forecasts for a period of five years. The first three years are a detailed plan, while the years 2021 and 2022 represent the transition to eternal retirement. The longer time period was chosen to better reflect the promising digital business within 11880 Internet Services AG. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2017: 6.57 %; 2016: 12.23 %). Cash flows after the period of five years were recognised as the terminal value. The determination of the value for the terminal value was based on a growth discount of 1.0 % (2016: 1.0 %) for the purpose of determining the value in use for the impairment test of goodwill of the digital business.

The recoverable amount of EUR 10.44 million of the cash-generating unit Directory Assistance Business was determined based on the calculation of value in use using management's cash flow forecasts for a period of five years. The longer time period was chosen to better reflect the decline in the directory assistance business within 11880 Internet Services AG. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2017: 5.69 %; 2016: 7.56 %). Cash flows after the period of five years were recognised as the terminal value. It was assumed that the business is sustainable on a low level. For this reason, no growth discount was assumed when calculating the value for the terminal value for the directory assistance business of 11880 Internet Services AG.

Basic assumptions

The basic assumptions used by management in preparing its cash flow forecasts for the impairment test of goodwill are discussed below.

Planned gross profit margins – Planned gross profit margins were determined based on the average gross profit margins realised in comparable markets and known to the cash-generating units within 11880 Internet Services AG from past experience, and increased in reflection of expected efficiency improvements. For example, the Company plans for the EBITDA of the cash-generating unit Digital Business to rise from EUR 0.7 million in 2018 to EUR 6.6 million in 2022. The EBITDA of the cash-generating unit

Directory Assistance Business will decrease from EUR 0.9 million in 2018 to EUR 0.6 million in 2022 due to the downturn in business.

Nominal interest rate for debt instruments – German government bonds with a term of 20 years were used for the risk-free base rate. The interest rate on 20-year European corporate bonds with a BBB- to BBB+ Rating is used for the interest rate on debt capital.

As a result, the projection assumes a steadily increasing free cash flow before tax of the cash generating unit Digital Business until 2022 to EUR 2.5 million. This in turn is the basis for calculating the terminal value and thus affects the valuation more than any other factor. The free cash flow before tax of the cash generating unit Directory Assistance Business will decline by 2022 to EUR 0.6 million.

Sensitivity of the assumptions made

In the opinion of the management, the following main assumptions have the biggest influence on the value in use of cash generating units and thus are reviewed on a regular basis:

- Discount factor: The discount factor was determined based on the average cost of capital of the 11880 Solutions Group and companies in its peer group, separately for the digital and the directory assistance business. Market-specific and social changes respectively may result in an adjustment of the discount factor. A discount factor one percentage point higher reduces the fair value of the cash generating unit Digital Business by EUR 6.2 million and of the cash generating unit Directory Assistance Business by EUR 1.5 million.
- Changes of customer demand, especially in the digital business, and of the market volume, particularly in the directory assistance business, may have a significant effect on the future cash flows of cash generating units. A revenue decrease of five percentage points per year compared with the revenue planning adopted by the Company's management reduces the fair value of the cash generating unit Digital Business by EUR 9.0 million and of the cash generating unit Directory Assistance Business by EUR 0.2 million.

As regards the determination of the value in use of the cash generating units listed above, the management is of the opinion that only in the cash generating unit Digital Business, where the recoverable amount exceeds the carrying amount, a realistic change in the material assumptions could result in further impairment.

25. Intangible assets

Cost

in EUR thousand	As of 1 January 2017	Additions	Disposals	Reclassifications	As of 31 December 2017
Software	18,317	191	-266	228	18,470
Licenses	15,824	250	0	0	16,073
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	30,301	0	0	0	30,301
Acquired klickTel brand	997	0	0	0	997
Internally generated intangible assets	6,196	1,235	0	40	7,471
Customer contracts	6,705	24	0	0	6,729
Customer websites	3,702	34	0	0	3,736
Other intangible assets	6	0	0	0	6
Intangible assets being developed / with prepayments	268	0	0	-268	0
Total	84,389	**1,734**	**-266**	**0**	85,856

in EUR thousand	As of 1 January 2016	Additions	Disposals	Reclassifications	As of 31 December 2016
Software	20,714	283	-2,680	0	18,317
Licenses	15,796	28	0	0	15,824
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	30,301	0	0	0	30,301
Acquired klickTel brand	997	0	0	0	997
Internally generated intangible assets	3,815	1,947	0	434	6,196
Customer contracts	6,192	513	0	0	6,705
Customer websites	3,552	150	0	0	3,702
Other intangible assets	6	0	0	0	6
Intangible assets being developed / with prepayments	434	268	0	-434	268
Total	83,880	**3,189**	**-2,680**	**0**	84,389

Accumulated amortisation and impairment

in EUR thousand	As of 1 January 2017	Amortisation	Impairment losses	Disposals	As of 31 December 2017
Software	16,988	720	0	-266	17,442
Licenses	15,394	245	0	0	15,639
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	29,814	391	0	0	30,205
Acquired klickTel brand	873	100	0	0	973
Internally generated intangible assets	3,873	1,783	0	0	5,656
Customer contracts	6,048	582	0	0	6,630
Customer websites	3,344	340	0	0	3,684
Total	**78,407**	**4,161**	**0**	**-266**	**82,302**

in EUR thousand	As of 1 January 2016	Amortisation	Impairment losses	Disposals	As of 31 December 2016
Software	18,917	750	0	-2,679	16,988
Licenses	15,167	227	0	0	15,394
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	29,423	391	0	0	29,814
Acquired klickTel brand	773	100	0	0	873
Internally generated intangible assets	2,221	1,652	0	0	3,873
Customer contracts	4,588	1,460	0	0	6,048
Customer websites	2,572	772	0	0	3,344
Total	75,734	5,352	0	-2,679	78,407

in EUR thousand	Carrying amount as of 31 December 2017	Carrying amount as of 31 December 2016
Software	1,028	1,329
Licenses	434	430
Internally generated database	0	0
Acquired customer bases	96	487
Acquired klickTel brand	24	124
Internally generated intangible assets	1,815	2,323
Customer contracts	97	657
Customer websites	50	358
Other intangible assets	10	6
Intangible assets being developed / with prepayments	0	268
Total	**3,555**	**5,982**

The useful life of intangible assets was determined in as follows in the 2017 financial year: There were no adjustments of the useful life compared with the previous year.

Useful life of intangible assets	
Software	3 to 7 years
Licenses	3 to 15 years
Internally generated database	3 years
Acquired customer bases	7 and 10 years resp.
Acquired klickTel brand	10 years
Internally generated intangible assets	2 to 5 years
Customer contracts	2 years
Customer websites	2 years
Other intangible assets	3 years

Amortisation was calculated based on the straight-line method over the established useful lives.

Amortisation was included in the costs of sales, selling and distribution costs and general administrative expenses proportionately based on use.

Internally generated intangible assets were capitalised development costs of completed internal projects for creating or enhancing software in the Directory Assistance and Digital divisions.

Customer contracts were capitalised in the amount of directly attributable sales commissions and amortised on a straight-line basis over the term of the customer contract.

In the case of customer websites, the directly attributable production costs of customer websites were capitalised and amortised over the contract period using the straight-line method.

The disposals in the 2017 financial year result mainly from the updating of standard software at all locations.

As of 31 December 2017, the Group had open obligations from orders for intangible assets in the amount of EUR 0 thousand (2016: EUR 27 thousand).

26. Property and equipment

Cost

in EUR thousand	As of 1 January 2017	Additions	Disposals	Currency translation	Reclassifications	As of 31 December 2017
Technical equipment	14,036	299	-311	0	0	14,025
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,878	152	-410	-4	0	5,614
Equipment being purchased / with prepayments	0	0	0	0	0	0
Total	19,914	**451**	**-721**	**-4**	0	19,639

in EUR thousand	As of 1 January 2016	Additions	Disposals	Currency translation	Reclassifications	As of 31 December 2016
Technical equipment	20,104	134	-6,202	0	0	14,036
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,758	163	-65	1	21	5,878
Equipment being purchased / with prepayments	21	0	0	0	-21	0
Total	25,883	**297**	**-6,267**	**1**	**0**	19,914

Accumulated depreciation and impairment

in EUR thousand	As of 1 January 2017	Depreciation	Impairment losses	Disposals	Currency translation	As of 31 December 2017
Technical equipment	12,960	635	0	-311	0	13,284
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,231	320	0	-358	-3	5,189
Total	18,191	**955**	0	**-669**	**-3**	18,473

in EUR thousand	As of 1 January 2016	Depreciation	Impairment losses	Disposals	Currency translation	As of 31 December 2016
Technical equipment	18,393	757	0	-6,190	0	12,960
Other equipment, fixtures, furniture and office equipment, and low-value assets	4,983	291	0	-44	1	5,231
Total	**23,376**	**1,048**	**0**	**-6,234**	**1**	**18,191**

in EUR thousand	Carrying amount as of 31 December 2017	Carrying amount as of 31 December 2016
Technical equipment	740	1,076
Other equipment, fixtures, furniture and office equipment, and low-value assets	426	647
Equipment being purchased / with prepayments	0	0
Total	**1,166**	**1,723**

The useful life of property and equipment was determined in as follows in the 2017 financial year: There were no adjustments of the useful life compared with the previous year.

Useful life of property and equipment	
Technical equipment	3 to 19 years
Other equipment, fixtures, furniture and office equipment	3 to 15 years

Depreciation was calculated based on the straight-line method over the established useful lives of the items and included in the cost of revenues, selling and distribution costs and general administrative expenses proportionately based on use.

The disposals in the 2017 financial year mainly resulted from the scrapping of outdated technical equipment at all sites as part of the current facility plan. Moreover, the disposal of operating and office equipment primarily resulted from the closure of the Munich office at the end of the financial year.

As of 31 December 2017, the 11880 Solutions Group had open obligations from orders for property and equipment in the amount of EUR 0 thousand (2016: EUR 4 thousand).

In accordance with IAS 38.4, system software was assigned to the item property and equipment, because it constitutes an integral part of hardware.

27. Deferred tax assets and liabilities

A corporate income tax rate of 15.00% plus a trade tax rate of 15.01% plus a solidarity surcharge of 0.83% was applied for the calculation of deferred taxes for 11880 Solutions AG's corporate and trade tax group. The tax rates were based on the uniform corporate income tax rate of 15.00% for distributed and retained profits, a solidarity surcharge of 5.50% on the corporate income tax rate and an average trade tax multiplier of 429.11%. Due to the different trade tax multipliers, the trade tax rate differed from that of the subsidiary 11880 Internet Services AG, which is based in Germany but not included in the tax Group. Deferred taxes for foreign subsidiaries were determined based on the respective national tax rates.

Deferred tax assets and liabilities were recognised as a result of timing differences in the measurement of assets and liabilities in the IFRS and tax accounts at the tax rates for the years in which the differences are expected to reverse.

The deferred taxes consisted of the following:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Gross value of deferred tax assets:		
Tax loss carryforwards	10,118	7,497
Intangible assets	1,007	1,187
Other assets	41	40
Provisions	282	371
Other liabilities	5	31
Less impairment loss	-9,012	-6,203
Deferred tax assets before netting	**2,441**	**2,923**
of which in other comprehensive income	0	95
Netting	-2,415	-2,923
Deferred tax assets after netting	**26**	**0**
Less deferred tax liabilities:		
Property and equipment	-33	-59
Financial assets	-67	-46
Intangible assets	-1,010	-1,494
Other assets	-1,777	-1,907
Provisions	0	-66
Deferred tax liabilities before netting	**-2,887**	**-3,572**
of which in other comprehensive income	-67	-60
Netting	2,441	2,923
Deferred tax liabilities after netting	**-472**	**-649**
Net value of deferred taxes	**-446**	**-649**

As of 31 December 2017, the Group companies' accumulated corporate income tax loss carryforwards amounted to EUR 32,128 thousand (2016: EUR 23,723 thousand). As of 31 December 2017, the Group companies' accumulated trade tax loss carryforwards amounted to EUR 31,166 thousand (2016: EUR 23,056 thousand). The trade tax loss carryforwards were generated exclusively in Germany. The difference between the corporate income tax and trade tax loss carryforwards was the result of corporate income tax loss carrybacks used in previous years and of trade tax add-backs.

Tax loss carryforwards that were not applied as a result of insufficient usability amounted to EUR 28,053 thousand (2016: EUR 19,212 thousand) as of the reporting date.

Tax loss carryforwards determined in Germany can be carried forward without limit and used to offset future profits under current German tax laws, whereby various tax provisions (e.g. minimum taxation) apply. The remaining group companies adhered to the limits on losses carried forward as a result of country-specific regulations.

Deferred taxes were classified as current and non-current as follows:

Financial year ended on 31 December in EUR thousand	2017	2016
Deferred tax assets		
Current	238	362
Non-current	2,203	2,561
Deferred tax liabilities		
Current	-506	-1,303
Non-current	-2,381	-2,269
Net value of deferred taxes	**446**	**-649**

28. Trade accounts payable

The trade accounts payable shown as of the reporting date amounted to EUR 435 thousand (2016: EUR 737 thousand).

The trade accounts payable included current liabilities from transactions concerning deliveries and services. The average period of payment was between 14 and 60 days. The management presumed as of the reporting date that the carrying amounts of trade accounts payable more or less corresponded to their fair value.

Trade accounts payable were recognised at their redemption amount.

29. Accrued current liabilities

The Group showed the following accrued current liabilities under this item on the reporting dates below:

Financial year ended on 31 December in EUR thousand	2017	2016
Obligations to employees	3,092	3,618
Invoices outstanding	2,400	2,072
Total	**5,492**	**5,690**

Obligations to employees included in particular wage and salary payments that are not due until the 2018 financial year. The obligations to employees also include expenses for personnel measures to downsize the Group's administrative departments at all sites.

Restructuring provisions were recognised in 2017 in connection with the relocation of the Producing operations from Rostock to Essen; see also note 16. As of 31 December 2017, the restructuring provisions shown under accrued current liabilities totalled EUR 301 thousand (2016: EUR 0 thousand); these exclusively relate to obligation vis-à-vis employees.

30. Provisions

As of the 31 December 2017 reporting date, the Group had identified and measured all risks known to it. If the recognition requirements of IAS 37.14 were met, the risks were accounted for in the financial statements in the form of provisions.

Other current and non-current provisions consisted of the following:

Financial year ended on 31 December in EUR thousand	2017	2016
Contingent losses	108	286
Contract risks	134	290
Other	139	89
Total	**381**	**665**
of which current	242	72
of which non-current	139	593

The changes in provisions for the 2017 financial year were as follows:

in EUR thousand	Contract risks	Contingent losses	**Total**	Contract risks	Contingent losses	Other	**Total**
	Current			**Non-current**			
As of 1 January 2017	**0**	**72**	**72**	**290**	**214**	**89**	**593**
Reversal	0	-8	**-8**	-138	-59	0	**-197**
Use	0	-56	**-56**	0	-133	0	**-133**
Addition	0	4	**4**	0	73	48	**120**
Time value of money	0	0	**0**	-18	2	2	**-14**
Reclassification	134	97	**231**	-134	-97	0	**-231**
As of 31 December 2017	**134**	**108**	**242**	**0**	**0**	**139**	**139**

The significant risks included the facts and circumstances presented below.

Current provisions for contract risks mainly represented an obligation to dismantle installed fixtures at the end of a lease.

Current provisions for contingent losses included provisions for spatial capacity adjustments.

Other non-current provisions consisted of liabilities for future tax audits and obligations from long-term variable Management Board remuneration; see also note 35.

Restructuring provisions were recognised in 2015 in connection with the closure of the field sales unit; see also note 16. As of 31 December 2017, these restructuring provisions totalled EUR 12 thousand (2016: EUR 88 thousand), which related exclusively to obligations arising under vehicle leases. Of this amount, EUR 0 thousand (2016: EUR 16 thousand) was shown under non-current provisions for contingent losses. During the 2017 financial year, restructuring provisions totalling EUR 76 thousand were reversed.

31. Other current liabilities

Other current liabilities were comprised as follows:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Prepayments received	4,219	2,138
VAT liabilities	390	368
Other liabilities	629	456
Total	**5,238**	**2,962**

Prepayments received related almost exclusively to payments received from customers prior to performance of services in the digital business. The increase in this item results mainly from the higher number of customers that have opted for immediate payment at the beginning of the service period.

Other current liabilities mainly comprised liabilities from payroll tax, church tax and the solidarity surcharge as well as liabilities to social security institutions.

32. Pension obligations

Retirement benefit plans maintained by the 11880 Solutions Group for its employees include both defined contribution and defined benefit plans.

Defined benefit plans

The defined benefit plans concerned individual commitments to pay retirement benefits (post-employment, disability and surviving dependant benefits) made to former members of the Management Board. The amount of the pension commitments from the defined benefit pension plans was measured primarily based on the length of employment and the base salary of the individual Management Board member.

In order to secure the respective pension benefits arising from the employer's pension commitment, pension liability insurance policies were purchased and their benefits pledged to the beneficiaries. The pension liability insurance policies with benefits pledged to beneficiaries were recognised as plan assets because they represent qualifying insurance policies as defined under IAS 19.8. In Germany, there was no legal or regulatory requirement regarding minimum funding contributions.

Employer contributions to the statutory pension insurance amounted to EUR 1,785 thousand in the 2017 financial year (2016: EUR 1,965 thousand).

The actuarial measurements of the plan assets and the present value of the defined benefit obligation were made taking into account the following actuarial assumptions as of 31 December of the respective financial year:

in %	2017	2016
Actuarial interest rate	2.21	2.00
Pension development	1.00	1.00

The interest rate used was determined by reference to market yields achieved on high quality corporate bonds at the reporting date.

With regard to these defined benefit pension plans, the Group had recognised the following expenses and income in the net income / loss and comprehensive income for the financial year:

in EUR thousand	2017	2016
Current service cost	0	0
Interest expense	-27	-30
Interest income	21	28
Expenses for defined benefit post-employment benefits recognised in net income	**-5**	**-2**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**-72**	**-193**

The interest expense and interest income items were part of net financial income / loss.

The present value of the defined benefit obligation was calculated with the projected unit credit method using the mortality tables “Heubeck Richttafel 2005 G”, in accordance with IAS 19.67, and had shown the following development:

in EUR thousand	2017	2016
Present value of the defined benefit obligations as of 1 January	**1,363**	**1,133**
Current service cost	0	0
Interest expense	26	30
Actuarial gains (-) or losses (+) from changes in financial assumptions	-64	198
Actuarial gains (-) or losses (+) from experience adjustments	5	2
Present value of the defined benefit obligations as of 31 December	**1,330**	**1,363**

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the Company totalled EUR 1,330 thousand (2016: EUR 1,363 thousand).

The development of the fair value of plan assets was as follows:

in EUR thousand	2017	2016
Fair value of plan assets as of 1 January	**1,120**	**1,085**
Interest income	21	28
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	13	7
Contributions by the employer	0	0
Fair value of plan assets as of 31 December	**1,154**	**1,120**

The plan assets constituted pension liability insurance policies with benefit entitlements pledged to beneficiaries. The insurance company holds around 36 % of its investments in Pfandbriefe and other secured loans, 23 % in government bonds from industrialised countries and 15 % in corporate bonds. The funds are invested in a variety of instruments to balance out fluctuations as much as possible and generate stable earnings.

The present value of the defined benefit obligation and the fair value of plan assets can be reconciled as follows to the provision amount recognised in the statement of financial position.

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Present value of the defined benefit obligation (DBO)	1,330	1,363
Fair value of plan assets	-1,154	-1,120
Liability recognised in the statement of financial position	**176**	**243**

11880 Solutions AG believes it is exposed to risk from defined benefit pension plans. Changes in actuarial assumptions, mainly lowering of the actuarial interest rate, can lead to increased pension obligations. Material underfunding can necessitate payment of additional contributions by the Company.

The Group continually reviews the obligations arising from commitments to pay company retirement pension benefits. One goal here is to avoid material underfunding of pensions. The 11880 Solutions Group did not change its risk management process from the previous year.

The sensitivity to changes of the present value of the defined benefit obligations was as follows:

As of 31 December 2017		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0.50 %	Decrease by 10.36 %	Increase by 11.94 %

As of 31 December 2016		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0.50 %	Decrease by 10.96 %	Increase by 12.70 %

The projected unit credit method was used to calculate sensitivities. Changes were made where the Group considered these possible or they enabled an assessment of the effects on the present value of the defined benefit obligations. The sensitivity analysis did not include worst- or best-case scenarios.

The timeframe for possible changes to the premises in the sensitivity analysis included the period up to 31 December 2017 (previous year: up to 31 December 2016).

During the sensitivity analysis the interest rate was identified as a material parameter influencing the present value of the defined benefit obligations.

The Group expects no contributions to defined benefit pension plans in financial year 2017.

The weighted average term of the defined benefit plans is 24 years.

Defined contribution plans

The Group provided nearly all employees post-employment benefits in the form of defined contribution plans. In this context, the 11880 Solutions Group also offered its staff a contribution to an employer-financed pension plan. The amount of the contribution was oriented on the contributions paid by the employees themselves.

The contributions to defined contribution plans recognised in profit or loss including the current contribution payments totalled EUR 50 thousand (2016: EUR 69 thousand), EUR 25 thousand (2016: EUR 38 thousand) of which was attributable to contributions for current or previous Management Board members.

33. Equity

Subscribed capital

The share capital of 11880 Solutions AG was divided into 19,111,091 (2016: 19,111,091) no-par value shares with a notional interest in the share capital of EUR 1.00 per share. All no-par value shares issued by the Company have been fully paid-in. As of 31 December 2017, the number of shares outstanding amounted to 19,111,091 (2016: EUR 19,111,091).

Shareholders of ordinary shares have one vote per share regarding all matters presented to the shareholders for voting. Ordinary shares are not repayable and do not include rights of conversion. Dividends may only be resolved and paid from the distributable retained earnings, which result from the single-entity financial statements prepared by 11880 Solutions AG in accordance with the provisions of the German Commercial Code.

Additional paid in capital

The additional paid in capital as of 31 December 2017 amounted to EUR 32,059 thousand – the same as in the previous year.

Additional paid-in capital contains the premium from the issuance of shares.

Retained earnings

Retained earnings comprise the earnings generated in the past by the companies included in the consolidated financial statements. The remeasurement of defined benefit retirement plans and the deferred taxes attributable to these recognised in other comprehensive income are also reported in the retained earnings item.

Accumulated deficit

Changes in the Group's accumulated deficit were presented as follows:

in EUR thousand	
Accumulated deficit as of 1 January 2016	**-12,972**
Net income (loss) for the 2016 financial year	-14,675
Actuarial gains from pensions and similar obligations in the amount of EUR 193 thousand less deferred taxes totalling EUR 60 thousand	-133
Accumulated deficit as of 31 December 2016	**-27,780**
Net income (loss) for the 2017 financial year	-9,634
Actuarial losses from pensions and similar obligations in the amount of EUR -72 thousand less deferred taxes totalling EUR 22 thousand	50
Accumulated deficit as of 31 December 2017	**-37,364**

Other components of equity

As of the reporting date, the other components of equity totalled EUR 146 thousand (2016: EUR 99 thousand). The development were presented as follows:

in EUR thousand	
Other components of equity as of 1 January 2016	**6**
Avaiable-for-sale financial assets	96
Foreign currency translation	-3
Other components of equity as of 31 December 2016	**99**
Avaiable-for-sale financial assets	48
Foreign currency translation	-1
Other components of equity as of 31 December 2017	**146**

The increase in this item by EUR 47 thousand (2016: increase by EUR 93 thousand) in the financial year under review was recognised in other comprehensive income (loss) after tax and was the result of net gains from the disposal of available for sale financial assets in the amount of EUR 48 thousand (2016: net losses of EUR 96 thousand) and the losses from foreign currency translation amounting to EUR 1 thousand (2016: EUR 3 thousand).

The net gains recognised in financial year 2017 from the disposal of available for sale financial assets totalling EUR 48 thousand resulted from the unrealised profits from the disposal of available for sale financial assets recognised in the amount of EUR 123 thousand less deferred taxes of EUR 38 thousand and from the reclassification to the income statement of unrealised profits from the disposal of available for sale financial assets totalling EUR 54 thousand less deferred taxes of EUR 17 thousand.

The net gains recognised in financial year 2016 from the disposal of available for sale financial assets totalling EUR 96 thousand resulted from the unrealised profits from the disposal of available for sale financial assets recognised in the amount of EUR 150 thousand less deferred taxes of EUR 47 thousand and from the reclassification to the income statement of unrealised profits from the disposal of available for sale financial assets totalling EUR 11 thousand less deferred taxes of EUR 4 thousand.

The loss from foreign currency translation stemmed exclusively from a subsidiary doing business in a foreign currency.

Other notes and disclosures

34. Operating segments

For the purpose of management control, the 11880 Solutions Group divided its activities into two operating segments, Directory Assistance and Digital.

Directory Assistance generated revenue mainly with end customers or retail customers. It offered users information and directory assistance services via various service channels in Germany and Austria. The Digital segment generated revenue almost exclusively with commercial customers. It provided online marketing services for small- and medium-sized enterprises mainly in Germany.

The prevailing measurement standards of the Management Board corresponded to those in the consolidated financial statements of the Group and were presented in this report on the same basis.

The two segments' main key performance indicators for operations were revenues and EBITDA (earnings before interest, taxes, depreciation and amortisation).

Financial year ended on 31 December 2017 in EUR thousand	**Directory Assistance**	**Digital**	**Group**
Revenues			
Revenues from transactions with external customers	14,434	26,834	**41,268**
Total revenues	**14,434**	**26,834**	**41,268**
Earnings			
EBITDA	-887	-1,410	**-2,297**
Net financial income (*)			**217**
Earnings before income taxes			**-9,870**
Assets and liabilities			
Segment assets			**26,146**
Segment liabilities			**12,194**
Other segment information			
Capital expenditure for non-current fixed assets	257	1,954	**2,184**
Impairment of goodwill	0	0	**0**
Depreciation of plant and equipment	660	295	**955**
Amortisation of intangible assets	1,224	2,936	**4,161**
Amortisation of current intangible assets	0	2,675	**2,675**

(*) For details on the net financial income see chapter 14 “Net financial income”

Any intersegment sales were recognised at amounts comparable with sales to third party customers and were eliminated during consolidation. Financial income and financial expenses were not components of earnings, since these are decided centrally and are not subject to the direct control of segment management.

Capital allocation (liabilities and assets) was not controlled at segment level. Furthermore, cash flow was not calculated by segment.

Financial year ended on 31 December 2016 in EUR thousand	**Directory Assistance**	**Digital**	**Group**
Revenues			
Revenues from transactions with external customers	16,200	28,514	**44,714**
Total revenues	**16,200**	**28,514**	**44,714**
Earnings			
EBITDA	-343	-2,383	**-2,726**
Net financial income (*)			**77**
Earnings before income taxes			**-14,497**
Assets and liabilities			
Segment assets			**34,435**
Segment liabilities			**10,946**
Other segment information			
Capital expenditure for non-current fixed assets	471	3,015	**3,486**
Impairment of goodwill	0	3,300	**3,300**
Depreciation of plant and equipment	758	290	**1,048**
Amortisation of intangible assets	969	4,383	**5,352**
Amortisation of current intangible assets	0	2,148	**2,148**

(*) For details on the Net financial income see chapter 14 „Net financial income“

35. Share-based payment

The members of the Management Board of 11880 Solutions AG are entitled to receive variable remuneration each financial year, the value of which depends on the achievement of goals based on personally agreed targets. The amount of variable remuneration is determined individually. The variable remuneration comprises performance-based and qualitative components. A portion of the annual performance-based variable remuneration is converted as variable remuneration invested for the long term into phantom stocks of 11880 Solutions AG (deferrals) that are paid out after a vesting period of two years.

The phantom stocks are converted in connection with the determination of the achievement of goals immediately after the annual financial statements are adopted for the respective financial year for which the targets were agreed. The relevant share price of the phantom stocks at the time of the conversion is the arithmetic mean of the closing price of shares of telegate AG in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed. Thus, the number of phantom stocks granted for a financial year is not determined until the following year.

The payout value of the phantom stocks will be determined after the expiration of a vesting period of two years following the conversion into phantom stocks. The amount paid out is determined based on the arithmetic mean of the closing price of shares of 11880 Solutions AG in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed. Any dividends distributed to shareholders during the vesting period are added to the value thus determined. The amount to be paid out accordingly is limited on the one hand to 120 % of the starting value upon conversion and reduced to EUR 0 on the other hand if the phantom stocks only show 50 % of the original value.

In March 2016, 9,341 phantom stocks were issued as part of the conversion of part of the annual variable Management Board remuneration element for the 2015 financial year. The calculated relevant share price at the time of the conversion was EUR 1.11. The vesting period ends in March 2018.

No phantom stocks were issued for the 2016 financial year.

In the 2017 financial year, a personnel expense in the amount of EUR 49 thousand (2016: EUR 21 thousand) was recognised for the long-term variable Management Board remuneration element (deferrals). As of 31 December 2017, the commitment amounted to EUR 61 thousand (2016: EUR 33 thousand) and was shown under other non-current provisions.

The fair value of the phantom stocks granted in 2017 was estimated as of the 31 December 2017 reporting date based on the reporting date closing rate and amounted to EUR 8 thousand. For reasons of materiality, the Company refrained from using an option pricing model.

36. Other financial obligations and claims

Future minimum expenses under non-cancellable agreements with an original term of more than one year were as follows:

	As of 31 December 2017 Obligations under			As of 31 December 2016 Obligations under		
in EUR thousand / Maturity	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements
up to 1 year	1,791	1,041	1,474	2,991	1,289	508
between 1 and 5 years	233	81	169	1,334	866	0
Total	**2,024**	**1,122**	**1,643**	**4,325**	**2,155**	**508**

Obligations under rental and lease contracts mainly arose from real estate and vehicle fleet expenses. Obligations from marketing and IT services mostly included expenses connected with advertising and maintenance contracts.

Claims under rental agreements
At the same time, there was future minimum income from non-cancellabe subleases for rented properties as of the reporting date, which was as follows:

Financial year ended on 31 December in EUR thousand	**2017**	**2016**
Maturity		
up to 1 year	85	337
between 1 and 5 years	0	85
Total	**85**	**422**

37. Contingent liabilities and assets

As of the reporting date, the Group identified the following contingent liabilities and assets.

Litigation

As of the reporting date, the Group companies were involved both as the claimant and defendant in various legal disputes.

Risks arising from lawsuits filed against the Company and the associated outflow of economic benefits have been classified as not probable after a thorough examination by the Group's legal adviser. Therefore, contingent liabilities were not recognised.

Tax risks

Provisions for potential tax risks are recognised as such using the best possible estimate. Tax risks can be ruled out within the 11880 Solutions Group for the periods that have already been audited by the tax authorities of the respective states. The Group companies domiciled in Germany (11880 Solutions AG, 11880 Internet Services AG, WerWieWas GmbH) were audited up to and including 2013. Based on past experience, tax risks cannot be ruled out for periods that have not yet been audited.

Guarantees

As of 31 December 2017, there were no guarantees at 11880 Solutions AG (2016: EUR 0 thousand).

38. Number of employees

The following table shows the number of employees in the 11880 Solutions Group. The figures do not include the Management Board.

2017 financial year	As of 31 December 2017		Annual average	
11880 Solutions Group	absolute	in full-time equivalents	absolute	in full-time equivalents
Total	624	545	630	546
of which operators and sales	423	351	413	341

2016 financial year	As of 31 December 2016		Annual average	
11880 Solutions Group	absolute	in full-time equivalents	absolute	in full-time equivalents
Total	672	578	715	616
of which operators and sales	416	341	450	369

39. Auditors' fees

The expenses for the fees of the auditors (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich) recognised in the income statement were comprised as follows:

in EUR thousand	2017	2016
Audit of financial statements	130	125
Additional services in context of the audit	7	13
Other services	0	103
Total	**137**	**241**

40. Financial risks

The Group had various financial assets at its disposal, such as trade accounts receivable, cash and cash equivalents as well as financial assets and other financial assets available for sale.

The Group's financial liabilities mainly comprised trade accounts payable and the available overdraft facilities, which were not utilised during the 2017 financial year.

The Group did not engage in derivatives trading in the 2016 and 2017 financial years. For information on existing lines of credit, see note 19.

In the course of its business activities, the 11880 Solutions Group is exposed to various financial risks – counterparty credit risks, liquidity risk and market risk (price risk, foreign exchange risk and interest rate risk) – which are explained in greater detail below. Detailed information about risk management and control are presented in the Group management report in section 7 "Opportunity and risk management".

Credit risk

Counterparty credit risk is the risk that a business partner does not fulfil its obligations under a financial instrument, resulting in a loss. The Group is exposed to counterparty credit risks as a result of its operating activities (in particular with respect to trade accounts receivable). Counterparty credit risk also exists in connection with cash and cash equivalents and the disposal of available for sale financial assets. The counterparty credit risk is managed at the Group level.

As of the reporting date, the maximum counterparty credit risk of the classes of financial assets cited below corresponds to the respective carrying amount.

The 11880 Solutions Group's cash and cash equivalents are denominated almost exclusively in euros and are held at highly regarded German financial institutions that are rated investment grade by international rating firms. The Group continuously monitors its positions at financial institutions and the creditworthiness of the financial institutions and considers the risk of non-performance to be very low.

The group's financial assets available for sale are traded in euros and monitored continually. These investments should be classified as safe. The creditworthiness of the contractual partners for these financial instruments is reviewed regularly. The 11880 Solutions Group generally invested surplus liquidity in a conservative investment to minimize the risk of loss. Cash and cash equivalents are invested in short-term money market funds or pension funds.

The trade accounts receivable reported in the statement of financial position are to be understood as net of impairment allowances for receivables expected to be uncollectable, which were estimated by the Management Board based on past experience and the current economic environment or were subjected to separate measurement or a portfolio-based valuation allowance.

In its directory assistance business, the Group enters into transactions with carriers with excellent creditworthiness and / or with customers that have distinguished themselves in the past through low defaults on receivables based on the diverse portfolio. By drawing on our many years of experience, the Company is competent in forecasting this level of bad debt.

Customers in the digital business comprise in particular small and medium-sized enterprises. This business entails a considerably higher risk of default which is taken into account through a professional collection process that is reviewed and optimised in periodic intervals. Overdue trade accounts receivable are handed over by way of dunning letters or calls to a collection company after completion of a dunning process. A portion of the overdue receivable has already been written down when it is handed over. The receivable is written down further after it has been in the collection process for more than one year. It is written off in full if the account has not been settled after the second year.

The default of the debt collection service could bring about a temporary loss of data that results in a loss of the pending receivable. The Group would be forced to select a new service provider and integrate it into the dunning processes; this start-up would require a certain amount of time. The likelihood of loss of the collection company is estimated at 5 % and, were this to occur, would result in a negative effect on earnings of EUR 0.6 million (2016: EUR 1.0 million).

All major customers are subjected to a review of their creditworthiness, and the receivables portfolios are monitored on an ongoing basis. In addition, the Group was able to successfully expand the in-house collection call team in the 2017 financial year. Counterparty credit risks are taken into account by means of specific valuation allowances and general impairment allowances on a portfolio basis.

The 11880 Solutions Group transacts business with a large number of customers. 11880 Solutions AG has a large portion of its revenues with customers in Germany invoiced centrally by Deutsche Telekom AG ("DTAG") (financial year 2017: 31 %; financial year 2016: 37 %).

Receivables from DTAG from this invoicing contract as of 31 December 2017 accounted for 27 % (2016: 23 %) of the total trade accounts receivable of 11880 Solutions AG. In addition, DTAG is a very important supplier of advance services for 11880 Solutions AG. 11880 Solutions AG has leased a part of the German telephone line network from DTAG and receives a large proportion of the calls as well as some of the participant's data required for telephone DA services from DTAG via this network. If DTAG no longer meets its contractual obligations, this could have negative effects on the Company's operating result. However, due to DTAG's financial strength and profitability, and due to the obligations arising from the deregulation of the telecommunications market and the existing emergency plans, this case is not expected from today's point of view. Outsourcing customers are invoiced directly, both in Germany as well as in other European countries.

In 2016, ever more stringent requirements regarding the transparency of cash flows in the telecommunications sector (EU Payment Services Directive 2) presented the Group with a new risk. Legislators are pushing for Payment Services Directive 2 to be implemented in 2018. Depending on how the directive is implemented, this could either lead to a decline in revenues or increasing collection costs in the Directory Assistance segment. As in the previous year, the probability of occurrence is estimated at 5 %. Were this to occur, it would lead to a negative effect on earnings of EUR 0.3 million.

Liquidity risk

Liquidity risk is the risk of a company having difficulty fulfilling its obligations arising from financial liabilities. Liquidity risk is managed at the Group level. The Group always makes sure to have sufficient liquid funds to meet its financial obligations. The main variables in this regard are the available for sale financial assets which are invested or sold, depending on the Group's cash requirements.

In both the financial year under review and the previous financial year, the only financial liabilities reported by the Group were trade accounts payable. These amounted to EUR 435 thousand as of 31 December 2017 (2016: EUR 737 thousand) and were due in full within a period of up to three months. Fore more information on trade accounts payable, see note 28.

Declining call volumes in the directory assistance business, which makes a significant positive contribution to the Company's earnings, continue to increase pressure on the accelerated improvement of profitability in the Digital segment. Sufficient liquidity is ensured with the help of efficiency-enhancing measures, particularly in sales, and sustainable cost discipline. Cooperation options are also being reviewed to further reduce the liquidity risk. The likelihood of this liquidity risk is estimated at 10% and, were this to occur, would result in a negative effect on earnings of EUR 6.8 million.

Price risk
The Group is exposed to price risk due to investments in short-term money market and bond funds, which are reported in the consolidated statement of financial position as available for sale financial assets.

The investments are denominated in euros and are monitored continually. These investments should be classified as safe, and they are subject to only minimal fluctuations in value. The returns are derived from changes in price and from distributions, if any. Changes in fair value are recognised in other comprehensive income.

If the price of the fund shares acquired were to change by 0.50%, the effect on other comprehensive income/loss (equity) would amount to EUR 27 thousand (2016: EUR 49 thousand). Due to the portfolio structure, no loss of capital is anticipated.

Currency risk
The main business transactions of the 11880 Solutions Group are settled in euros within Europe. Only a minor part of the procurement operations is conducted in other currencies in an amount considered insignificant; as a result, the Company is not exposed to currency risk.

Interest rate risk
The Group is not exposed to interest rate risk because no investments in money and capital market products were made in the financial year under review.

Capital management
Capital management concerns equity as shown in the consolidated statement of financial position.

The primary goal of the Group's capital management is to ensure that it maintains a high credit rating and an adequate return on equity in order to support its operations and to maximise shareholder value.

The Group manages its capital structure and makes adjustments as necessary based on changes in the economic environment. In order to maintain or adjust its capital structure, the Group may adjust dividend payments to shareholders or repay capital to shareholders and also issue new shares.

As of 31 December 2017, the equity ratio (equity as a percentage of total assets) was 53.36% (2016: 68.21%).

There were no changes in the objectives, guidelines and procedures for managing capital compared to the previous year.

Fair value of financial instruments

The following table shows both the carrying amounts and the fair values of all financial instruments recognised in the consolidated financial statements, including their levels in the fair value hierarchy: It does not contain any information about the fair value of financial assets and liabilities that were not measured at fair value if the carrying amount suitably approximates the fair value.

	Carrying amounts pursuant to IAS 39 measurement category			Fair value		
Financial year ended on 31 December 2017 in EUR thousand	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	0	5,302	0	5,302	0	0
Financial assets not measured at fair value						
Cash and cash equivalents	708	0	0			
Trade accounts receivable	9,684	0	0			
Current other financial assets	149	0	0			
Non-current other financial assets	0	0	0			
Financial liabilities not measured at fair value						
Trade accounts payable	0	0	737			

Financial year ended on 31 December 2016 in EUR thousand	Carrying amounts pursuant to IAS 39 measurement category			Fair value		
	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	0	9,691	0	9,691	0	0
Financial assets not measured at fair value						
Cash and cash equivalents	801	0	0			
Trade accounts receivable	10,310	0	0			
Current other financial assets	141	0	0			
Non-current other financial assets	2	0	0			
Financial liabilities not measured at fair value						
Trade accounts payable	0	0	737			

41. Related party transactions

Business transactions between 11880 Solutions AG and its subsidiaries (see note 1) that are considered affiliated companies were eliminated in consolidation and are not explained in these notes to the financial statements.

No other companies that were related parties existed as of 31 December 2017 and 31 December 2016.

Transactions with related parties (persons)
Related parties here primarily comprise the members of the Management Board and the Supervisory Board. In the current financial year, there were no transactions between the 11880 Solutions Group and members of the Management Board or the Supervisory Board extending beyond the existing employment, service or appointment relationship or the contractual remuneration for this relationship.

In financial year 2017, members of the management of Italiaonline S.p.A. (until 11 June 2016: Seat Pagine Gialle S.p.A. – formerly the ultimate parent company), Assgo – Milanofiori Nord (MI), Italy, were Supervisory Board members of 11880 Solutions AG. These persons were entitled to Supervisory Board remuneration for the 2017 financial year in the amount of EUR 25 thousand (2016: EUR 29 thousand), which accordingly was recognised as a current liability.

Remuneration of individuals in key management positions
The management comprises members of the Management Board and of the Supervisory Board of 11880 Solutions AG. Notes on the remuneration system for management as well as detailed information regarding the remuneration for each individual member of management can be found in the Group management report in section 11 “Remuneration system”.

The expenses for the remuneration of the current Management Board members recognised in the income statement are shown below:

in EUR thousand	2017	2016
Salaries and other current benefits	770	658
Multi-year variable remuneration (deferrals)	51	21
Defined contribution benefit plans	25	25
Total	**846**	**704**

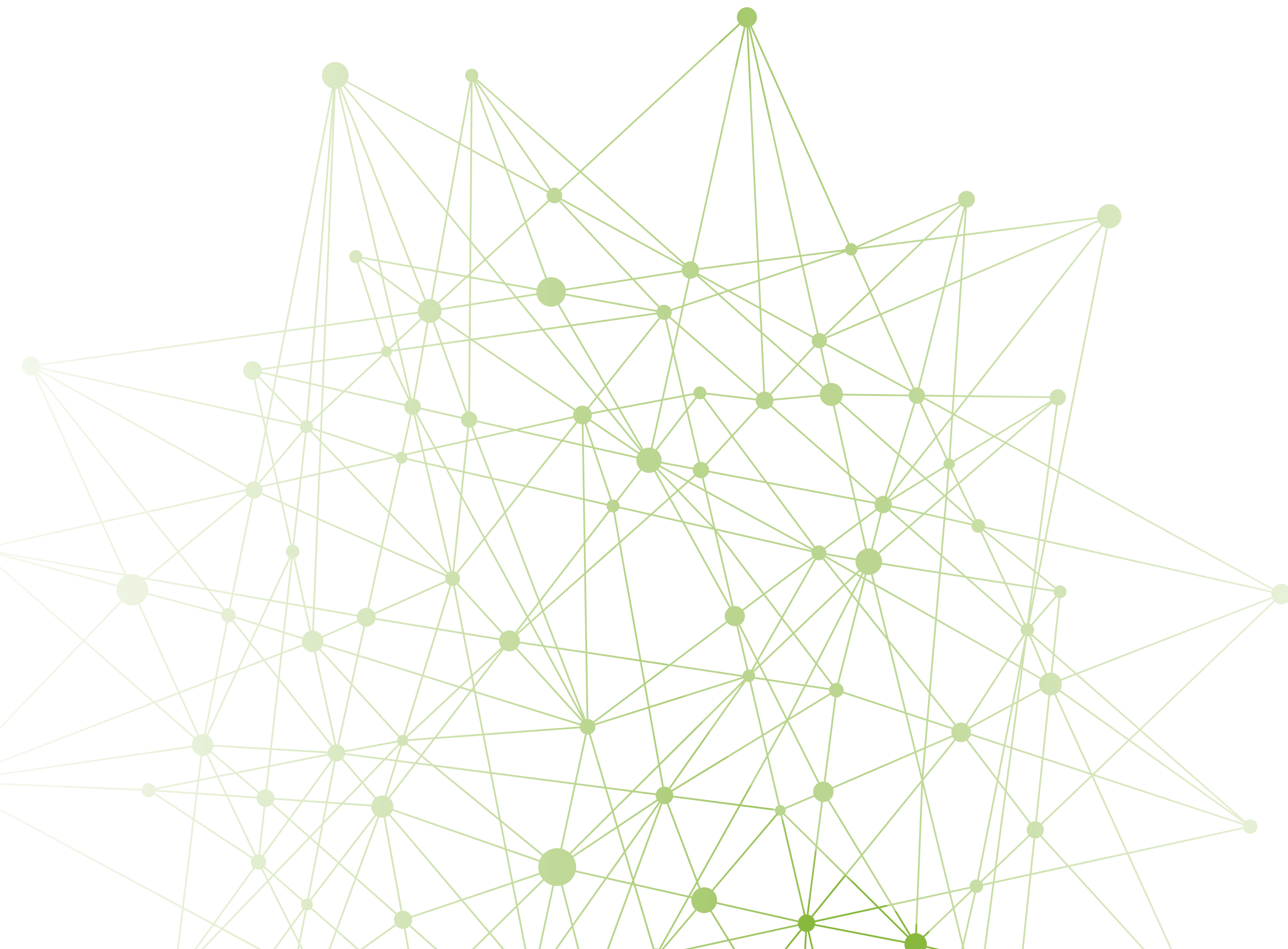
Salaries and other current benefits included fixed remuneration and short-term variable remuneration as well as non-cash compensation and fringe benefits.

During the 2017 financial year, remuneration totalling EUR 0 thousand was paid out to former members of the Management Board (2016: EUR 112 thousand).

A total of EUR 1,330 thousand was recognised as of 31 December 2017 (2016: EUR 1,363 thousand) as a provision for pension obligations to former members of the Management Board and their surviving dependants. For more information on pension commitments, see note 32.

The Supervisory Board members received remuneration totalling EUR 127 thousand in the 2017 financial year (2016: EUR 131 thousand). This figure does not include any defined benefit pension entitlements.

Payments made to the employee representatives on the Supervisory Board for services outside their supervisory activities reflect standard market practice.



42. Disclosure regarding the corporate bodies of 11880 Solutions AG

Supervisory Board of 11880 Solutions AG

	Supervisory Board member since / Occupation	Additional positions in the financial year*
Dr. Michael Wiesbrock	Chairman of the Supervisory Board Since 25 June 2014, Lawyer / Partner Flick Gocke Schaumburg, Frankfurt / Main	none
Mr. Ralf Grüßhaber	Vice Chairman of the Supervisory Board Since 25 June 2014, • Managing Director of B2X Care Solutions GmbH, Munich until 15 September 2017 • Managing Director at think project GmbH since 16 September 2017	none
Mr. Antonio Converti	Member of the Supervisory Board From 11 February 2016 to 22 February 2018, CEO, Italiaonline S.p.A., Assago, Italy	• Prontoseat s.r.l., Turin, Italy, Director / President (since 14 January 2016) • ITnet s.r.l., Director • Joyent Inc., Director (until 23 June 2016) • MOQU ADV S.r.l., Director, President and CEO
Ms. Gabrielle Fabotti	Member of the Supervisory Board From 28 June 2017 to 22 Februar 2018 CFO, Italiaonline	none
Mr. Andrea Servo	Member of the Supervisory Board From 22 May 2012 to 19 January 2017, CFO, Italiaonline S.p.A. Turin, Italy, until 31 December 2016	• Prontoseat S.r.l, Turin, Italy, Director (until 23 December 2016) • Europages S.A., Neuilly-sur-Seine, France, Director (until 4 August 2016) • Consodata S.p.A., Rome, Italy, Director (until 23 December 2016)
Mr. Jens Sturm	Member of the Supervisory Board Since 25 June 2014, Head of Technical Operations Department, 11880 Internet Services AG, Neubrandenburg	• 11880 Internet Services AG, Essen, Supervisory Board member since April 2016 to 19 December 2017
Ms. Ilona Rosenberg	Member of the Supervisory Board Since 30 January 2001, Producer WEBSITE, from 1 January 2018, assistant, Rostock location 11880 Internet Services AG, Rostock	none

* A strict separation between supervisory and executive bodies, as stipulated by German law, does not always exist in an international context. Therefore, this list contains positions that are both of a supervisory and an executive nature.

The Supervisory Board of 11880 Solutions AG is set up pursuant to the provisions of Sections 96 (1), 101 (1) AktG in conjunction with Sections 1 (1), 2 (1), 3 and 4 et seq. of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and, pursuant to Item 4.1 (1) of the Articles of Association of 11880 Solutions AG, comprises four members elected by the Annual General Meeting and two elected by employees.

Management Board of 11880 Solutions AG

		(Supervisory Board) positions in the financial year:
Mr. Christian Maar	Chairman of the Management Board Since 24 June 2015, Business manager, Martinsried / Munich responsible for Digital Sales, Personnel, Corporate Finance, Marketing / Product, Digital Customer Development, Production and Corporate Communications Since 01 October 2017 also responsible for Technology, Legal Affairs / Regulation and the Directory Assistance division	none
Mr. Michael Geiger	Member of the Management Board Until 31 December 2017 Diplom-Informatiker, Martinsried / Munich Until 30 September 2017 responsible for Technology, Legal Affairs / Regulation and the Directory Assistance division	none

43. Report on post-balance sheet date events

No reportable events of particular significance occurred between the 31 December 2017 reporting date and the time of preparation of these annual financial statements.

44. German Corporate Governance Code

The German Corporate Governance Code was adopted by the "Government Commission German Corporate Governance Code" on 26 February 2002 and has been revised several times in the meantime. The current version is dated 7 February 2017. The Code presents essential statutory regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards for good and responsible governance.

The joint declaration of compliance by the Management Board and Supervisory Board of 11880 Solutions AG in accordance with section 161 AktG relating to the German Corporate Governance Code was made in December 2017. The exact wording of the declaration can be retrieved under https://ir.11880.com/corporate-governance/corporate-governance-bericht.

Plaengg/Martinsried, 16 March 2018

Christian Maar
Chairman of the Management Board

Independent auditor's report

To 11880 Solutions AG, Plaengg/Martinsried

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of 11880 Solutions AG, Planegg/Martinsried, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of 11880 Solutions AG for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to [§ [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

(1) Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matter:

1) In the consolidated financial statements of the Company, goodwill is reported under the „goodwill" balance sheet item amounting to a total of EUR 3.5 million (13.4 % of total assets and 25.0 % of equity). Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units including goodwill is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point, which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by management with respect to the future cash inflows for the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2) As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we evaluated the appropriateness of the calculation, especially through reconciliation with general and sector-specific market expectations. Furthermore, we also evaluated the proper consideration of the costs for Group functions. . In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the valuation model. In order to reflect the uncertainty inherent in the projections, we retraced the sensitivity analyses performed by the Company and carried out our own sensitivity analyses with respect to those groups of cash-generating units with little headroom (carrying amount compared to the recoverable amount). We verified that the necessary disclosures were made in the notes in connection with groups of cash-generating units for which a change in an assumption, if deemed possible, would result in the recoverable amount falling below the carrying amount of the cash-generating units including goodwill.

Overall, the measurement inputs and assumptions used by management are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company's disclosures on impairment testing and goodwill are contained in note 24 of the notes to the consolidated financial statements.

Material uncertainty in connection with the Company's ability to continue as a going concern

We refer to the information provided by the executive directors in section 6 under "Financial and liquidity risks" of the management report, which states that because the Company presently continues to report net cash outflows for the year, its ability to continue as a going concern in the medium to long term will – despite the Company's positive performance – depend on realizing the growth in the digital sector underlying the Company's corporate planning and successfully implementing the initiated cost-reduction measures. As described in section 6 "Financial and liquidity risks" of the management report, this indicates the existence of a material uncertainty that may raise significant doubts about the Company's ability to continue as a going concern and represents a risk that could jeopardize the Company's existence as a going concern within the meaning of § [Article] 322 Abs. [paragraph] 2 Satz [sentence] 3 HGB [Handelsgesetzbuch: German Commercial Code]. Our audit opinions on the annual financial statements and the management report do not reflect this matter.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section [10] of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report, which we obtained prior to the date of our auditor's report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 27 June 2017. We were engaged by the supervisory board on 21 December 2017. We have been the group auditor of the 11880 Solutions AG, Planegg / Martinsried, without interruption since the financial year 2012.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefano Mulas.

Corporate Information

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11880 im Internet
More information on 11880 Internet Services AG and 11880 Solutions AG can be found on our website: www.11880.com

Information about single brands and subsidiaries are available at: www.11880.com

PDF files of our Annual Report as well as interim reports, Investor Presentations and general investor information are available on our website in the section Investor Relations / Reports and can be downloaded in both German and English.

Quarterly telephone conferences are published via Webcast on the day of announcement.

To recieve an investor package or request other information please contact our Investor Relations department at

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Auditor
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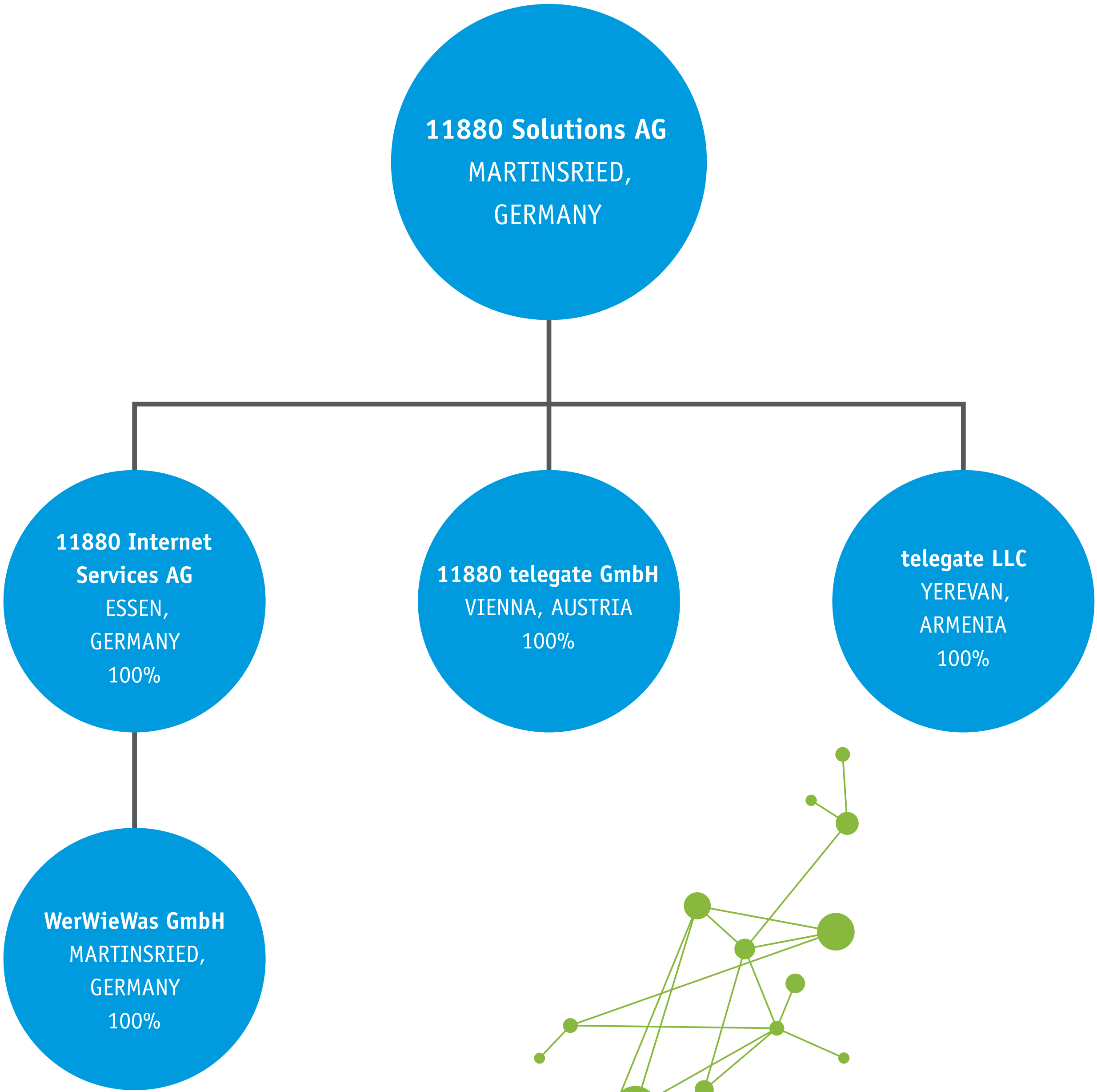
Certified audit firm
Munich

Forward-looking statements

This document contains forward-looking statements that reflect the management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond the ability of 11880 Solutions AG to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. 11880 Solutions AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

Corporate Structure 11880 Solutions Group



Financial Calender 2017

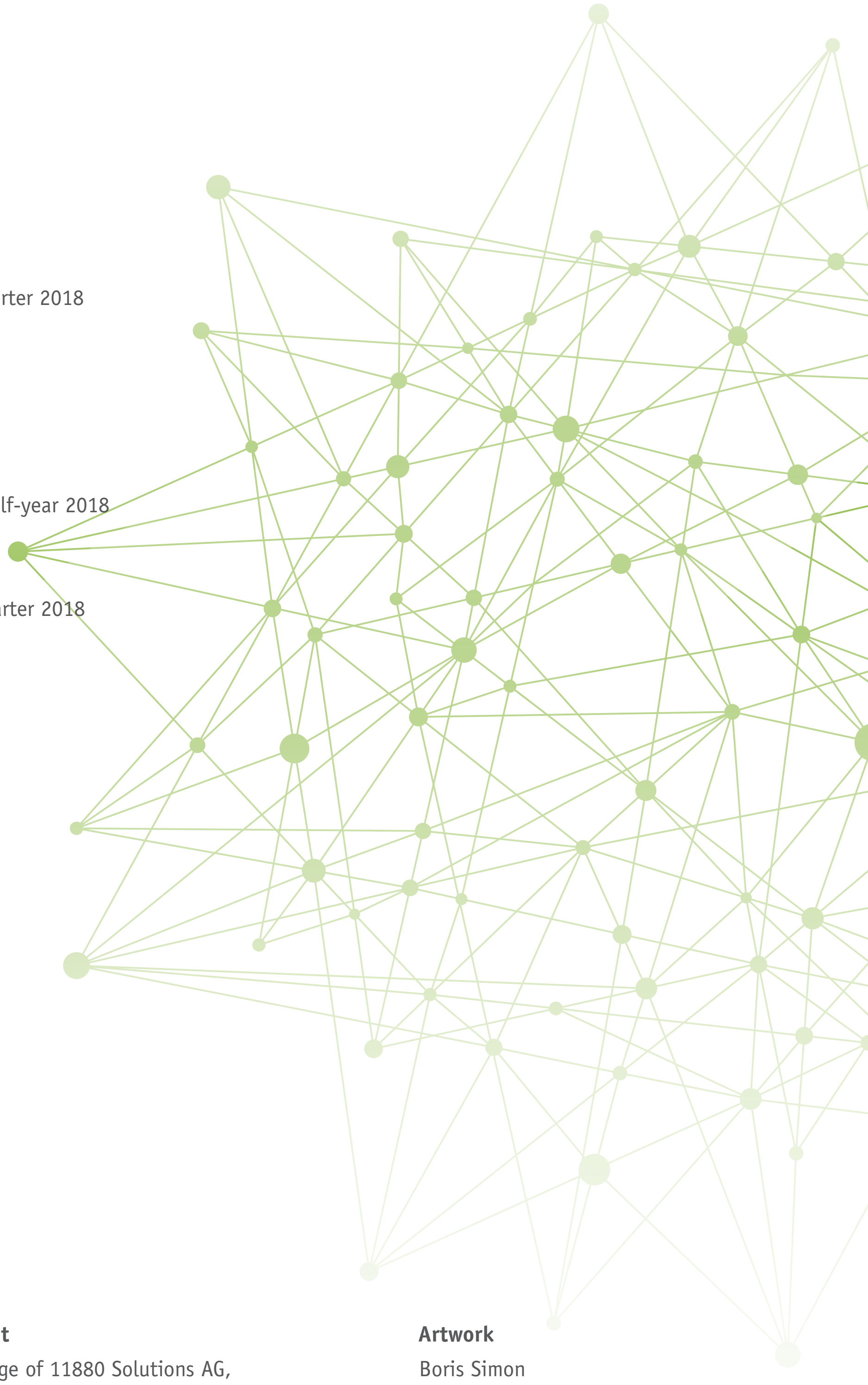
March 22, 2018
Publication of the annual report 2017

May 8, 2018
Publication of the interim report for the 1st Quarter 2018

June 12, 2018
Annual General Meeting 2018

August 9, 2018
Publication of the financial report for the 1st half-year 2018

November 8, 2018
Publication of the interim report for the 3rd Quarter 2018



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