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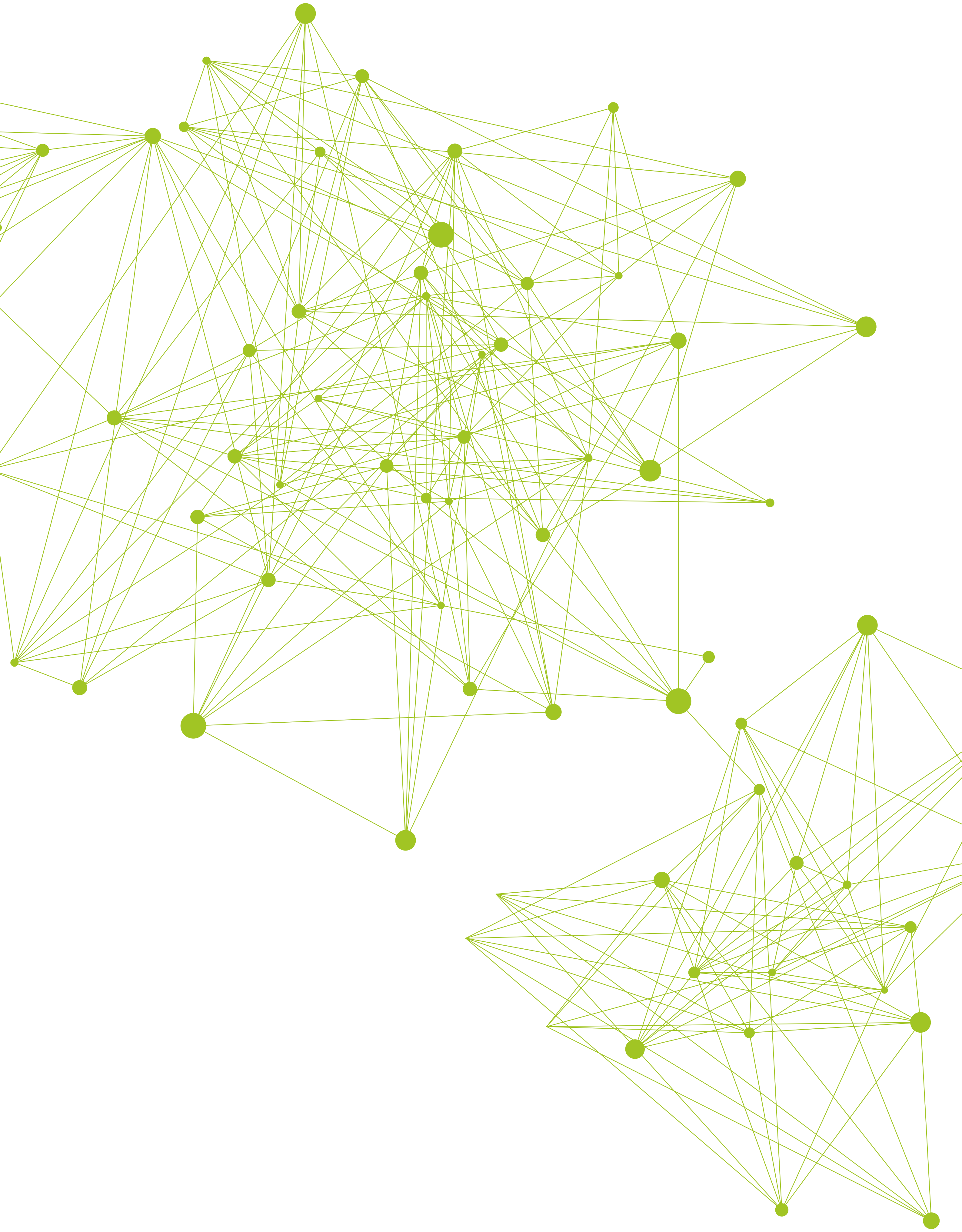
ANNUAL REPORT 2018



Financial Key Figures

Financial key figures of 11880 Solutions Group at a glance

in EUR million	2018	2017	Variance absolute	Variance in percent
Revenues and earnings 11880 Solutions Group				
Revenues	42.9	41.3	1.6	3.9 %
EBITDA[1]	1.0	-2.3	3.3	143.5 %
Net loss	-3.1	-9.6	6.5	67.7 %
Details Segments				
Revenues Digital	30.3	26.9	3.4	12.6 %
EBITDA[1, 2] Digital	1.1	-4.0	5.1	127.5 %
Revenues Directory Assistance	12.6	14.4	-1.8	-12.5 %
EBITDA[1, 2] Directory Assistance	-0.1	1.7	-1.8	-105.9 %
Statement of financial position[3]				
Total assets[2]	19.6	23.1	-3.5	-15.2 %
Cash and cash equivalents[4]	2.6	6.0	-3.4	-56.7 %
Equity[2]	7.6	10.9	-3.3	-30.3 %
Equity ratio (in percent)	38.8%	47.2%		
Cash Flow				
Cash Flow from operating activities	1.3	-2.5	3.8	152.0 %
Cash Flow from investment activities	-1.1	2.4	-3.5	-145.8 %
Cash Flow from financing activities	0.1	-0.2	0.3	-
Net Cash Flow[5]	-3.4	-4.5	1.1	24.4 %
Key figures for the 11880 share				
Earnings per share (in EUR)	-0.16	-0.50	0.34	68.0 %
Share price at year-end (in EUR)[6]	1.00	0.87	0.13	14.4 %
Market capitalisation at year-end	19.1	16.7	2.4	14.4 %
Other KPIs				
Churn Rate, Digital (in percent)	25	25	0	–
Revenues per call, Directory Assistance (in EUR)	3.62	3.56	0.06	1.7 %
Number of employees[7] group	**575**	624	-49	-7.9 %

1 Earnings before interest, tax and depreciation

2 Comparison value 01.01. – 31.12.2017 and as of 31, December 2017 adapted (see Consolidated Notes)

3 Comparison value as of 31, December 2017

4 Portfolio of cash and cash equivalents as well as financial assets at fair value through profit or loss

5 Operating cash flow plus cash flow from investing activities minus interest expenses, adjusted for the changes in financial assets at fair value through profit or loss

6 Xetra-closing prices as of last trading day

7 Headcounts as of 31, December 2018 closing date (excluding the Management Board, trainees, „mini-jobs" and dormant employment contracts)

Letter of the Management Board

Dear Shareholders, Customers and Friends of 11880 Solutions AG,

2018 was a decisive financial year in the turnaround of our company, as it was the year in which we completed all major restructuring measures. From now on, we can focus our efforts entirely on our business and its successful growth. Despite the exceptional financial burdens that persisted throughout the year due to these urgently required restructuring efforts, we managed to show a positive trend every quarter. For the first time in nine years, we were once again able to report an increase in revenue at Group level despite the anticipated decline in the directory assistance market. Although we were not yet able to reach our self-imposed target, we are very proud of what we have achieved over the past year.

After 11880 Solutions AG was forced to report massive annual drops in customer numbers in the digital business until 2016, we have succeeded in getting a growing number of new customers excited about our range of products tailored perfectly to SMEs over the last three years. During the 2018 financial year alone, we gained approximately 6,000 new customers, bringing our total number of customers to 31,300 by the end of the year. At the start of the year, we set ourselves the target of increasing our customer base to 30,000 by 31 December, but we reached this mark as early as October. As a result, we recorded even stronger customer growth in 2018 than in the previous year, when we acquired approximately 5,000 new customers. We followed up the early achievement of our goal in October with the strongest month of revenue ever recorded in the digital business in November 2018, while December was another above-average month.

Dear shareholders, customers and friends of 11880 Solutions AG, as well as succeeding in increasing revenue and lowering costs further over the past 12 months, we also considerably improved our EBITDA over the course of the year. So what is our next target? Simply put, we want to generate an annual profit and successfully complete the turnaround at the earliest opportunity. This has also been a personal target of mine since I arrived at the Company in summer 2015.

The digital business, which already contributed 71 percent of revenue in 2018, continues to grow. In this area, we are benefiting from the major advantage of being able to flexibly increase our sales capacities with external resources. Over the next year, we will make another strong argument for Germany's small and medium-sized enterprises (SMEs) to choose 11880.com as their online marketing partner with our new job portal, wirfindendeinenJob.de. This new offering, which brings together jobseekers and companies with vacancies in an effective and uncomplicated way, will not only revolutionise the online job market but also helps SMEs to further expand their businesses with suitable employees like no other job board. We see a major growth opportunity here and want to secure a share of the booming online job market.

In 2019 we will continue to expand werkenntdenBESTEN.de, our meta search engine for online reviews, and use our highly intelligent semantic search function to provide consumers with even faster and more relevant ratings. We will also continue to optimise our specialist portals and our core 11880.com portal over the next few months and will place an even greater focus on the needs of our users.

With our broad portfolio, which has a track record of success in improving small businesses' online presence, the digital business will continue to grow, enabling us to increase our customer numbers once again in 2019.

As expected, revenue continues to decline in our second operating segment, the directory assistance business. While the call centre services subsegment, which we will continue to focus on in 2019, is showing promising development, it cannot yet offset the market-driven decline in calls to 11880*. In 2018, we acquired another major customer in the form of an international online furniture retailer. Our experienced staff are now responsible for the majority of the company's customer services. Current tenders and negotiations make us confident of winning new customers for our call centre services in 2019.

In addition to making major operational progress in 2018, we were also able to implement several significant structural measures. With the Company's operating business increasingly relocating to Essen since the acquisition of klicktel AG in 2008, the former headquarters in Martinsried, near Munich, had not been fully utilised for many years. As the building was not only consuming significant rental costs but, more importantly, was making it difficult to manage the Company efficiently, we finally closed this office in the first quarter of 2018. In mid-2018, we consolidated two locations into our new headquarters in Essen. As well as lowering our overheads, these measures also offer us significantly greater scope to focus on our customers and consumers.

At the start of 2018, we attracted three new and highly committed investors: Düsseldorf-based Rolf Hauschildt, Solventis AG from Mainz and Euroweb Beteiligung GmbH from Düsseldorf, who essentially acquired the shares previously held by former major shareholder Italiaonline and investment fund GL Europe. The composition of the Supervisory Board also changed as a result of Italiaonline's exit: In June, the Annual General Meeting appointed online expert Helmar Hipp, managing director of major online retailer Cyberport, and renowned auditor Ralf Ruhrmann as the new members of the Company's Supervisory Board.

At the start of July 2018, I extended my contract as CEO of 11880 Solutions AG until at least March 2022. I was glad to receive the support of the Supervisory Board, as my mission is not yet over. My aim is to lead our company into a sustainable and successful future.

I would also like to express my sincere thanks to you for placing your trust in us and to all of our employees for their daily dedication and commitment. Everything that we have achieved since 2015 has only been possible because of them. Please rest assured that we will continue our positive development in 2019.

Sincerely,

Christian Maar
Chief Executive Officer

Essen, 5 April 2019

* € 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 2018 to 31 December 2018

In addition to consolidating the product range in the digital business and developing two new portals, additional structural measures were implemented and completed in the 2018 financial year. The former main office in Martinsried near Munich was closed for good, while the two offices at the new company domicile in Essen were consolidated. Throughout 2018, the Supervisory Board monitored the Management Board's business activities in compliance with its legal advisory and supervisory function.

Supervisory Board activities in the 2018 financial year

In the 2018 financial year, 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 reporting year. The Supervisory Board monitored the Management Board and the executive management throughout the year in managing the Company. The Supervisory Board regularly received the most important key financial figures and was kept informed in detail on an ongoing basis about general business developments and possible risks. He was available to advise the Management Board at all times. Important events and financial developments were presented and explained in detail on a regular basis, and discussed and coordinated by and between the Supervisory Board and the Management Board.

In addition to moving into the new office in Essen, the focus in financial year 2018 was on consolidating the digital business, expanding the call centre services business, and developing two new portals.

The budget for the upcoming 2019 financial year was approved by the Supervisory Board at its final meeting of the financial year on 18 December 2018.

The Supervisory Board of 11880 Solutions AG thoroughly addressed the accounting and financial reporting process and the effectiveness of the internal control system and risk management system throughout the entire 2018 financial year. The effectiveness of the Company's compliance processes, pending legal disputes and potential legal risks were also monitored continually. After carefully reviewing the auditor's independence and qualifications, the services provided to date and the audit fee, the Supervisory Board commissioned a new auditor to audit the financial statements: Ebner Stolz GmbH & Co.KG Wirtschaftsprüfungsgesellschaft domiciled in Stuttgart and operating a branch office in Cologne.

Organisation of the Supervisory Board's work

In order to perform its duties efficiently at all times, the Supervisory Board obtains regular reports from the Audit Committee and the Nomination Committee, thus ensuring a reliable flow of information. 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 ensures 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 realignment initiated in 2015. In doing so, in-depth knowledge of the digital industry, a broad experience gained in business enterprises and the diversity of the members' professional expertise were taken into account.

In the 2018 financial year, the Supervisory Board of 11880 Solutions AG comprised the following members: Dr. Michael Wiesbrock (Chairman), Ralf Grüßhaber, (until 30 September 2018), Helmar Hipp (since 12 June 2018), Ralf Ruhrmann (since 12 June 2018), Ilona Rosenberg and Jens Sturm. At the Annual General Meeting on 12 June 2018, Helmar Hipp and Ralf Ruhrmann were elected as shareholder representatives, replacing Gabrielle Fabotti and Antonio Converti, who left the Supervisory Board in February 2018.

The other members of the Audit Committee chaired by Dr. Michael Wiesbrock were Jens Sturm, Ralf Grüßhaber (until 30 September 2018) and Ralf Ruhrmann (since 18 December 2018). The Nomination Committee consisted of Dr. Michael Wiesbrock, Ralf Grüßhaber (until 30 September 2018) and Helmar Hipp (since 18 December 2018).

Meetings and attendance

The Supervisory Board held four regular meetings in the 2018 financial year – one in each quarter. Dr. Michael Wiesbrock, Ralf Grüßhaber, Ilona Rosenberg and Jens Sturm attended all meetings. Helmar Hipp and Ralf Ruhrmann participated in three and two meetings, respectively. The Audit Committee met four times during the 2018 financial year; the Nomination Committee met once in the context of appointing new members to the Supervisory Board, but discussed matters by phone on several occasions.

Changes in the Management Board

Birgit Hausmann, Head of Legal and Human Resources, was appointed to the Management Board of 11880 Solutions AG for two months in April 2018. The reason for her appointment was an office oversight by the notary public present at the 2017 Annual General Meeting, who had incorrectly stated in the minutes pursuant to Section 130 AktG that the resolution to manage the company by just one member of the Management Board was not adopted with 99.92 percent of the votes in favour. In fact, the resolution was adopted with 99.92 percent of the votes present. Following a comprehensive legal assessment, Birgit Hausmann was appointed to the Company's Management Board as a second member in order to prevent the minimal risk of the amendment of the Articles of Association becoming ineffective. In order to continue to rule out legal and financial damages, the resolution was put to the vote again at the Annual General Meeting on 12 June 2018 and adopted with 99.73 percent of the votes. Birgit Hausmann stepped down from the Management Board on this date.

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 2018 financial year. The implementation of the German Corporate Governance Code was also an item on the agenda of the Supervisory Board meeting held on 18 December 2018, 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 notes to the Group Management Report (see page 38 ff).

Audit of the 2018 annual and consolidated financial statements

Based on a resolution adopted by the Annual General Meeting on 12 June 2018, the Supervisory Board commissioned Ebner Stolz GmbH & Co.KG Wirtschaftsprüfungsgesellschaft domiciled in Stuttgart and operating a branch office in Cologne 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 2018 financial year were audited by Ebner Stolz GmbH & Co.KG Wirtschaftsprüfungsgesellschaft domiciled in Stuttgart and operating a branch office in Cologne. The consolidated financial statements for the period from 1 January to 31 December 2018 and the Group management report were prepared in accordance with section 315e 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 the annual financial statements, the management report, the consolidated financial statements and the Group management report as of 31 December 2018. 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 26 March 2019, 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 in detail. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2018 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 in detail. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2018 consolidated financial statements of 11880 Solutions AG, which are hereby also adopted.

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 potential 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 agrees with the auditor's report.

Corporate Social Responsibilty

The Supervisory Board dealt in detail with the Sustainability Report of 11880 Solutions AG (see pages 16 - 18), examined it in detail and approved it unanimously.

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.

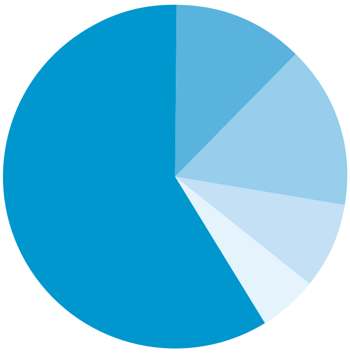
On behalf of the entire Supervisory Board, I would like to thank Management Board chairman Christian Maar for his efforts on behalf of the Company. We would also like to thank Birgit Hausmann for her temporary work as a second member of the Management Board. Finally, we would also like to extend our thanks to all employees for their dedication and commitment in financial year 2018.

Essen, April 2019

Dr. Michael Wiesbrock
Chairman of the Supervisory Board,

11880 Solutions AG on the capital markets

Shareholder structure on 31 December 2018



2018 was a very gloomy year for equity markets around the world. Although the stock markets reached record highs at the start of the year, this was followed by strong price corrections. By the end of the year, almost all equity indices were trending downwards. In 2018, Germany's leading DAX index alone lost almost a quarter of its value.

In this stormy market environment, 11880 Solutions AG shares held up very well. After opening the year at EUR 0.97 on 2 January 2018, the Company's share price ended the year at EUR 1.00 despite the generally negative trend. The share price reached its annual intraday high of EUR 1.47 on 26 February 2018. A few days earlier, 11880 Solutions AG had announced the arrival of three new major shareholders who primarily acquired the shares previously held by long-term shareholder Italiaonline. In Rolf Hauschildt from Düsseldorf, Mainz-based Solventis AG and Euroweb Beteiligungen GmbH of Düsseldorf, the Company gained three new major shareholders who fully support its strategy. All three investors are very familiar with the sector in which 11880 Solutions AG operates and are convinced by the corporate strategy introduced in 2015.

As a result, the 11880 Solutions AG share price ranged between EUR 1.30 and EUR 1.20 during the year before getting caught up in the overall downward trend in early December. On 27 December 2018, the share price even fell to a daily closing price of EUR 0.94 before recovering again by the year end.

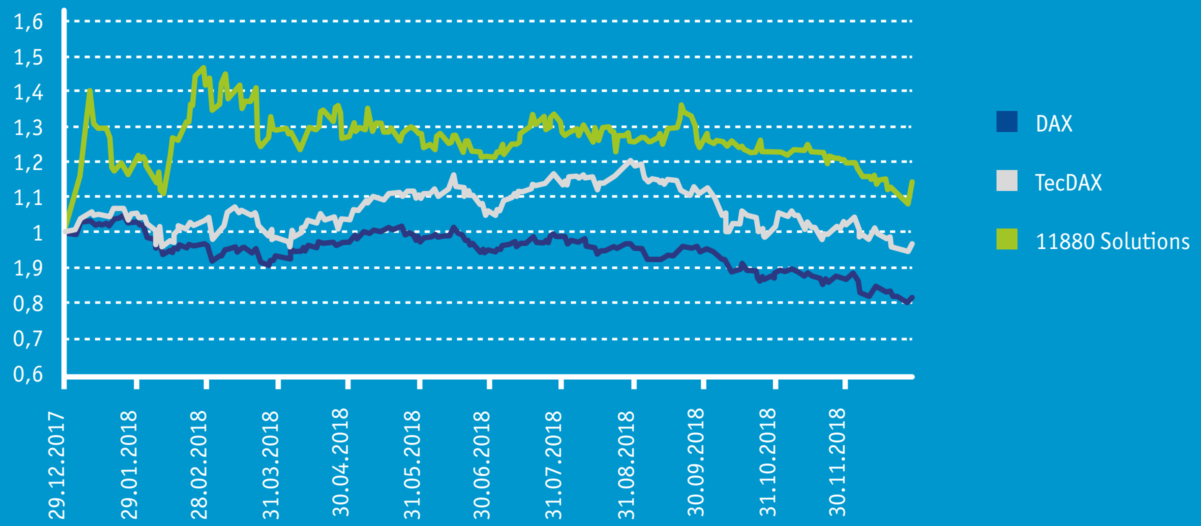
Investor relations activities

The Management Board of 11880 Solutions AG held a conference call with analysts and investors on the publication of the annual financial statements for 2018 and another on the publication of each of the quarterly results. During these calls, the Management Board gave a detailed presentation outlining the Company's performance and financial figures before answering all questions in an open Q&A session. At the Annual General Meeting on 12 June 2018, the Management Board presented a detailed overview of the Company's performance to all attendees and answered all questions asked by the shareholders present.

Throughout the year, the Management Board and the Investor Relations team informed existing and potential investors about the Company's development and answered all questions in detail in numerous one-on-one discussions and conference calls. CEO Christian Maar represented 11880 Solutions AG at the Solventis Equity Forum in Frankfurt in April 2018, the Deutsche Börse Equity Forum in late November and the Munich Capital Markets Conference in mid-December. After delivering the general company presentation, which was well attended at all three events, Christian Maar held numerous one-on-one conversations with national and international investors.

11880 Solutions share in comparison with the TecDAX and DAX

31 December 2017 to 31 December 2018



Analysts from Solventis AG, Mainz, began their equity research coverage of the Company with an initiation report in early June. In an update in December 2018, they issued a Buy recommendation for 11880 Solutions shares with a target price of EUR 1.41. The continuing development of the Company's turnaround were pivotal to this recommendation. The initiation report and all updates can be viewed on the Company's website at www.11880.com.

Key figures for the 11880 share

		2013	2014	2015	2016	2017	2018
Nuber of shares	pcs.	19,111,091	19,111,091	19,111,091	19,111.091	19,111,091	19,011,091
Share capital	EUR	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091	19,011,091
Share price at year-end	EUR	6.28	3.31	1.15	0.68	0.874	1.00
Highest share price[1]	EUR	9.88	6.40	3.35	1.17	1.283	1.285
Lowest share price[1]	EUR	5.35	2.75	1.13	0.68	0.422	0.946
Market capitalisation at year-end	MIO. EUR	120.0	63.2	22.0	13.0	16.7	19.0
Earnings per share	EUR	-0.10	-0.33	-0.49	-0.77	-0.50	-0.16
Dividend or proposed dividend per share	EUR	0.40	0.00	0.00	0.00	0.00	0.00
Dividend yield[2]	%	6.4	0.0	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

11880 Solutions AG operates Germany's second largest directory assistance service under the well-known 11880 number, offering its direct customers personalised support in finding private and commercial contacts and all matters of everyday life. Employees in the 11880 call centres also provide telephone customer services for larger companies that have commissioned 11880 Solutions AG accordingly. In addition, the 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.

The 11880.com online business directory brings consumers and suppliers together quickly and efficiently via 20 specialist portals for the most searched-for sectors. Small and medium-sized enterprises (SMEs) reach their customers without wastage via 11880.com and use the platform and its specialist portals to market their offerings online. The 11880.com portfolio offers a variety of products, from a listing service on the largest search engines to professional homepages and search engine campaigns. This digital offering is supplemented by a secretarial service that is increasingly popular with small companies.

The werkenntdenBESTEN.de meta search engine operated by 11880 Solutions AG additionally offers SMEs 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 focusing on and continually optimising our energy and resource efficiency both within the Company and in partnership with our customers and suppliers.

11880 Solutions AG has been pursuing a green IT strategy since the end of 2017. Newly defined processes and mechanisms enable the Company to continuously and transparently monitor its energy consumption. During 2018, both long-standing locations in Essen were combined into a single office. The data centre for the new office, where all 300 of the Company's staff in Essen now work under one roof, was equipped with new, more environmentally friendly hardware that uses significantly less energy than before. To optimise energy consumption yet further, the Internet portal and the majority of virtual desktops were relocated to the cloud.

In mid-2018, the Company introduced a printer concept across all of its sites based on the energy-efficient use of only a few multifunction printers. New management software and FollowMe printing help to avoid any unnecessary or duplicate printouts. This innovative concept has significantly reduced not only energy consumption but also paper and toner use.

At the Rostock and Neubrandenburg sites, power consumption is continuously monitored and optimised both in technical areas and on office levels using special power distribution units for individual devices.

When selecting company cars, 11880 Solutions AG stringently ensures that only environmentally friendly vehicles with the lowest fuel consumption from well-known manufacturers are selected. Employees without company cars are primarily booked on train journeys for business trips. As part of the Company's restructuring which began in 2015, the former headquarters in Martinsried, near Munich, were also closed to ensure that staff no longer have to travel by air to the new headquarters in Essen.

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 underage children or family members.

Where an employee's preferred duties can be implemented, they are taken into account.

In 2018 we put all necessary conditions in place to ensure that our employees in the directory assistance business can also work comfortably from home. As well as making 11880 Solutions AG an attractive employer, giving staff the opportunity to work from home also saves them time and money normally spent commuting while simultaneously helping the environment.

Our call centre employees receive regular training to enhance their product knowledge and telephone skills. In 2018, management agreed to test software that indicates how an employee can best serve a caller simply by the sound of their voice. This software is being tested in the operating business in early 2019 and will be permanently introduced if the results are positive.

To expand its range of tasks and make the job even more interesting, 11880 Solutions AG since 2017 has been focusing more strongly on its call centre third-party business, where the Company provides 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 exercise offers.

Many years ago, 11880 Solutions AG engaged instant counselling firm Talingo EAP to offer telephone counselling to all 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.

Our company has not signed a collective wage agreement. We cultivate a cooperative working style with employee representatives and involve 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 and beyond. In August 2018, 11880 Solutions AG raised the hourly wage in its call centres significantly above the level of the minimum wage applicable from 1 January 2019. 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 such an approach.

4. Social matters

As a socially responsible company, we support various cultural and social activities. Our aim is to protect values, promote creativity, improve cross-cultural understanding and stimulate progress. For example, employees at the Rostock site donated self-packed Christmas presents and an amount of EUR 500.00 to children of the Rostock food bank on 13 December 2018, as they have done for many years. On 19 December, an amount of EUR 2,300.00 was donated to the Essen parents' initiative supporting children with cancer at the Company's headquarters in Essen. The amount donated was the proceeds from the employees' in-house flea market.

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 this compliance management system, which was the subject of an external audit in 2014 as well. 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.

Our 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 or 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

In the 2018 financial year, growth in the global economy fell short of the previous year's level at 2.9 percent. After a very strong performance in the previous year, growth rates fell to an average level, particularly in the second half of 2018. At the same time, sentiment among companies and consumers deteriorated significantly, causing global trade to lose momentum. This was due, among others, to progressive tariff increases by the USA since the start of the year as well as a clear reduction in trading activities in advanced economies, particularly the euro zone. The primary reasons for this development were the weakening economy in several euro zone member states as well as uncertainty surrounding Brexit.

Real gross domestic product (GDP) in the euro zone is rose by 1.8 percent in the reporting year, indicating a loss of economic momentum compared to the previous year. This was particularly true of the three largest member states, Germany, France and Italy. This weaker industrial activity is primarily caused by weaker export demand. Growth rates are expected to fall further to 1.2 percent and 1.4 percent respectively over the next two years.

The rise in GDP weakened from 2.2 percent in the previous year to 1.4 percent on average in 2018. The key macroeconomic factors for this development were production problems in the automotive sector and the negative effects of low water levels in the Rhine. However, a slowdown in underlying economic momentum is also expected. Overall, the rise in GDP is expected to slow to 0.8 percent in the coming year due to factors including a weaker outlook for the global economy. While price-adjusted GDP growth is then likely to climb back to 1.7 percent on average for the 2020 financial year, this is largely due to the unusually high number of working days.

The above data was taken from the 2019 and 2020 economic forecasts issued by the German Council of Economic Experts (Federal Statistical Office) on 19 March 2019.

Sector-specific environment

The market for digital advertising (online and mobile) in Germany grew by approximately 7 percent during the 2018 financial year according to the Circle of Online Marketers (Online-Vermarkterkreis - OVK), in line with the forecasts issued in the previous year. As a result, net digital advertising volumes totalled EUR 2.063 billion in 2018 compared to EUR 1.928 billion in 2017 and EUR 1.785 billion in the 2016 financial year.

2. Fundamental information about the Group

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 additional directory portals, Google AdWords and BING, the production of websites or a telephone secretarial service. Starting in 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 standalone or network solutions for access to the latest digital telephone book and yellow pages database.

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.

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 quickly 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 of segment revenues, segment profitability (EBITDA) as well as cash holdings, which are determined and managed at Group level.

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".

Financial key figures

Segment revenue:

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

Within the Digital segment, revenues for the media business are generated through 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 in both the traditional business and the new call centre third-party business is essentially calculated as the product of call volume, call duration and price per minute. 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 and the call centre third-party business customer.

Segment 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 the profitability of the Group as well as that of 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.

A detailed reconciliation of the Group's operating result to Group EBITDA can be found in the notes to the consolidated financial statements in section "Other notes and disclosures" under note 1 "Operating segments".

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, manage 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. This provides a basis for the efficient planning of required personnel capacity for the call centres.

Employee satisfaction
The 11880 Solutions Group has always had an uncompromising focus on recruiting highly qualified new employees and integrating them into the organisation as well as training and supporting the existing workforce. The company believes that sustainable economic success is inextricably linked to a high level of employee satisfaction.

The sounding board process launched during the 2017 financial year continued in 2018 due to active and constructive contributions from our employees from almost every department and every site, and was concluded at the end of the first half of 2018. 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. Conducting another employee survey while the package of measures developed in the second half of 2018 was being implemented was not considered worthwhile from an organisational and personnel development perspective.

As a result, the Company now expects to carry out the next Group-wide employee survey during the 2019 financial year. 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.

3. Course of business

The last substantial steps of the restructuring that began in 2015 were implemented during the 2018 financial year with the move to the new office location in Essen. In the operating business, the Digital segment focused on developing the wirfindendeinenJob.de job portal and launching the new Redlight Guide specialist portal in November 2018. In the Directory Assistance business, the call centre third-party business was successfully expanded with the addition of another major customer.

During 2018, both long-standing locations in Essen were closed and combined into a single office on Essen's Hohenzollernstraße. This new office enables approximately 300 employees to work in a considerably more communicative and customer-focused way. This measure also enabled the Company to realise cost savings. The office in Munich was finally closed and transferred to the lessor in the first quarter of 2018.

The continually highly positive trend of he market for digital advertising also provides the 11880 Solutions Group with good 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 continued significant customer growth in the 2018 financial year shows that these packages help to ensure efficient client communication with the respective company.

In the operating business, 11880 Solutions AG focused on improving the digital services it offers. The Company expanded its search engine advertising offering to include the Bing search engine after entering into a partnership with Microsoft. This new offering is proving very popular with 11880.com's corporate customers, as it enables a larger search engine presence. The Company also extended its premium partner contract with market leader Google by a further year in 2018.

11880 Solutions AG optimised its portfolio in the Digital business, thus adding further value for corporate customers. More and more small and medium-sized companies in Germany value our comprehensive support when marketing their products online and are opting for the 11880.com presence package. As a result, the Company acquired 5,663 new customers during the 2018 financial year, taking the total number of customers to a record high of 31,298 customers.

On werkenntdenBESTEN.de, the search engine for online reviews, 11880 Solutions AG used intelligent SEO processes to increase monthly usage to up to 1.5 million visitors. As of the end of 2018, the portal already aggregates around 80 million reviews that consumers have published on more than 50 portals.

This development is particularly noteworthy because 11880 Solutions AG has not yet invested in publicising the portal. As there is no comparable offering in Germany, and online reviews have become an important way for small businesses to advertise their products and services online, werkenntdenBESTEN.de has already been recommended for use by several major media outlets and has a growing following.11880.com customers benefit from an intelligent offering that enables them to manage the reviews left for their company and directly contact the consumers who write them.

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 focusing with increasing success on acquiring corporate customers for its call centre services business. Our experienced and skilled 11880 employees answer calls for these corporate clients and forward them accordingly.

Call volumes for the 11880 directory assistance service fell in 2018 as above described, as the market-driven decline of telephone directory assistance services continues. The Company is delivering an optimal level of service in an attempt to ensure that as many telephone directory users as possible remain loyal to 11880.

The call centre third-party business in this segment is being expanded further in parallel to these efforts. As of the end of the 2018 financial year, 11880 Solutions AG provides customer services to three major companies and is in negotiations with several small and larger potential customers. In 2018, the Company structured the processes in this relatively young segment and redefined its acquisition processes in order to successfully establish itself in the market over the next few years. Current and potential customers particularly value the high quality of telephone support for which 11880 employees have been renowned in Germany for more than two decades.

11880 Solutions AG was highly successful in further expanding its Digital business during the 2018 financial year. In the directory assistance segment, too, the further decline of directory assistance calls was partially compensated for by the increase in third-party call center services after years of stagnation.

Consolidated revenues increased by 4 percent compared to the prior-year period. With an actual revenue volume of EUR 42.9 million, the upper end of the projected revenue volume in the range of EUR 39.8 million to EUR 43.2 million was achieved.

Revenue generated in the Digital segment totalled EUR 30.3 million (previous year: EUR 26.9 million), which is also at the upper end of the range of EUR 29.1 million to EUR 30.3 million. The proportion of the digital business in overall revenue was 71 percent, which is an increase on the prior-year figure (65 percent).

Revenue in the Directory Assistance segment developed more positively than expected despite the above mentioned decrease; at EUR 12.6 million, actual revenue was within the expected range of EUR 10.7 million to EUR 12.9 million (previous year: EUR 14.4 million).

Group EBITDA improved sharply from EUR -2.3 million to a positive EUR 1.0 million and reached the expected range of EUR 0.4 to EUR 2.4 million.

EBITDA as at 31 December 2017 still included depreciation and amortisation of EUR 1.3 million for contract performance costs, which increased earnings, whereas EBITDA for the reporting year was reduced by EUR 0.1 million due to the amortisation of these costs as these items were not corrected.[1]

In addition, the reporting of expenses and income from cost centers used by both segments was changed in the fiscal year to ensure that the supporting units were allocated according to their source. To ensure comparability, the changes in EBITDA of the segments compared with this adjusted figure of the previous year are reported subsequently.[2]

With a projected EBITDA share of the Digital segment in the range of EUR 0.3 to EUR 1.4 million, this figure improved from EUR -4 million adapted in the previous year by EUR 5.1 million to EUR 1.1 million. The decisive factors here were, in particular, the significant year-on-year increase in revenues, a further improvement in the cost structure in the sales division and a positive effect from the reassessment of the periods of use of the sales commissions (contract acquisition costs) capitalised in 2016 and 2017 and capitalised customer websites (contract fulfilment costs) over a period of 36 months (EUR 0.8 million). It should be noted that the above-mentioned changes in connection with IFRS 15 amounting to EUR 1.3 million are entirely attributable to the Digital segment.

[1] See „Chapter 4.4 IAS 8 changes in estimates and reclassifications pursuant to IAS 1“ and „Chapter 5.2 IFRS 15 Revenue from Contracts with Customers“ in the Notes to the Consolidated Financial Statements.

Accordingly, the result for 2018 of around EUR 1.3 million is burdened by a larger amount than the result for 2017.

EBITDA in the „directory assistance „ segment deteriorated from EUR 1.7 million (adjusted[2]) by EUR -1.8 million to EUR -0.1 million; EBITDA in the range of EUR 0.1 to 1.0 million was expected in this segment. The key reason for this is that the ratio of high-margin revenues in the classic directory assistance segment to low-margin revenues in the call center third-party business developed not as expected. As a result, the EBITDA forecast for this segment in the previous year was missed slightly.

Cash and cash equivalents and available for sale financial assets declined by EUR 3.4 million to EUR 2.6 million in the last financial year (previous year: EUR 6.0 million; cash flow previous year: EUR -4.5 million). For the 2018 financial year, the Company forecast cash holdings of between EUR 1.2 million and EUR 3.2 million, thus clearly meeting its target.

The Company achieved its targets for non-financial performance indicators in the Digital division. In 2018, the average churn rate in the Digital segment was 25 percent. The Company planned to stabilise the figure for the 2017 financial year, which was an average of 25 percent. The net customer portfolio was expected to increase again considerably in 2018, and the Company succeeded in adding around 5,600 new customers. This exceeds the forecast of around 5,100 new customers given in the previous year.

The negative trend in caller volume in the traditional business of Directory Assistance segment continued as expected. The Company predicted a slower decline in call volumes compared to the previous year. Caller volume downturn for the 2017 financial year was 19 percent. The call volume actually declined by 22 percent in 2018, as a result of which the forecast was missed. Revenue per call again increased by just under 2 percent in 2018, which means that the anticipated slight increase was achieved.

4. Financial situation

Results of operations

Group

Consolidated revenues in the 2018 financial year were EUR 42.9 million, compared to EUR 41.3 million in the previous year. This represents in increase of 4 percent (previous year: decrease of 8 percent).

Cost of revenues at the reporting date totalled EUR 24.3 million (previous year: EUR 26.6 million). Compared to the previous year, this amount represents a decrease of approximately 9 %, which is mainly the result of EUR 1.2 million lower amortization of contract execution costs (websites) (thereof special effect of EUR 0.1 million[3]) and EUR 1.1 million lower personnel expenses.

Selling and distribution costs were reduced from EUR 14.9 million to EUR 12.1 million, an improvement of 19 percent compared to the previous year (previous year: 16 percent). This positive trend was primarily due to lower expenses relating to losses on receivables achieved by the further optimisation of internal and external receivables management. In addition, EUR 1.2 million lower amortization of intangible assets (thereof EUR 0.7 million conversion effect of amortization period) in combination with the adjustment of the amortization periods of the capitalized sales commissions to the average customer retention period led to this effect.

The general administrative expenses in the amount of EUR 9.5 million (previous year: EUR 9.8 million) primarily include the costs of corporate services such as finance, legal, human resources, technology, costs of the Management Board and infrastructure costs of these units. These are essentially consulting costs (EUR 0.2 million higher than previous year), personnel costs (EUR 0.4 million better than previous year), maintenance costs (EUR 0.2 million higher than previous year) as well as other administrative costs (EUR 0.2 million better than previous year) and depreciation (EUR 0.2 million better than previous year).

The other operating expenses amounted to EUR 0.1 million in 2018 (previous year: EUR 0 million).

Consolidated EBITDA as of the reporting date increased substantially by EUR 3.3 million, from EUR -2.3 million in the prior-year period to EUR 1.0 million in financial year 2018.

[2] See „Chapter 1 Operating segments“ in the section „Other notes and disclosures“ in the notes to the consolidated financial statements for further details.

[3] See „Chapter 4.4 IAS 8 changes in estimates and reclassifications pursuant to IAS 1“.

Net financial income in 2018 ended the year with income of EUR 0.03 million, compared with EUR 0.2 million in the previous year.

In 2018, the Group incurred a net income tax expense EUR 0.1 million (previous year: tax income of EUR 0.2 million).

The net income/loss for the period amounted to EUR -3.1 million compared to EUR -9.6 million in the previous year. This was due to the significant reduction in costs, above all selling and distribution costs by a total of EUR 5.1 million and the increase in revenues of EUR 1.7 million. In addition, there was a positive earnings effect of EUR 0.8 million from the adjustment of useful lives to recognised costs to obtain and fulfil a contract.

Segment report

Revenues in the Digital segment rose by EUR 3.4 million from EUR 26.9 million in the previous year to EUR 30.3 million. This positive development in sales and the significant cost savings in 2018, especially in the sales division, led to an improvement in EBITDA from EUR -4.0 million (adjusted) in the previous year to a positive EUR 1.1 million in the reporting year. As outlined above, the decisive factors were, in particular, the significant increase in revenues compared to the previous year, a further improvement in the cost structure in the sales division as well as a positive effect from the reassessment of utilisation periods of the sales commissions capitalised in 2016 and 2017 (contract acquisition costs) and capitalised customer websites (contract fulfilment costs) over a period of 36 months (EUR 0.8 million[4]).

The positive effect from the reassessment of useful lives continued in fiscal 2018 and had a correspondingly positive impact on EBITDA. It should be noted here that EBITDA as of December 31, 2017 still included depreciation of EUR 1.3 million for contract fulfillment costs, which increased earnings, whereas EBITDA for the reporting year was burdened by EUR 0.1 million due to the amortization of these costs due to the lack of correction of these items under IFRS 15.

The traditional directory assistance business declined by 22 percent in 2018, a higher rate in percentage terms than the previous year (19 percent). In the past financial year revenues in the Directory Assistance segment amounted to EUR 12.6 million, which is down 13 percent compared with the previous year (previous year: EUR 14.4 million). The decline in revenue was partially offset by an increase in revenue per call additional based on additional revenue in the call centre services business.

However, this is being done at higher production costs, so that the gross margin (adjusted) in the segment has deteriorated slightly. Despite an improved cost structure in general, this ensured that EBITDA developed from EUR 1.7 million (adjusted) in the previous year to EUR -0.1 million in fiscal year 2018. The „ directory assistance „ segment continues to cover a significant amount of overhead costs.

Net assets and financial position[5]

Capital expenditures

The total investments in intangible assets and property and equipment as of the reporting date were EUR 4.7 million (previous year: EUR 2.2 million).

In the Digital segment, the Company mainly invested in internally generated intangible assets in order to make 11880's product portfolio competitive. The additions to capitalised costs to obtain a contract (commissions) in the amount of EUR 3.1 million in line with the positive business trend are another key item in the Digital segment. Due to an adjustment of useful lives, customer contracts are all shown under intangible assets in 2018. In the previous year, customer contracts with a useful life of one year were shown under other current assets.

Only insignificant investments were made for the „Directory Assistance" segment.

As in the previous year, the 11880 Solutions Group as of 31 December 2018 had no noteworthy open obligations from capital expenditures which will be incurred in financial year 2019.

Statement of financial position

As of the reporting date, total assets amounted to EUR 19.6 million, down by EUR 3.5 million compared to the 31 December 2017 figure of EUR 23.1 million.

Assets

Current assets decreased from EUR 16.7 million to EUR 12.6 million. This was due primarily to the decrease in financial assets measured at fair value by EUR 3.6 million as a result of the nega-

[4] See „Chapter 4.4 IAS 8 changes in estimates and reclassifications pursuant to IAS 1".

[5] As a result of the adjustments to the previous year's figures described in section 4 „Correction of errorsand changes in estimates „ of the notes to the consolidated financial statements, all of the following components of the net assets and financial position are compared with the adjusted figures for the previous year presented there, insofar as the respective item was subject to an adjustment.

tive cash flow. As of 31 December 2018, the 11880 Solutions Group had investments in short-term money market and bond funds that were reported as financial assets measured at fair value. The fair value of these investments was EUR 1.7 million (previous year: EUR 5.3 million). Other current assets in the amount of EUR 0.5 million (previous year: EUR 0.8 million) decreased by EUR 0.3 million (previous year: decrease of EUR 0.2 million). Trade accounts receivable (EUR 9.3 million; previous year: EUR 9.6 million) decreased by EUR 0.3 million (previous year: decrease of EUR 0.6 million) due to the declining directory assistance business. Cash and cash equivalents of EUR 0.9 million (previous year: EUR 0.7 million) increased slightly by EUR 0.2 million (previous year: decrease of EUR 0.1 million).

The Company had unutilised overdraft facilities of EUR 1.0 million (previous year: EUR 2.0 million) with financial institutions at its disposal as of 31 December 2018.

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 6.9 million (previous year: EUR 6.4 million). The increase of EUR 0.5 million resulted primarily from the reassessment of the periods of use of capitalized contract fulfillment costs (customer websites) and contract initiation costs (commissions) as well as the resulting reduction in depreciation and amortization.

Equity and liabilities

On the liabilities side, current liabilities decreased by EUR 0.7 million to EUR 10.7 million (previous year: EUR 11.4 million). Accrued current liabilities as of the reporting date amounted to EUR 4.5 million (previous year: EUR 5.5 million) and mainly include amounts for obligations to employees and outstanding invoices. The change results from the utilisation of provisions for personnel measures carried out in the 2017 financial year. The other current liabilities of EUR 5.6 million (previous year: EUR 5.5 million) increased slightly by EUR 0.1 million.

Non-current liabilities of EUR 1.3 million increased by EUR 0.5 million compared with the previous year (EUR 0.8 million). The increase is mainly due to the accounting of a liability for long-term rental obligations. The 11880 Solutions Group has no loan liabilities to banks.

Equity declined by EUR 3.3 million year-on-year to EUR 7.6 million (previous year: EUR 10.9 million). This was due primarily to the net loss for the period of EUR 3.1 million (previous year: EUR 9.6 million). As of 31 December 2018, the equity ratio was 38.8 percent (31 December 2017: 47.2 percent).

Cash flow & 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 again able to meet its financing needs through own funds.

When investing liquidity, the 11880 Solutions Group pursues as conservative an investment approach as possible in order to minimise the risk of losses. 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, dividend payments still are not possible.

Liquidity continued to decline in the financial year. However, the negative cash flow was significantly lowered by excellent cost discipline and the implementation of structural measures.

The operating cash flow of the reporting year shows an inflow of funds of EUR 1.3 million compared with an outflow of funds of EUR 2.5 million in the previous year. The change is primarily due to the positive development of overall business compared with the previous year, especially in the operational part. In addition, personnel expenses were significantly reduced compared to the previous year, which is reflected in the improved net profit for the period.

Cash outflows from investing activities at the 31 December 2018 reporting date amounted to EUR 1.1 million (previous year: cash inflow of EUR 2.4 million). The cash flows from investing activities included the sale of money market funds and bond funds. Adjusted for these items, cash flows from investing activities amounted to EUR -4.6 million in 2018 (previous year: EUR -2.1 million). This resulted mainly from cash outflows for investments in contract acquisition costs (commissions) reported under intangible assets and in property and equipment.

Cash flows from financing activities amounted to EUR 0.1 million (previous year: EUR -0.2 million).

The cash flows adjusted for payments received from the proportionate sale of money market and bond funds at the reporting date was EUR -3.4 million (previous year: EUR -4.5 million).

The portfolio of cash and cash equivalents as well as financial assets available for sale amounted to EUR 2.6 million (previous year: EUR 6.0 million) as at December 31 2018. Cash and cash equivalents subject to drawing restrictions totalled EUR 0.1 million at the reporting date (previous year: EUR 0.2 million). Financial assets measured at fair value 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 accrued. However, the Company did recognise development costs for internal software generation that serve to generate revenue in the Digital and Directory Assistance segments. The 11880 Solutions Group's in-house development department based in Essen was responsible for this again in 2018. 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 0.9 million in the past financial year (previous year: EUR 1.3 million). Amortization of capitalised development costs in the reporting period amounted to EUR 1.5 million (previous year: EUR 1.8 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 since 2016, 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 2018 the 11880 Solutions Group had 575 employees Group-wide (headcount; excluding the Management Board, trainees, „mini-jobs" and dormant employment contracts), 49 less than a year ago (previous year: 624). 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 to ensure 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 persons 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.

The Company has a Compliance Committee to ensure responsible handling of any risks and compliance with all mandatory statutory requirements and internal regulations. The Company established its Compliance Committee in 2010 to advise the Management Board on all matters of compliance and continually review and refine the compliance system. These include suggestions on prevention, process improvements and possible sanctions. Compliance work focuses on operational and organisational measures within its sales processes. The independent audit conducted in 2014 remains valid and showed that the quality of the sales processes and the compliance culture in the Company is particularly high. In connection with the entry into force of the General Data Protection Regulation (GDPR) in May 2018 and the EU Payment Services Directive (PSD II) in January 2018, the Company introduced relevant legal requirements.

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 (4) 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 new version 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.

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 management and control of outgoing payments.

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 2018, 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.

Further operational opportunities arise from an increase in the productivity of sales in the digital business. 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.

We also significantly increased our purchasing potential in the area of search engine optimisation by expanding our product range and by benefiting from what is now our significant size in the market. This could be reflected in lower purchase prices.

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. 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.

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 2019 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.

Due to the steadily declining caller volume, the impact of this opportunity has decreased accordingly compared to the previous year and the corresponding risk has increased respectively.

We also expanded our call centre third-party business in the 2018 financial year, which also results in additional opportunities in this sector. We do not see any material risks in this area.

Overall summary of the opportunities

Overall, the 11880 Solutions Group's opportunities have not changed materially compared with the previous year from an operational perspective. Generally speaking, it can be assumed that the potential for opportunities in the Digital segment is rising due to the further positive development of its key figures, which have now been stable for several years. In the Directory Assistance segment, the developing call centre third-party business offers further opportunities.

Group-wide risks

As previously indicated, the opportunities presented represent corresponding risks in the event of negative developments.

To determine which risks are most likely to jeopardise the continued existence of the 11880 Solutions Group as a going concern, the risks are weighted by their probability of occurrence and assessed with respect to the impact they would have on the Company's business 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.

The risks by category are summarised below:

COMPANY RISKS (BASED ON THE MANAGEMENT BOARD'S ASSESSMENT)	POTENTIAL FINANCIAL IMPACT (Expected value of net risks)	RISK EXPOSURE FOR 2019 COMPARED TO THE PREVIOUS YEAR
Financial and liquidity risks	Significant*	Increase
Market Risks	Significant	Slightly Increase
Processual risks	Low	Slightly Increase
Regulatory risks	Very Low	Decrease
Legal risks	Very Low	No change
Personnel risks	Low	Increase
Technology risks	Very Low	Slightly Increase

Degree of possible financial impact on Group earnings and Group EBITDA respectively liquidity: Significant (> EUR 1 million), Medium (from EUR 0,5 to 1 million), Low (from EUR 0,1 to 0,5 million), Very low (< EUR 0,1 million).

*In the case of financial and liquidity risks, the classification of the risk and its change results from the low level of cash and cash equivalents and the material uncertainty in connection with the going concern assumption.

Individual risks within the groups of corporate risks presented, which have significant, medium and low financial effects and which can be influenced by countermeasures, are presented below insofar as they are considered significant in detail.

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.

As of 31 December 2018, the 11880 Solutions Group had cash and cash equivalents of EUR 0.9 million (previous year: EUR 0.7 million) and short-term money market and bond funds of EUR 1.7 million (previous year: EUR 5.3 million) at its disposal to finance its further business activities. The 11880 Solutions Group also has an overdraft facility with financial institutions of EUR 1.0 million (previous year: EUR 2.0 million). In addition, the Annual General Meeting on 12 June 2018 authorised the Management Board to increase the Company's share capital by a total of 50 percent or EUR 9.6 million in two stages.

As a result of the Company's low cash and cash equivalents and the net outflow of funds of between EUR 1.0 million and EUR 0.0 million expected for the 2019 financial year, there is significant uncertainty about the continued existence of the Company as a going concern, which in the short and medium term depends on the realisation of the assumptions made in the business plan with regard to revenue growth in the Digital business and the further development of expenses. In the Digital segment in particular, these assumptions include the non-financial key figures of new and existing customer development as well as the churn rate, and the development of call volumes and revenue per call in the Directory Assistance segment.[6]

The going-concern risk has increased slightly compared to the previous year due to the further decline in cash and cash equivalents.

Under exclusion of risks which are currently not visible, the management rates the risk of actual insolvency caused by illiquidity and thus the threat to its continued existence as low.

In 2018, the Group had already initiated suitable countermeasures in the form of structural measures and sustainable cost disci-

[6] In this context, we refer to section „3 Material estimates and discretionary decisions" in the notes to the consolidated financial statements, section „3.1 Going-concern premise".

pline and implemented a system aimed at continually monitoring outgoing payments in particular.

This risk would only materialise if the targets set out in the business plan could not be realised, even though 11880's non-financial key figures in the Digital and Directory Assistance segments have now developed consistently and sustainably over a longer period of time. Similarly, the relatively young call centre third-party business in the Directory Assistance segment is already contributing to the financial stability of the Company.

Furthermore, this risk would only materialise if no bank were prepared to provide a credit line for the proper continuation of the Company as a going concern and if the capital measures approved by the Annual General Meeting but not yet planned had no effect because potential investors failed to subscribe to the newly issued shares.

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. This could lead to a loss of potential investors.

The 11880 Solutions Group minimises this risk with active external communications as well as by complying with all disclosure requirements to ensure that only a medium financial risk can be assumed. The risk situation in this respect is unchanged from the previous year.

Explanations of risk reporting with regard to financial instruments can be found under "Other notes and disclosures" in Chapter 8 "Financial risks" of the notes to the consolidated financial statements.

Market risks

In the Digital segment, products are sold in outbound. This sales channel is in line with current legislation. As in the previous year, 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 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, in particular in Sales and technical security measures related to our company-wide communication channels.

This risk has decreased further compared to the previous year due to the implementation of further appropriate countermeasures.

The loss of an important and significant customer in the call centre third-party business within the Directory Assistance segment could pose a risk to revenues.

Appropriate customer retention measures are being implemented to minimise this risk. Sales activities aimed at acquiring new customers are also being continuously expanded.

The Company does not consider this risk yet to be significant. As the call centre third-party business is being developed during the current year, there are no corresponding prior-year figures.

There is a possibility of increased cancellations of media products from customers in the Digital segment in the event that the products offered fail to live up to customers' expectations. The subsequent increase in the churn rate would lead to additional customer losses, which would then have an impact on the effect of contract extensions on earnings.

As a countermeasure, the 11880 Solutions Group is introducing comprehensive and professional customer communications to improve the transparency surrounding the performance of its products. The Group is also working consistently and intensively to steadily improve the quality of its products and is introducing comprehensive quality controls. Intensive product training courses for sales employees and analysis of sales negotiations also help to minimise the probability of this risk occurring.

The probability of occurrence remains unchanged compared to the previous year. However, the associated risk was reduced.

The risk situation in the area of other insignificant market risks is slightly higher than in the previous year.

The state of the risks concerning the other immaterial market risks is slightly increased compared to previous year.

Processual risks
Occasional negative press on the subject of selling techniques and false product promises has resulted sales employees being increasingly cautious during sales negotiations, which could lead to lower contract conclusion rates in the new customer business.

Sales staff receive regular training on how to deal with the actual risk-affected sales situation and regularly take part in educational talks on the subject. The churn and cancellation rates are falling as a result. The Group continuously monitors the aforementioned rates in order to react to any negative developments at an early stage.

Compared to the previous year, process risks have increased slightly.

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.

As in the previous year, there is a very low risk that numbers assigned to the 11880 Solutions Group could be withdrawn again.

Legal risks
The identified legal risks in their entirety as well as in detail have very low financial effects, so that a detailed presentation of individual risks is not required. The risk situation compared to the previous year remains unchanged.

Personnel risks
There is a risk that insufficiently qualified employees can be recruited for the sales units, resulting in bottleneck risks with regard to the planned targets.

The Group counters this risk primarily through intensive cooperation with recruiting service providers, the purchase of external call center capacities and the geographical spread of personnel recruitment.

As compared to the previous year, there is an increased risk.

Overall summary of the risk position
In summary, it can be stated that the volume of the weighted net risk (sum of the loss amounts of all individual risks assessed with the probability of occurrence) of EUR 2.2 million corresponds approximately to the previous year's level (EUR 2.1 million).

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 or the companies included in consolidation as going concerns in the short term. Short- to medium-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 2019 financial year, as adopted by the Management Board and Supervisory Board in December 2018. The planning is based on the objectives of the Digital and Directory Assistance segments and of the Group, adjusted for the effects of the planned implementation of IFRS 16. Planning for the 2019 financial year is based on a corporate structure that doesn't change.

Corporate strategy
During the 2019 financial year, the 11880 Solutions Group will continue to establish and optimise the wide variety of products introduced in previous years. The newly developed job portal will be added in the first quarter. 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 2019. 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 2018.

Digital segment

After optimising the product portfolio in 2018 and further increasing the value add for corporate customers, the Group has laid a foundation for sustainable revenue and customer growth. In 2019, 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 again be working on a moderate increase in the 2019 financial year.

The 11880 Solutions Group is committed to building on its success of previous years and achieving a significant increase in its customer base again in 2019. In 2018, the average churn rate was 25 percent, thus remaining at the prior-year level, as planned. The aim for 2019 is to stabilise this figure at this positive level.

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 product offerings.

Overall, the 11880 Solutions Group plans to generate revenues within a range from EUR 30.0 to EUR 34.0 million in the Digital segment in 2019. In 2018, segment revenues were EUR 30.3 million.

Turning to the development of earnings in the Digital segment, the 11880 Solutions Group expects EBITDA in 2019 of EUR 2.5 to EUR 3.5 million. By means of comparison, the figure for the last financial year was EUR 1.1 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 2019. The Group expects the decline in call volume in the Directory Assistance segment in 2019 to match that of the previous year. Caller volume downturn for the 2018 financial year just ended was 22 percent.

To partially offset the effects of this downturn in revenue, the Group continued to work on increasing revenue per call. In 2018, these efforts resulted in an increase of just under 2 percent per call. The Group assumes that another slight increase will again be possible in 2019. In addition to further expanding the call centre third-party business, the Company is reviewing – and in some cases also testing – new business models 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 10.3 to EUR 13.0 million in 2019. In 2018, segment revenues were EUR 12.6 million.

In terms of the development of earnings, the 11880 Solutions Group plans posting EBITDA of around EUR -0.5 to EUR 0.5 million for the Directory Assistance segment in 2019. In 2018, EBITDA amounted to EUR -0.1 million.

11880 Solutions Group- Overall -statement of the Management Board

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 2019. However, the Company is also working on long-term strategies and on expanding its call centre third-party business in the segment for classic directory assistance.

At Group level, the 11880 Solutions Group expects to post revenues of EUR 40.3 to EUR 47.0 million in 2019. In comparison, revenues were generated in the amount of EUR 42.9 million in 2018. With respect to profitability, the Group expects EBITDA in 2019 to be in the range of EUR 2.0 to EUR 4.0 million. This guidance includes the effects from the first-time application of IFRS 16 Leases (around EUR 1.0 to 1.5 million). In comparison, the company generated positive EBITDA of EUR 1.0 million (before IFRS 16) in 2018.

The Group showed cash holdings and available-for-sale financial assets of EUR 2.6 million in the financial year ended.

Based on a planned cash flow in the range of EUR -1.0 to EUR 0.0 million, the Company expects cash holdings at the end of 2019 to amount to EUR 1.6 to EUR 2.6 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 what is a highly profitable Directory Assistance segment operationally is increasing pressure to accelerate improvement in profitability in the Digital segment. Appropriate strategic measures are improving 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 continually and the call centre business is expanded to further reduce the going-concern risk.

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

Composition of subscribed capital

As of 31 December 2018 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 2018, 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.

Holdings in the Company's capital of more than 10 percent of the voting rights

As of the reporting date, there were the following holdings in the Company's capital of more than 10 percent of the voting rights:

Mr. Rolf Hauschild: 15.22 percent (*)
GoldenTree Asset Management Lux S.à.r.l.: 13.18 percent (*)

(*) 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

The Management Board was authorised based on a resolution adopted by the Annual General Meeting on 12 June 2018 to increase the share capital of the Company with the approval of the Supervisory Board one or more times until 31 December 2021 by a nominal total of up to EUR 1,911,109.00 by issuing new, no-par value bearer shares in exchange for contributions in cash and/or in kind (Authorised Capital I).

The Management Board was authorised based on a resolution adopted by the Annual General Meeting on 12 June 2018 to increase the share capital of the Company with the approval of the Supervisory Board one or more times until 31 December 2021 by a nominal total of up to EUR 7,644,436.00 by issuing new, no-par value bearer shares in exchange for contributions in cash and/or in kind (Authorised Capital II).

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 2018.

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 (sections 289f, 315d HGB) contains the declaration of compliance pursuant to section 161 AktG, disclosures on corporate governance practices, the description of the working practices of the Management Board and Supervisory Board and disclosures on the equal participation of women and men (diversity).

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

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

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

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

If contractually agreed, 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 2018

Fixed and variable remuneration

During the 2018 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 Management Board over a period of 3.5 years, variable remuneration components 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 percent 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 percent, 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 director's contract of Mr. Maar, 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 (reference value I) and 18 times one-twelfth of the variable remuneration earned in the last financial year (reference value II).

The severance payment amount is limited to a maximum of 18 times the applicable reference value in each case (severance cap). 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.

The member of the Management Board received defined contribution post-employment benefits amounting to EUR 0 thousand in 2018 (previous year: EUR 25 thousand). There were no defined benefit pension obligations in accordance with IFRSs in 2018 (previous year: EUR 0 thousand). Details can be found in the notes accompanying the consolidated financial statements in the section entitled “Pension obligations“.

The current and former members of the Management Board were granted phantom stocks (deferrals) from both 2016 to 2018. Details can be found in the notes to the consolidated financial statements under “Share-based payment“.

No advances or loans were granted to the Management Board member 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 Management Board and Supervisory Board positions at the subsidiary 11880 Internet Services AG.

Remuneration of the Management Board

The following benefits were granted to/received by to the members of the Management Board in the 2018 financial year as defined by the German Corporate Governance Code:

Benefits granted	Management Board total	
in TEUR	2018	2017
Fixed remuneration	413	555
Fringe benefits	34	55
Total	**447**	**610**
One-year variable remuneration (excluding deferral), bonus	91	144
Multi-year variable remuneration (deferral – 2 years)		
2018	29	46
Total	**567**	**800**
Service cost (defined contribution pension fund)	0	25
Total remuneration	**567**	**825**

In accordance with Section 314 no. 6a of the German Commercial Code (HGB), the following total remuneration was granted the 2018 financial year:

Benefits granted	Management Board total	
in TEUR	2018	2017
Fixed remuneration	413	555
Fringe benefits	35	55
Service cost (defined contribution pension fund)	0	25
Total, non-performance-related	**448**	**635**
One-year variable renumeration (excluding deferral), bonus	91	160
Multi-year variable remuneration (deferral – 2 years)		
2018	29	51
LTI (annual share, at least over 3 years)	0	0
Total, performance-related	**120**	**211**
Gesamtvergütung Total remuneration	**568**	**846**

In addition to the benefits for Christian Maar, the prior-year figures also include the benefits for Michael Geiger.

The disclosure of salaries paid to members of the Management Board has been a legal requirement since financial year 2006. 11880 Solutions AG discloses the Management Board's salaries as a collective total, since the Annual General Meeting on 12 June 2018 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).

Birgit Hausmann, Head of Legal and Human Resources, was appointed to the Management Board of 11880 Solutions AG for two months in April 2018. The benefits granted were taken into account in the tables presented.

No benefits were granted to former members of the Management Board in the 2018 financial year as defined by the German Corporate Governance Code.

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 2018, the original director's contract of Mr. Maar ended. The Supervisory Board of the Company on 29 June 2018 adopted a resolution to reappoint Mr. Maar as a member of the Management Board with effect from 1 January 2019 until 31 March 2022. The employment contract was amended accordingly. Following a resolution by the Supervisory Board at its meeting on 27 June 2017, the employment contract with Mr. 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 percent of the Supervisory Board meetings in a financial year, the member's remuneration was reduced by 50 percent.

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 119 thousand in the 2018 financial year (previous year: EUR 127 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 granted to any members of the Supervisory Board during the reporting year.

Essen, 5 April 2019
The Management Board

Christian Maar
Chief Executive Officer

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."

Essen, 5 April 2019
The Management Board

Christian Maar
Chairman of the Management Board

Consolidated Financial Statements

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Consolidated Statement of Financial Position (IFRS)

in EUR thousand	Note	31. December 2018	31. December 2017 adjusted (*)	1. January 2017 adjusted (*)
ASSETS				
Current assets				
Cash and cash equivalents	1B	807	523	801
Restricted cash	1B	94	185	0
Trade accounts receivable	2B	9,296	9,633	10,193
Current tax assets	11B	72	97	132
Available for sale financial assets	3B	0	5,302	9,691
Financial asset at fair value through profit or loss	3B	1,698	0	0
Other financial assets	4B	123	150	141
Other current assets	5B	528	831	1,053
Total current assets		**12,618**	**16,721**	**22,011**
Non-current assets				
Goodwill	6B	416	416	416
Intangible assets	7B	5,282	4,741	7,210
Property and equipment	8B	1,044	1,166	1,723
Other financial assets		0	0	3
Other non-current assets	9B	188	4	0
Deferred tax assets	10B	5	26	0
Total non-current assets		**6,935**	**6,353**	**9,352**
Total assets		**19,553**	**23,074**	**31,363**

in EUR thousand	Note	31. December 2018	31. December 2017 adjusted (*)	1. January 2017 adjusted (*)
LIABILITY AND EQUITY				
Current liabilities				
Trade account payable	11B	478	187	572
Accrued liabilities	12B	4,532	5,492	5,690
Provisions	13B	35	242	72
Other current liabilities	14B	5,628	5,486	3,127
Total current liabilities		**10,673**	**11,407**	**9,461**
Non-current liabilities				
Provisions	13B	187	139	593
Provisions for retirement benifits	15B	168	176	243
Other non-current liabilities		406	0	0
Deferred tax liabilities	10B	543	472	649
Total non-current liabilities		**1,304**	**787**	**1,485**
Total liabilities		**11,977**	**12,194**	**10,946**
Equity				
Share capital		19,111	19,111	19,111
Additional paid in capital		32,059	32,059	32,059
Retained earnings		-43,591	-40,436	-30,852
Other components of equity		-3	146	99
Equity attributable to owners of the parent		7,576	10,880	20,417
Total equity	16B	**7,576**	**10,880**	**20,417**
Total liabilities and equity		**19,553**	**23,074**	**31,363**

B: See relevant section in the notes to the consolidated statement of financial position.
(*) The amounts presented in this column correspond to the amounts after correction of erros and changes in accounting estimates (cf. section 4).
See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in EUR thousand	Note	12-Month Report 1.1. - 31.12.2018	1.1. - 31.12.2017
Revenues	1G	42,921	41,268
Cost of revenues	2G	-24,316	-26,586
Gross profit		**18,605**	**14,682**
Selling and distribution costs	3G	-12,086	-14,925
General administrative expenses	4G	-9,475	-9,847
Other operating income	8G	3	5
Other operating expenses	9G	-94	-3
Operating income (loss)		**-3,047**	**-10,088**
Interest income		54	195
Interest expenses		-42	-25
Gain (loss) from marketable securities		22	49
Gain (loss) on foreign currency translation		0	-2
Financial income (loss)	10G	**34**	**217**
Income (loss) before income tax		**-3,013**	**-9,871**
Current income tax		-2	-9
Deferred income tax		-94	246
Income tax	11G	**-96**	**237**
Net income (loss) from continuing operations		**-3,109**	**-9,634**
Net income (loss)		**-3,109**	**-9,634**
Attributable to:			
Owners of the parent		-3,109	-9,634
		-3,109	**-9,634**
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	13G	-0.16	-0.50

G: See relevant section in the notes to the consolidated income statement.
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in EUR thousand	Note	12-Month Report 1.1. - 31.12.2018	1.1. - 31.12.2017
Net income (loss)		**-3,109**	**-9,634**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net	16.4B	12	50
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets - changes of the fair values, net		0	85
Available for sale financial assets - reclassification to profit or loss, net		0	-37
Foreign currency translation difference		0	-1
Other comprehensive income (loss) after tax		**12**	**97**
Total comprehensive income (loss)		**-3,097**	**-9,537**
Thereof from:			
Continuing operations		-3,097	-9,537
		-3,097	**-9,537**
Attributable to:			
Owners of the parent		-3,097	-9,537
		-3,097	**-9,537**

B: See relevant section in the notes to the consolidated statement of financial position.

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders Equity (IFRS)

	Equity attributable to owners of the parent			
in EUR thousand	Share capital	Additional paid in capital	Retained earnings	Other components of equity
Adjustments IFRS 9	**–**	**–**	**-58**	**-151**
Balance at January 1, 2018	**19,111**	**32,059**	**-40,494**	**-5**
Net income (loss)	–	–	-3,109	–
Actuarial gains (losses) from pensions and similar obligations	–	–	12	-1
Foreign currency translation	–	–	–	3
Other comprehensive income (loss)	**0**	**0**	**12**	**2**
Total comprehensive income (loss)	**0**	**0**	**-3,097**	**2**
Balance at December 31, 2018	**19,111**	**32,059**	**-43,591**	**-3**
Balance at January 1, 2017 before adjustments IAS 8	**19,111**	**32,059**	**-27,780**	**99**
Adjustments IAS 8	**0**	**0**	**-3,073**	**0**
Balance at January 1, 2017 after adjustments IAS 8	**19,111**	**32,059**	**-30,852**	**99**
Net income (loss)	–	–	-9,634	–
Actuarial gains (losses) from pensions and similar obligations	–	–	50	0
Financial assets at fair value through profit or loss	–	–	0	48
Foreign currency translation	–	–	–	-1
Other comprehensive income (loss)	**0**	**0**	**50**	**47**
Total comprehensive income (loss)	**0**	**0**	**-9,584**	**47**
Balance at December 31, 2017	**19,111**	**32,059**	**-40,436**	**146**

Total	Total equity
-209	**-209**
10,671	**10,671**
-3,109	-3,109
11	11
3	3
14	**14**
-3,095	**-3,095**
7.576	**7.576**
23,489	**23,489**
-3,073	**-3,073**
20,416	**20,416**
-9,634	-9,634
50	50
48	48
-1	-1
97	**97**
-9,537	**-9,537**
10,879	**10,879**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in EUR thousand	Notes	1.1. - 31.12.2018	1.1. - 31.12.2017 adjusted (*)
Cash flow from operating activities			
Income (loss) before income tax		**-3,013**	**-9,871**
Adjustments for:			
Amortisation and impairment of intangible assets	7B	3,451	6,836
Depreciation and impairment of property and equipment	8B	577	955
Gain (loss) on disposal of property and equipment		-3	1
Interest income	10G	-54	-195
Interest expenses	10G	42	25
Gain (loss) from marketable securities	10G	13	-49
Gain (loss) on foreign currency translation	10G	0	2
Valuation allowance for trade accounts receivable	2B	-674	-1,857
Impairment of other non-current assets	9B	86	0
Changes in non-current provisions	13B	37	-210
Changes in deferred taxes	10B	86	0
Changes in non-current other and financial assets	8B/9B	-98	-2,635
Operating loss/profit before changes in operating assets and liabilities		**450**	**-6,998**
Changes in operating assets and liabilities:			
Trade accounts receivable	2B	1,012	2,534
Miscellaneous current assets	5B	329	98

(*) The amounts presented in this column correspond to the amounts after correction of erros and changes in accounting estimates (cf. section 4).

in EUR thousand	Notes	1.1. – 30.12.2018	1.1. - 31.12.2017 angepasst (*)
Trade account payable	11B	351	-437
Current provisions	13B	-207	-60
Accrued expenses and other current liabilities	12B	-698	2,325
Income tax paid / received		23	26
Cash used in operating activities		**1,260**	**-2,512**
Cash flow from investing activities			
Purchase of intangible assets excl. customer contracts		-1,118	-1,693
Purchase of customer contracts with contract period > 1 year		-3,068	-24
Proceeds from sale of intangible assets		1	0
Purchase of property and equipment		-497	-533
Proceeds from sale of property and equipment		6	1
Disposal of financial assets at fair value through profit or loss (prior year: disposal of available for sale financial assets in accordance with IAS 39)	3B	3,591	4,507
Interest received		28	174
Cash provided by investing activities		**-1,057**	**2,432**
Cash flow from financing activities			
Proceeds and disbursement for security deposit		91	-185
Interest paid		-10	-13
Cash used in financing activities		**81**	**-198**
Net increase / decrease in cash and cash equivalents		**284**	**-278**
Cash and cash equivalents at the beginning of the reporting period		**523**	**801**
Cash and cash equivalents at the end of the reporting period		**807**	**523**
Cash and cash equivalents at the end of the reporting period		2,599	6,010

B: See relevant section in the notes to the consolidated statement of financial position.
G: See relevant section in the notes to the consolidated income statement.
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 online marketing services for small and medium-sized enterprises (SMEs). 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 on partner portals as well as on the 11880.com app (and partner apps). The Group also offers werkenntdenBESTEN.de, Germany's first and so far only search engine for online reviews, which has been further enhanced in 2018.

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

The directory assistance business comprises 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. Additional services offered include a secretarial service and further call centre services.

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. The Annual General Meeting on 12 June 2018 adopted a resolution to transfer the registered office of 11880 Solutions AG from Planegg-Martinsried to Essen. The amendment to the Articles of Association was filed at the Commercial Register of the Essen Local Court on 21 November 2018. The Company is domiciled in Hohenzollernstraße 24, 45128 Essen, Germany, and since 1 August 2018 has been registered in the Commercial Register of the Essen Local Court, Germany, under registration number HRB 29301 (previously 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 2018.

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 section 2 "Summary of significant accounting policies".

The consolidated financial statements and the Group management report prepared as of 31 December 2018 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 2018 financial were released for publication by the Management Board on 8 April 2019.

1.1 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 2018 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the Group as of 31 December 2018 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]	Essen, 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 2017.

In the past financial year, the liquidation of 11880 telegate GmbH, Austria, was initiated and the sale of the shares in telegate LLC, Armenia, was resolved. As of 31 December 2018, neither liquidation nor sale had been completed.

1.2 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. 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 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. The policies described were applied consistently to the reporting periods covered by these notes. Exceptions to this are the amendments to International Financial Reporting Standards required to be applied by the Group as at 1 January 2018 listed in section 5 "Changes in accounting policies". Accounting and measurement were carried out on going concern basis. Additional information is available in section 3.1.

2.1 Revenue from contracts with customers

Disclosures on revenue recognition by the 11880 Group are provided below against the backdrop of the mandatory adoption of IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The main changes resulting from the introduction of the new standard are described in section 5.2.

Digital revenues, which make up the majority of revenues produced, include the Media and Software segments and are generated in a mass market with a large number of small and medium-sized enterprises. Directory Assistance revenues relate mainly to directory assistance services and the third-party call centre business.

The 11880 Group recognises revenues depending on the way in which the promised goods or services are transferred, both over periods of time and at points in time. If contractual consideration includes a variable component (right of return, discount, credit), the Company estimates the amount of consideration likely to be received. The variable consideration is estimated as the expected value from the sum of probability-weighted amounts at the start of the contract (see section 3.2.3) until it is sufficiently probable that the Company has a claim to this amount. This estimate is updated at the end of each (interim) period. For additional information on accounting for assets from rights of return and refund liabilities, see section 2.16.

2.1.1 Digital

2.1.1.1 Media

Most customer contracts in the Media segment comprise several promises to transfer goods or provide services to customers. However, only one contractual performance obligation can essentially be identified per contract. A factor here is that it might be impossible to sell products separately and therefore the customer cannot derive any separate benefit from this product (IFRS 15.27). Furthermore, the contractual promises are also not separately identifiable in the context of the contract, since the individual goods and services included in a contract are highly interrelated. This means that only one performance obligation can be identified (IFRS 15.29).

Revenue is recognised when the performance obligation agreed in the contract is fulfilled. A performance obligation is fulfilled when the customer obtains control over the good or service transferred. The time period or point in time at which the performance obligations are fulfilled is determined when the contract is entered into. In the Media segment, contractual performance obligations are fulfilled in accordance with IFRS 15.35 based on the consistent provision of services over the contract term, generally over a period of time.

2.1.1.2 Software

Revenues in the Software business relate to the conventional sale of information databases on data storage media on the one hand and to the provision of online information databases on the other hand. The revenues generated are recognised at the time the service is provided, i.e., recognised in profit or loss as of the shipping date or the date access to the software transfers to the customer. Target groups in this segment are generally corporate customers.

2.1.2 Directory Assistance

The performance obligation in a contract with a customer in the directory assistance business comprises provision of the agreed directory assistance services and subsequent transfer of control over the information to the customer (IFRS 15.B34, 15.B35). Because this performance obligation is therefore not provided by the telecommunications company responsible for billing, the 11880 Group acts as principal in this case. As a result, revenues are recognised in the amount of the gross consideration to which the Group is entitled for the transfer of the information to the customer. The gross amount is based on the number and duration of calls made by the customer via the telecommunications company and recognised in profit or loss as of the date of rendering the service.

Contracts with customers for call centre services generally include phone services, such as the performance of after-sales services and the resolution of various types of customer inquiries. In this context, the related revenues are recognised by the Group in an amount based on the number and duration of the call volume handled.

2.1.3 Payment terms and financing components

The 11880 Group offers standard market payment terms generally not exceeding a period of 30 days.

A certain share of customer contracts generally include a financing component due to partial prepayments made on agreed contractual consideration. Due to the fact that the time elapsed between the transfer of a promised good or a promised service to the customer and the payment for this good or service by the customer amounts is no more than year as a rule, the Group does not include these financing components when recognising revenue for practical reasons (IFRS 15.63).

2.2 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.

2.3 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 for the period. 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.

2.4 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.

2.5 Cash and cash equivalents

In accordance with IAS 7 Statement of Cash Flows, 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. The carrying amount of cash and cash equivalents corresponds to their fair value.

2.6 Financial instruments

The following section includes disclosures on accounting for financial instruments against the backdrop of the mandatory adoption of IFRS 9 Financial Instruments as at 1 January 2018. Differences between the prior-year accounting in accordance with IAS 39 and accounting in accordance with IFRS 9 carried out in the reporting year are explained further in section 5.1.

2.6.1 Definition

A financial instrument is a contract that simultaneously results in a financial asset at one company and in a financial liability or equity instrument at another company.

Financial assets include in particular cash and cash equivalents, trade accounts receivable as well as other loans and receivables granted, held-to-maturity investments and derivative and non-derivative financial assets held for trading. Financial liabilities normally give rise to a contractual obligation to deliver cash or another financial asset. These include trade accounts payable in particular. The Group had no derivative financial instruments at the reporting date.

2.6.2 Classification and measurement at initial recognition and subsequent measurement

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 (IFRS 9.3.1.1).

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.

Financial assets or financial liabilities are initially recognised at their fair value (IFRS 9.5.1.1) – Incidental acquisition costs are only recognised as an asset if a financial instrument is subsequently not measured at fair value through profit or loss.

Trade accounts receivable without significant financing components are measured at their transaction price upon initial recognition in accordance with IFRS 15.46 et seq.

For the purpose of subsequent measurement, financial assets are divided into the following measurement categories upon initial recognition according to IFRS 9.4.1.1:

- At fair value through profit or loss (FVTPL)
- At fair value through other comprehensive income (FVOCI) with/without recycling of accumulated gains and losses
- at amortised cost (AC)

Assignment to the aforementioned measurement categories is based on the cash flow characteristics of the individual instruments and the Company's business model for managing financial assets.

Financial liabilities are subsequently recognised at amortised cost. There were no exceptions to this principle as defined in IFSR 9.4.2.1 as of the reporting date.

For subsequent measurement, the Group's financial assets and liabilities are classified as follows:

2.6.2.1 Financial assets at fair value through profit or loss (FVTPL)

Financial assets measured at fair value through profit or loss generally include financial assets held for trading, financial assets classified as fair value through profit or loss on initial recognition (with gains and losses reported in the profit or loss for the period) or financial assets required to be reported at fair value (derivatives).

11880 Solutions AG invests in funds that invest in short-term, low-risk money market instruments and bonds. 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 securities held by 11880 Solutions AG are initially measured at fair value in accordance with IFRS 9.5.1.1 and subsequently assigned to the FVTPL category in accordance with IFRS 9.4.1.4 after examining the cash flow criterion. As a result, the gains and losses resulting from changes in their fair value are recognised immediately in net profit or loss for the period.

Under IFRS 13, fair value is the price that would be obtained on the principal market or, if the principal market is not available, on the most advantageous market for the sale or transfer of an asset or liability. 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 (a table containing this hierarchy is provided in section 5):

- Level 1: Inputs are quoted (unadjusted) prices in active markets accessible to the Company for identical assets and liabilities. The securities allocated to level 1 concern investment fund units whose fair value corresponds to the nominal value multiplied by the quoted (redemption) price on the balance sheet date. The quoted (redemption) price is based on the net asset value of the corresponding investment fund published daily and can be realised by the 11880 Group by returning them.
- 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 the IFRS.

2.6.2.2 At fair value through other comprehensive income (FVOCI)

As of the reporting date, the Group does not hold any financial assets classified within this category.

2.6.2.3 Financial assets measured at amortised cost (AC)

Financial assets whose cash flows consist exclusively of interest and principal payments on the outstanding principal amount and which are held as part of a business model to collect the contractual cash flows are measured at amortised cost using the effective interest method. For financial assets in this category, impairment losses for expected credit losses are recognised. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The financial assets of the Group measured at amortised cost comprise cash and cash equivalents, trade accounts receivable and other current financial assets (other receivables).

Because the carrying amount of the financial assets represents a suitable approximation of the fair value, no additional information is provided about fair value.

Trade accounts receivable are assigned to financial assets because they represent a contractual right to receive cash funds at a future date from another company. Receivables without significant financing components are initially recognised at their transaction price (IFRS 15.46 et seq.) in accordance with IFRS 9.5.1.3 and subsequently recognised at amortised cost (by applying the effective interest method), less allowances for credit losses expected over their remaining term. Gains and losses are recognised in net profit or loss for the period, if the receivables are impaired or derecognised, as well as through the amortisation process (IFRS 9.5.7.2).

2.6.2.4 Financial liabilities measured at amortised cost

As a rule, financial liabilities are subsequently measured at amortised cost as long as the exceptions permitted by IFRS 9.4.2.1 are not applicable. At the reporting date, the 11880 Group had no financial liabilities that would not fulfil the conditions for measurement at amortised cost.

The financial liabilities in the Group measured at amortised cost comprise trade accounts payable and other current financial liabilities.

Because the carrying amount of the financial liabilities represents a suitable approximation of the fair value, no additional information is provided about fair value.

Trade accounts payable are assigned to financial liabilities because they represent a contractual obligation to pay cash funds at a future date to another company. Trade accounts payable are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Gains and losses from derecognition or amortisation are recognised in profit or loss in accordance with IFRS 9.5.7.2.

2.6.2.5 Impairment of financial assets

As a rule, the Group recognises impairment losses for expected credit losses for all financial assets not subsequently measured at fair value. A credit loss is defined as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition) or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

The amount of the loss and interest revenue are calculated depending on the allocation of the financial asset to one of the following three stages:

- If there is no significant deterioration in credit quality since initial recognition, the expected losses must be recognised as an expense in the amount of the present value of the expected credit losses that could result from possible default events in the twelve months following the reporting date. Interest revenue is calculated based on the gross carrying amount in accordance with the effective interest method (Stage 1).

- If credit risk has increased significantly, but there is no objective indication of impairment, the loss allowance is increased to the amount of the lifetime expected losses. The method for calculating interest revenue corresponds to that of Stage 1 (Stage 2).
- If the credit risk increases significantly and there is objective indication of impairment at the reporting date, the loss allowance is also measured as the present value of the lifetime ex-

pected credit losses. Interest revenue is calculated differently, i.e. based on the net carrying amount (gross carrying amount less the loss allowance) of the instrument (Stage 3).

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. 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, asset is allocated to a group of financial assets with similar credit risk characteristics and collectively assessed 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.

On each reporting date, the Group determines whether credit risk has increased significantly since initial recognition of the instrument. The credit risk is then measured as the credit loss expected over its lifetime based on the likelihood of default.

The carrying amounts of the financial assets are restated using a loss allowance account and the effects recognised in profit or loss as either an impairment loss or gain.

Loss allowances for trade accounts receivable and contract assets are determined using a simplified impairment model. Accordingly, the assets concerned are allocated to Stage 2 upon initial recognition and transferred to Stage 3 if there is objective evidence of impairment. There is no allocation to Stage 1. Expected credit losses anticipated over their term are recognised for trade accounts receivable and contract assets allocated to Stage 2.

The expected credit losses for these assets at the balance sheet date are determined using a provision table. The provision table is based on the age structure of overdue trade accounts receivable, observed historical default and loss rates taking into account future-related estimates, general economic conditions and customer-specific factors. The observed, historical default rates and assumptions on which the provision table is based are analysed and updated at every reporting date. The provision table applied as of the reporting date is presented in the notes on trade accounts receivable.

2.6.2.6 Derecognition of financial assets and financial liabilities

As soon as an asset is identified for derecognition, an estimate is prepared according to IFRS 9.3.2.4 to determine whether the contractual rights to cash flows from the financial asset have expired or whether the asset was transferred and whether the transfer entitles the Group to derecognise the asset.

In the case of trade accounts receivable transferred as part of true factoring, the contractual rights to receive the cash flows are transferred to the factoring service provider and derecognised at the time of transfer of all opportunities and risks (IFRS 9.3.2.6).

In accordance with IFRS 9.3.3.1, a financial liability is derecognised upon performance, cancellation or expiration, and therefore satisfaction, of the underlying obligation. No financial liabilities were transferred or replaced by others in the financial year ended.

2.6.2.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are not generally reported at the net amount; they are offset only when there is a right of set off regarding the current amounts and there is an intention to settle the amounts on a net basis.

Financial assets and financial liabilities were not offset according to IAS 32.42 as at the reporting date.

2.7 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 not amortised but tested for impairment as specified in IAS 36 at least once every year. For this purpose, goodwill has been assigned to a cash generating unit or a group of cash generating units starting at the transfer date (IAS 36.80). In this context, 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.

2.8 Internally generated intangible assets

Internally generated intangible assets (specialist and other portals, website) 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 assets mentioned above are recognised as an internally generated intangible asset if, in addition to the general criteria for recognition of intangible assets pursuant to IAS 38.21, they also satisfy the special criteria for internally generated intangible assets in IAS 38.57. In accordance with SIC 32.9, 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.

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.

2.9 Acquired intangible assets

Acquired intangible assets such as software etc. 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 (with the exception of goodwill, there are no intangible assets with indefinite useful lives as at the reporting date) are amortised on 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.

An intangible asset is derecognised when it is disposed of or when no further economic benefits are expected from its use or disposal. 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.

2.10 Costs to obtain a contract

The Group generally pays sales commission for each contract they arrange for the sale or renewal of media products. The amount of the sales commission depends mostly on clearly stipulated thresholds. If these are achieved, a percentage of the contract value is paid as commission.

The additional costs arising from obtaining a customer contract (IFRS 15.91, 15.92) are recognised as an intangible asset in the amount of the sales commission paid at the time the economic claim arises and are amortised over the estimated average customer retention period (IFRS 15.99). Costs that would have arisen regardless of whether the contract was entered into, or that cannot be directly charged to the customer, are expensed when they are incurred in accordance with IFRS 15.93. Furthermore, capitalised costs for which the amortisation period would be less than a year are recognised as an expense as outlined in IFRS 15.94. If the carrying amount exceeds the remaining portion of the consideration that the Company expects in exchange for the goods or services to which these costs relate, less the costs directly attributable to the delivery of the goods or performance of the services that were not expensed, an impairment loss is recognised in profit or loss.

2.11 Contract assets

A contract asset is a legal claim by a company to consideration for goods and services transferred by a company to a customer as long as this claim is conditional on something other than the passage of time (IFRS 15.107).

The company's claim to consideration from the customer is generally not conditional on other factors, i.e. it is solely conditional on the passage of time. For this reason, no contract assets were reported as of the reporting date.

2.12 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.

2.13 Other non-current assets

The costs arising while fulfilling a contract with a customer are recognised as costs to fulfil a contract under other non-current assets in accordance with IFRS 15.95, if the costs are directly attributable to an existing or anticipated contract, the costs generate or enhance resources, and the costs are expected to be recovered. Costs are capitalised in the amount outlined in IFRS 15.97 and mainly include direct labour and material costs, costs allocated directly to the contract, costs explicitly chargeable to the customer under the contract, and other costs incurred only because the Company entered into the contract.

Costs to fulfil a contract are amortised on a straight-line basis over the average customer retention period of the underlying contracts in accordance with IFRS 15.99. If the carrying amount exceeds the portion of the consideration that the Company expects in exchange for the services to which these costs relate, less the costs directly attributable directly to the performance of the services, an impairment loss is recognised in profit or loss (IFRS 15.101).

2.14 Impairment of non-financial assets

Assets subject to depreciation or amortisation 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). This does not apply to goodwill.

2.15 Contract liabilities

If the customer has already fulfilled the contractual obligation (payment) before the Company transfers the goods or performs the services, a contract liability must be recognised in accordance with IFRS 15.106. These are primarily prepayments received.

2.16 Refund liabilities and right of return assets

A refund liability is recognised if there is an expectation that consideration received or expected from a customer will be refunded in whole or in part (IFRS 15.55). The refund liability is carried at the amount of the consideration (to be) received to which the Company is potentially not entitled. When products with a right of return are transferred (and in the case of certain services provided subject to a refund), the following is taken into account in accordance with IFRS 15.B21: No revenues are recognised for the portion of the products transferred or services provided for which a refund is anticipated. In addition, a refund liability is recognised for the payments already made by the customer and assets (including the required restatement of the cost of revenues) are generally recognised relating to the right to reclaim products from the customer upon settlement of the refund liability. Changes in measurement of the refund liability are corrected at the end of the relevant reporting period, taking into account the changes in expectations regarding refund amounts. The adjustments are recognised as an increase or decrease in revenues.

An asset representing the right to reclaim a product already transferred or a service already performed is normally recognised initially at the carrying amount of the asset transferred previously, less anticipated costs for the return including impairment losses (IFRS 15.B25). At the end of each reporting period, this measurement is corrected taking into account the changes in expectations regarding products returned. As a rule, the asset is reported separately from the refund liabilities. Due to the insignificance of the amount of right of return assets relating exclusively to software in the Digital segment at the reporting date, no further information is provided.

2.17 Accrued current liabilities

In accordance with IAS 37.11 these liabilities are 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.

2.18 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 (IAS 37.14). 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.

2.19 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, net interest is recognised in 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.

2.20 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.

2.21 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.

2.22 Leases

Leases under which a substantial proportion of the rewards and risks incidental to ownership of the leased asset remain with the lessor are classified as operating leases in accordance with IAS 17. The material operating leases concern business premises for which standard extension and termination options as well as price adjustment clauses exist. 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.

The Group had no finance leases at the reporting date.

2.23 Taxes

2.23.1 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.

2.23.2 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.

2.24 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 as a rule 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).

The two wholly owned subsidiaries telegate LLC, Armenia and telegate GmbH, Austria, are to be sold (Armenia) or liquidated (Austria) respectively in fiscal year 2019. As both companies did not develop any significant business activities in the 2018 financial year, both companies do not meet the criteria of a discontinued operation under IFRS 5.32.

Rather, the assets and liabilities constitute a disposal group according to IRFS 5. They were not disclosed separately as a disposal group and in the consolidated financial statements in accordance with IAS 1.31, as both companies still essentially contain immaterial current assets and liabilities.

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.

2.25 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.

2.26 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. Material 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. Due to the uncertainty associated with these assumptions and estimates, actual results in future periods could lead to significant restatements in the carrying amounts of the assets or liabilities concerned. 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 restatement of the carrying amounts of assets and liabilities within the next financial year are disclosed below.

3.1 Going-concern premise

As a result of the Company's low cash and cash equivalents and the net outflow of funds of between EUR -1.0 million and EUR 0.0 million expected for the 2019 financial year, there is uncertainty about the continued existence of the Company as a going concern, which in the short and medium term depends on the realisation of the assumptions made in the business plan with regard to revenue growth in the Digital business and the further development of expenses. In the Digital segment in particular, these assumptions include the non-financial key figures of new and existing customer development as well as the churn rate, and the development of call volumes and revenue per call in the Directory Assistance segment.

Exluding any risk that is currently unforeseeable, the Company's management rates the risk of actual insolvency by illiquidity and thus the threat of continued existence as low even though it has increased slightly due to the further decline in cash and cash equivalents.

This evaluation is based on the following key assumptions and expected developments.

3.1.1 Increased forecast quality

In 2018 and in previous years, the Group had already initiated suitable countermeasures in the form of structural measures and sustainable cost discipline and implemented a system aimed at continually monitoring outgoing payments in particular. Due to these measures prior year forecasts (before correction of errors and changes in estimates) have been essentially met or surpassed. This particularly relates to the forecast of the key performance indicator "Cash", which particularly measures the threat of continued existence.

3.1.2 Development of segments

a) Digital segment: New and existing customer development as well as churn rate

In 2018, net customer growth amounted to 5,500 customers (2017: 4,200), so that the total number of customers increased up to 31,300.

By optimizing the product range and thus delivering added value to our existing and new customers as well as the strategy of gaining new customers by offering cheaper entry-level products, it was possible to further stabilize churn rate at an unchanged 25%.

Despite a lower average revenue per customer of EUR 979 per year (2017: EUR 1,049 per year) revenue in the Ddigital segement could be raised from EUR 26.8 Mio. to EUR 30.3 Mio. Due to the average period of customer retention being increased to 3 years and a higher than average selling and distribution costs in new customer aquisition, management is expecting a cash inflow with an EBITDA continuing to rise in the short to medium term. Only in the event of a decline in the total number of customers would an outflow of funds be expected in the short and medium term; in the opinion of management, this is unlikely.

b) Directory Assistance segment: Development of call volumes and revenue per call

As planned for 2018, call volume was further declining in comparison to previous year, whereby the actual decrease of 22% not met the forecast of 19%. Simultaneously, the revenue per call could be raised by nearly 2% and an additional revenue in Call Center Services could be gained. This lead to an additional revenue in the Directory Assistance segment of EUR 12.6 Mio. putting it within the forecast range (2017: EUR 14.4 Mio.). Planning a further shrinking call volume with only a slight increase in revenue per call, management expects a stable development in financial resources with an EBITDA of EUR -0.5 to 0.5 in the short to medium term, because of the planned expansion of Call Center Services. Only if the expansion of Call Center Services is not as successful as planned, a cash outflow should be expected in the short to medium term. In the opinion of the management, it is not likely that this cash outflow would exceed the expected positive cash flow of the Digital segment.

3.1.3 Financing of the Group

The risk of illiquidity and thus the threat of continued existence would only materialise, if no credit institution would provide a credit line for the proper continuation of the Company as a going concern and if the capital measures approved by the Annual General Meeting but not yet planned had no effect because potential investors failed to subscribe to the newly issued shares.

The following significant carrying amounts are affected by the aforementioned assumptions and expected developments:

Goodwill (EUR 0.4 Mio.): This is entirely allocated to the cash generating unit Directory Assistance. As stated in section "6. Goodwill", the management's opinion is, that on the basis of any assumption made, any realistic changes of these material assumptions would not lead to an impairment loss.

Non-current assets (EUR 5.3 Mio.) and property and equipment (EUR 1.0 Mio.): These are primarily allocated to the Digital segment. Management believes, that on the basis of the aforementioned development of segments a realistic modification in essential estimates would not lead to any impairment loss.

The carrying amounts of any other material assets and liabilities presented in this consolidated financial statements as of 31 December 2018 mainly meet their fair values.

The management expects the main uncerntainty associated with the continuation of the companies business activities to be eliminated by the end of 2022 . This is due to the fact, that management assumes to have a positive cash flow in 2020.

With regard to the cash funds available to the Group, see also section 1 „Cash and cash equivalents" and section 3 „Financial assets at fair value through profit or loss" in the notes to the consolidated balance sheet. Further information on the Group's financial position is also provided in the section „Other notes and disclosures" under note 8.2 „Liquidity risk".

3.2 Revenue from contracts with customers

The Group made the following discretionary decisions with a material influence on determining the amount and timing of the recognition of revenue from contracts with customers:

3.2.1 Identification of performance obligations in contracts with customers

Identifying individual performance obligations in contracts with customers is relevant particularly in cases where separate performance obligations are identified in a contract and one performance obligation is fulfilled at a particular point in time, but another performance obligation is fulfilled over a specified period of time or the periods of the performance obligations differ. The timing of revenue recognition is different in these cases.

For each contract with a customer in the Digital segment, the Group essentially identifies only one contractual performance obligation under which the transfer of goods or services to customers takes place over a uniform period of time.

Due to the contractual agreements, revenue from contracts in this area is recognised on a monthly basis.

3.2.2 Financing components

In the Digital segment, the Group offers two main payment options: Payment of an annual invoice after the contract is signed or payment of an annual invoice in equal instalments each month. The Group came to the conclusion that contracts where the customer decides to pay in advance generally include a financing component based on the period of time between payment for the service by the customer and its transfer. As a rule, however, the time period in question amounts to no more than one year. Therefore, the Group makes use of the practical expedient of IFRS 15.129 in conjunction with IFRS 15.63 and does not recognise this financing component.

3.2.3 Variable consideration

Certain contracts for the sale of software include a right of return that constitutes a variable consideration. Moreover, variable considerations are considered in the form of credit notes. In estimating the variable consideration, the Group must either apply the expected value method or a method to determine the likeliest amount. The method that must be selected is the one with which the Group can most reliably determine the consideration owed.

Since the estimated variable considerations arising from rights of return is not material to the presentation of the consolidated financial statements as at the reporting date, no further information is provided here. When determining the transaction price, the variable consideration from expected credits is taken into account in accordance with the expected value method.

3.3 Loss allowances on trade accounts receivable and contract assets

The Group recognises loss allowances on trade accounts receivable and contract assets in order to take expected losses into account that may result from non-receipt of customer payments. In order to take into account the potential risk of default, historical default and loss rates are determined that are adjusted using forward-looking estimates and estimates of general economic conditions and customer-specific factors. The key factors influencing the amount of the loss allowances is the estimate of the likelihood of occurrence of insolvencies and the estimate regarding changes in the technological, economic and legal environment, particularly the market environment. For changes in loss allowances, see section 2. under the notes to the statement of financial position.

3.4 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.

3.5 Intangible assets

3.5.1 Customer base

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.

3.5.2 Contract costs

Contract costs (costs to obtain and fulfil a contract) are recognised as an asset only if they meet the criteria for recognition set out in IFRS 15 and it is expected that the corresponding costs will be recovered in accordance with IFRS 15.95.

In determining the amount of sales commission to be capitalised (costs to obtain a contract), the commission paid is not recognised if the amortisation period would amount to less than one year in accordance with the expedient in IFRS 15.94. The amount of the sales commission to be recognised in each case (costs to obtain a contract) is generally based on the contractual commission agreements entered into. Furthermore, when employee commission is capitalised, a premium is calculated based on the employer contributions to social security due on the commission payment.

The amount capitalised for customer websites (costs to fulfil a contract) includes direct labour costs (employees who work on producing the websites), direct material costs and allocated overhead costs such as depreciation and rent.

Capitalised contract costs (costs to obtain and fulfil a contract) are amortised over the average customer retention period. In determining the average customer retention period terms of the underlying contracts, expected contract extensions are taken into account. Capitalised contract costs are subject to an annual impairment test, in which primarily the future recovery of costs in accordance with IFRS 15 and the average customer retention period are tested.

3.6 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 restated in the future.

The gross value of deferred tax assets on tax loss carryforwards (before loss allowance) amounted to EUR 11,680 thousand as of the reporting date (2017: EUR 10,118 thousand); see also note 10 in the notes to the balance sheet.

3.7 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 4 in other notes and disclosures.

3.8 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 15 in the notes to the balance sheet for further information on this.

The revised final Heubeck RT 2018 G mortality tables were published in October 2018. The new estimates regarding mortality based on the year of birth lead to only a minor change in pension provisions for the 11880 Group as a whole.

4. Correction of errorsand changes in estimates

4.1 IAS 8 Correction of errors – goodwill measurement

The German Financial Reporting Enforcement Panel (FREP) has found that the accounting for the 2016 financial year was erroneous. According to the FREP conclusion, especially the recoverability of the goodwill of the cash-generating unit „Digital business“ recognised in the consolidated balance sheet as of 31 December 2016 was not demonstrated and the discount rate or the cash flow forecasts in the calculation of the value in use of this cash-generating unit did not adquately take risks into account.

As a result, in the year under review the Group reassessed the recoverability of the goodwill of Digital CGU for the 2016 financial year and took into account the risks identified by the FREP by increasing the pre-tax discount rate from 12.23% to 14.33%.

Consequently, the share of goodwill that was primarily allocated to the cash-generating unit Digital within the 11880 Internet Services AG was written-off completely retrospectively.

The effects of this error correction on the consolidated statement of financial position, the consolidated income statement, the reconciliation of gross profit to earnings before interest, taxes, depreciation and amortisation and the statement of cash flows are presented below. The lines within the individual components that are affected by the error correction are highlighted.

4.1.1 Effects on the statement of financial position

Consolidated statement of financial position

1. January 2017

in EUR thousand	Effects of error correction		
ASSETS	1.1.2017 restated	Restatements	1.1.2017 before error correction
Non-current assets			
Goodwill	416	-3,073	3,489
EQUITY AND LIABILITIES			
Equity			
Accumulated loss	-30,852	-3,073	-27,780

31. Dezember 2017

in EUR thousand	Effects of error correction		
ASSETS	1.1.2017 restated	Restatements	1.1.2017 before error correction
Non-current assets			
Goodwill	416	-3,073	3,489
EQUITY AND LIABILITIES			
Equity			
Accumulated loss	-40,436	-3,073	-37,364

Cost, impairment losses and carrying amounts of goodwill
Goodwill
Cost

in EUR thousand	Goodwill
As of 1 January 2017 before error correction	6,791
Restatement, IAS 8	0
As of 1 January 2017, restated	**6,791**
As of 31 December 2017 before error correction	6,791
Restatement, IAS 8	0
As of 31 December 2017, restated	**6,791**
As of 31 December 2018	**6,791**

Accumulated impairment

in EUR thousand	Goodwill
As of 1 January 2017 before error correction	3,302
Restatement, IAS 8	3,073
As of 1 January 2017, restated	**6,375**
As of 31 December 2017 before error correction	3,302
Restatement, IAS 8	3.073
As of 31 December 2017, restated	**6,375**
As of 31 December 2018	**6,375**

Carrying amounts

in EUR thousand	Goodwill
Carrying amounts as of 1 January 2017 before error correction	3,489
Restatement, IAS 8	-3,073
As of 1 January 2017, restated	**416**
Carrying amounts as of 31 December 2017 before error correction	3,489
Restatement, IAS 8	-3,073
Carrying amount as of 31 December 2017, restated	**416**
Carrying amounts as of 31 December 2018	**416**

4.1.2 Effects on earnings

Consolidated income statement

The error corrections made have no effect on the consolidated results in the 2017 and 2018 reporting periods, since impairment losses were recogized in equity with no effect on net income at 1 January 2017.

4.1.3 Effects on the statement of cash flows

Consolidated statement of cash flows

The error corrections made have no effect on the amount of the impairment losses on goodwill shown in the statement of cash flows in the 2017 and 2018 reporting periods and thus do not change the cash outflow from operating activities. Cash and cash equivalents at the end of the respective periods are not affected, either.

4.2 IAS 8 Correction of errors – Other items

In previous years, creditors with debit balances were shown under trade accounts receivable and not under other current assets. This has been corrected accordingly. The respective restatements are presented in the following table:

in EUR thousand	31.12.2017 restated**	restatement IAS 8	31.12.2017	1.1.2017 restated*	restatement IAS 8	1.1.2017
Trade accounts receivable, net	9,633	-51	9,684	10,193	-117	10,310
Other current assets	**831**	**51**	**780****	**1,053**	**117**	**936***

(*) amount after restatement of costs to fullfil a contract (Websites) according to changes in estimates that are presented in chapter 4.3 with an amount of EUR 1,227 thousand.

(**) amount after restatement of costs to fullfil a contract (Websites) according to changes in estimates that are presented in chapter 4.3 with an amount of EUR 1,186 thousand.

Further information are provided in sections “trade accounts receivable” and “other current assets” in the notes to the consolidated balance sheet.

In previous years, debtors with credit balances were shown under trade accounts payable and not under other current liabilities. This has been corrected accordingly. The respective restatements are presented in the following table:

in EUR thousand	31.12.2017 restated**	restatement IAS 8	31.12.2017	1.1.2017 restated*	restatement IAS 8	1.1.2017
Trade accounts payable, net	187	-248	435	572	-165	737
Other current liabilites	**5,486**	**248**	**5,238**	**3,127**	**165**	**2,962**

Further information are provided in sections “trade accounts payable” and “other current liabilities” in the notes to the consolidated balance sheet.

The change in the presentation of aforementioned balance sheet items do not affect previous year’s results or cash and cash equivalents in year 2017 but cause changes in the following cash flow positions of 2017:

- Trade account receivable: 51 TEUR
- Other current assets: -51 TEUR
- Trade accounts payable: -248 TEUR
- Other current liabilities: 248 TEUR

4.3 IAS 8 Correction of errors – segment results

In previous preporting periods, the presentation of expenses and income of such cost centers which are debited by both segments, was not reported according to their actual cause. Consequently, the net income of both segments for the period as reflected in the 2017 consolidated financial statements in accordance with IFRS 8.21 (b), which was presented as the so-called segement-EBITDA in consolidated financial statements as of 31 December 2017 did not show the correct result of the period. The EBITDA of the Directory Assistance segment was EUR 2.6 million too high and the EBITDA for the Digital segment was too low. In section 1 “operating segments” of other notes and disclosures, the presentation of net income and EBITDA of both segments was corrected accordingly for previous year’s reporting period.

4.4 IAS 8 changes in estimates and reclassifications pursuant to IAS 1

As described in section 3.5.2 Contract costs, costs to obtain and fulfil a contract are amortised on the basis of the average customer retention period.

In the 2018 financial year, the useful life of the sales commission (costs to obtain a contract) and customer websites (costs to fulfil a contract) capitalised in 2016 and 2017 to the extent that they had a residual carrying amount as at 1 January 2018 was increased from originally 12 or 24 months (depending on the underlying contract) to 36 months across the board. The reassessment of the useful life is based on the positive performance of the digital business and the declining churn rate as well as the improved customer retention overall. The positive effect on earnings of this change in 2018 amounts to EUR 774 thousand.

	Amortisation before adjustment of useful life (in EUR thousand)			Amortisation after adjustment of useful life (in EUR thousand)		
Contract costs	2018	2019	2020	2018	2019	2020
Costs to obtain a contract (commissions)	1,154	4	–	463	437	257
Costs to fulfil a contract (customer websites)	154	5	–	71	65	23
Total	1,308	9	–	534	502	280

EBITDA as the Group's key performance indicator is influenced by the reassessment of useful lives, since the costs to obtain a contract previously recognized under other current assets (commissions) are now also amortized over a longer period (EBITDA-increasing). The following reclassification effects within the consolidated statement of financial position resulted from the change in the estimate of useful lives, which lead to a change in the prior-year disclosures in the individual items of the statement of financial position:

- **Costs to obtain a contract (commissions)**: Reclassification of all capitalised sales commissions to intangible assets. In the previous year, these were divided into other current assets and intangible assets with the disclosure of corresponding amortisation being unchanged in the sales and distribution costs.
- **Costs to fulfil a contract (customer websites)**: Presentation of all capitalised costs to fulfil a contract under intangible assets. In the previous year, these assets were divided into other current assets and other non-current assets with the disclosure of corresponding amortisation being unchanged in the cost of revenues.

Overall, the reclassification of the carrying amounts in the prior-year statement of financial position in accordance with IAS 1 is as follows:

in EUR thousand	1.1.2018	Restatement, IFRS 15(*)	31.12.2017 restated	Restatement, IAS 1	31.12.2017	1.1.2017 restated	Restatement, IAS 1	1.1.2017
ASSETS								
Other current assets	**780**	**-**	**780**	**-1,186**	**1,966**	**936**	**-1,227**	**2,163**
of which customer websites	0	-	0	-123	123	0	-555	555
of which sales commission	0	-	0	-1,063	1,063	0	-672	672
Intangible assets	**4,568**	**-173**	**4,741**	**+1,186**	**3,555**	**7,210**	**+1,227**	**5,982**
of which customer websites	0	-173	173	+123	50	911	+555	356
of which sales commission	1,160	-	1,160	+1,063	97	1,327	+672	655
Other non-current assets	**177**	**+173**	**4**	**-**	**4**	**0**	**-**	**0**
of which customer websites	173	+173	0	-	0	0	-	0

(*) The restatement in accordance with IFRS 15 is also presented here for the sake of completeness. For more information on the first-time application of IFRS 15 Revenue from Contracts with Customers, see section 5.2.

The reclassification of contract costs from other current intangible assets entirely to intangible assets has the following implications on the presentation of the statement of cash flows (abbreviated presentation).

in EUR thousand	**1.1.2017-31.12.2017 restated**	**Restatement IAS 1**	**1.1.2017-31.12.2017**
Income (loss) before income tax	**-9,871**	**–**	**-9,871**
Adjustments for:			
Amortisation and impairment of intangible assets	6,836	+2,675	4,161
Depreciation on current intangible assets	0	-2.675	2.675
Changes in non-current financial assets and other assets	-2,635	-2,634	-1
Operating loss/profit before changes in operating assets and liabilities	**-6,998**	**-2,634**	**-4,363**
Changes in current intangible assets	0	+2,634	-2,634

4.5 Previous year's figures

Based on the corrections of errors made in previous years as presented in this section in accordance with IAS 8 and the reclassifications in accordance with IAS 1, any reference to previous year's figures in all of the following components of the notes to the consolidated financial statements uses these corrected figures.

5. Changes in accounting policies

The accounting policies described in section 2 which are applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the 2017 financial year, except for the changes explained below.

5.1 IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB on 24 July 2014 and adopted by the EU on 22 November 2016. The regulation adopting IFRS 9 in the EU was published in the Official Journal of the EU on 29 November 2016. 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 restatements to comply with the new rules in IFRS 9.

The standard contains thoroughly reworked rules concerning the classification and measurement of financial instruments, accounting for impairment of financial assets and hedge accounting. Its implementation also results in more extensive disclosures in the notes than was the case under IAS 39.

The new standard must be applied for annual periods beginning on or after 1 January 2018. IFRS 9 will be applied using the modified retrospective method, i.e. without restating the comparative period. Any transition effects are recognised cumulatively in other components of equity.

5.1.1 Classification and Measurement

IFRS 9 provides for three categories of financial assets that are relevant to subsequent measurement: "fair value through profit or loss" (FVTPL), "amortised cost" (AC) and "fair value through other comprehensive income" (FVOCI). The allocation of financial assets to the individual categories depends on the respective cash flow characteristics and the business model (see section 2.6).

Financial assets whose cash flows do not consist exclusively of interest and principal payments are allocated to the FVtPL category. In the Group, this concerns investment fund units which in the previous year were measured at fair value in other comprehensive income in accordance with IAS 39. As a result, any effects from the measurement of securities held by the Group will no longer be recognised in other comprehensive income going forward and reclassified to profit or loss upon derecognition of the financial asset, but instead recognised directly in net profit or loss for the period.

Financial assets whose cash flows consist exclusively of interest and principal payments are allocated based on the business model. If the financial instruments are held under a business model that provides for the collection of contractual cash flows, they are allocated to the AC category.

If the financial instruments are held under a business model that generally provides for the collection of contractual cash flows, but where the instruments may also be sold if required, the financial instruments are allocated to the FVOCI category.

The measurement categories and the respective carrying amounts for each class of financial assets and financial liabilities according to IAS 39 in effect until 31 December 2017 and according to IFRS 9 applicable as at 1 January 2018 are presented below.

In EUR thousand	Measurement categories		Carrying amounts 31.12.2017/1.1.2018		Difference
	IAS 39	IFRS 9	IAS 39	IFRS 9	
ASSETS					
Cash and cash equivalents	Loans and receivables (LaR)	Amortised cost (AC)	708	708	0
Trade accounts receivable At amortised cost	Loans and receivables (LaR)	Amortised cost (AC)	9,633	9,424	-209
		Fair value through profit or loss (FVtPL)	0	5,302	5,302
Securities At fair value through other comprehensive income with recycling (with recycling)	Available-for-sale financial assets (AfS)	Fair value through other comprehensive income with recycling	5,302	0	-5,302
Other current assets Amortised cost (AC)	Loans and receivables (LaR)	Amortised cost (AC)	150	150	0
EQUITY AND LIABILITIES					
Trade accounts payable Amortised cost (AC)	Financial liabilities measured at amortised cost (AC)	Amortised cost (AC)	187	187	0

(*) The amounts shown in this column present the amounts after reclassification of creditors with debit balances and debtors with credit balances according to IAS 1 (compare chapter 4.2).

Significant changes result from the reclassification of the securities previously shown in the „Available-for-sale financial assets" category in accordance with IAS 39 and measured at fair value through other comprehensive income. These are now classified as "at fair value through profit or loss" (FVtPL) under IFRS 9. The effect from the measurement of securities for the 2018 financial year amounts to EUR -13 thousand. There are no changes in the carrying amounts of financial assets resulting from the adoption of IFRS 9. The gains of EUR 151 thousand (EUR 218 thousand less deferred tax of EUR 67 thousand) from the measurement of securities recognised in other comprehensive income as of 31 December 2017 were reclassified to accumulated deficit in the course of transitioning from IAS 39 to IFRS 9, reducing the net loss.

Most financial assets classified by the Group as loans and receivables (LaR) in accordance with IAS 39 in the previous year and measured at amortised cost are also measured at amortised cost under IFRS 9. Differences in the carrying amounts of trade accounts receivable are due to the adjustment of the impairment method (see section 5.1.2) and to the reclassifications that are explained in chapter 4.2.

At the balance sheet date, the Group did not allocate any financial instruments to the FVOCI category.

The first-time application of IFRS 9 had no impact on the Group's accounting for financial liabilities as these continue to be recognised at amortised cost.

The application of IFRS 9 does not result in any changes with regard to the classification of financial assets measured at fair value in the fair value hierarchy. As in the previous year, the securities held by the Company are allocated to Level 1.

As of 31 December 2018 in EUR thousand	Level 1	Level 2	Level 3	Total
Securities				
Measured at fair value through profit or loss (IFRS 9)	1,698	–	–	1,698
Securities				
As of 31 December 2017 in EUR thousand				
Securities				
Measured at fair value through other comprehensive income (IAS 39)	5,302	–	–	5,302

5.1.2 Impairment

The first-time application of IFRS 9 has fundamentally changed the accounting treatment of impairment losses on the Group's financial assets: Under IAS 39, impairment losses were recognised only for loan defaults already occurred (incurred credit loss model). IFRS 9, on the other hand, generally provides for the recognition of expected credit loss at initial recognition (expected credit loss model). This model is applicable not only to debt instruments, but also to contract assets in accordance with IFRS 15.

When IFRS 9 was applied for the first time, the Group recognised an additional impairment loss on its trade accounts receivable of EUR 209 thousand The impairment loss was recognised in accumulated deficit. For lack of recoverabiltiy deferred tax of EUR 66 thousand had not impact on the reclassification in equity.

The new rules on hedge accounting do not affect the Group's net assets, financial position and results of operations.

Details on the material accounting policies relating to financial instruments in financial year 2018 were provided above in section 2.6.

5.2 IFRS 15 Revenue from Contracts with Customers

The IASB issued the new standard IFRS 15 Revenue from Contracts with Customers in May 2014. The standard was adopted by the EU in September 2016. IFRS 15 mainly replaces IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. In September 2015, the IASB published an amendment standard concerning the date of initial application, thus confirming the postponement of the effective date of IFRS 15 by one year to 1 January 2018.

According to IFRS 15, the amount of the revenues and the time of revenue recognition are determined according to a uniform, principle-based model comprising five stages:

- identification of the contract / contracts with a customer,
- identification of the separate performance obligations in the contract,
- determination of the transaction price,
- assignment of the transaction price to the performance obligations in the contract,
- revenue recognition upon fulfilment of the performance obligation by the Company.

The core principle of IFRS 15 is to require an entity to recognise revenue in the amount in which it expects to receive consideration for the assumed performance obligations, i.e. the transfer of goods and provision of services. The above framework model is to be applied to all contracts with customers. Revenue can be recognised with regard to a time period or point in time and shall be realised when the customer receives control over and can obtain benefits from the agreed goods and services. When applying every stage of the model to contracts with customers, IFRS 15 requires companies to make discretionary decisions and take into account all relevant facts and circumstances. In addition, the standard governs accounting for the additional costs of obtaining a contract as well as the costs directly associated with the fulfilment of a contract. Finally, the standard also contains extensive rules regarding disclosures.

When IFRS 15 was applied for the first time, the Group opted for the modified retrospective method in accordance the practical expedient, i.e. the comparative period was not restated. Any transition effects are recognised cumulatively in other components of equity.

The changes in revenue recognition arising from IFRS 15 do not materially affect the Group's net assets, financial position and results of operations, so no restatements had to be made. Accordingly, no further details are provided regarding any possible effects of implementation.

5.2.1 Changes in accounting

In contrast, recognition was materially affected by the introduction of IFRS 15 in the following ways:

- Disclosure of development costs for customer websites in the amount of EUR 173 thousand as costs to fulfil a contract under other non-current assets from 1 January 2018 as long as the criteria of IFRS 15.95 are met, with the related amortisation continuing to be shown in cost of revenues (Shown under intangible assets until 31 December 2017 in accordance with IAS 38). The corresponding amortisation was disclosed in the amortisation of intangible assets item.
- Payments made prior to the fulfilment of contractual performance obligations are disclosed as contract liabilities under other current liabilities. In the previous year, these were still considered prepayments received.

There are no changes in measurement of the amount of capitalised costs to obtain or fulfil a contract, because sales commission and the development costs of customer websites had already been capitalised in accordance with IAS 38 in the past. As a result, implementing this standard did not result in any material effects that would be required to be disclosed in other components of equity.

At the reporting date, there were no material contract assets in the form of outstanding payments or amounts due from performance obligations completed. Right of return assets arise only in an insignificant amount from software products in the Digital segment.

5.2.2 Effects on earnings

The aforementioned accounting changes in relation to costs to fulfil a contract (websites) do not result in any changes in presentation within the income statement, as they continue to be amortised under cost of revenues.

Their amortisation is therefore no longer included in the calculation of the EBITDA. This impacts the amount of EBITDA (earnings before interest, taxes, depreciation and amortisation) as a key performance indicator of the Group.

EBITDA as at 31 December 2017 therefore still included amortisation of EUR 1.3 million for costs to fulfil a contract with the effect of increasing EBITDA. In contrast, EBITDA for the reporting year was decreased by EUR 0.1 million as these costs are no longer included in the calculation of the EBITDA.

5.2.3 Effects on the statement of cash flows

The EUR 1.3 million amortisation of costs to fulfil a contract (websites) reported in the previous year under amortisation and impairment of intangible assets in the statement of cash flows in the amount of EUR 1.3 million was reported in a separate line item within the statement of cash flows in the year under review as "Amortisation of capitalised contract costs" in the amount of EUR 0.1 million. The previous year's amount was not restated in this respect.

5.3 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 initial application

The amendments were issued in April 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2018.

The amendments do not materially affect the Group's net assets, financial position and results of operations.

5.4 Amendments to IFRS 2 Share-based Payment – 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. Retrospective application is only permitted if this is possible without the use of hindsight.

The amendments do not materially affect the Group's net assets, financial position and results of operations.

5.5 IFRIC 22 Advance Consideration in Connection with Foreign Currency Transactions

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 in December 2016 and adopted by the EU in March 2018. IFRIC 22 must be applied for the first time for reporting periods beginning on or after 1 January 2018. Earlier voluntary application is permitted.
The amendments do not materially affect the Group's net assets, financial position and results of operations.

5.6 Annual improvements to IFRS – 2014-2016 cycle

These include clarifications concerning:

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

The amendments were issued in December 2016 and adopted by the EU in February 2018. 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 amendments do not materially affect the Group's net assets, financial position and results of operations.

5.7 Future changes in accounting policies

Adoption of the following standards newly issued or amended by the IASB is not yet mandatory as at the reporting date. For this reason, they were not applied to the consolidated financial statements for the period ended 31 December 2018. The Group usually does not adopt amended standards prior to the effective date, even if individual standards permit this.

5.7.1 Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation

The amendments to IFRS 9 cover the classification of certain financial instruments with negative prepayment features. Under certain circumstances prepayable financial assets with negative compensation may be carried at amortised cost or at fair value in other comprehensive income instead of at fair value through profit or loss. The amendments also clarify the accounting treatment of financial liabilities that are modified as a result of restructuring measures.

The amendments were issued in October 2017 and adopted by the EU in March 2018. The must be applied to annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The amendments are not expected to materially affect the Group's net assets, financial position and results of operations.

5.7.2 IFRS 16 Leases

In January 2016, the IASB issued the new standard IFRS 16 on lease accounting, which was endorsed by the EU in October 2017. IFRS 16 Leases primarily supersedes IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27.

Under IFRS 16, lessees no longer classify leases as operating or finance leases. Instead, a uniform accounting model is applied for lessees, whereby all leases must now be recognised in the form of a right-of-use asset and a corresponding lease liability at the present value of the minimum lease payments. Consequently, the right-of-use asset must be depreciated over the lease term on a straight-line basis, while the lease liability must be measured at the present value of the lease payments still outstanding. A uniform presentation is made in the income statement in which a depreciation charge is continuously recognised for each lease agreement and interest expense is allocated over the lease term.

IFRS 16 provides options for recognising leases with a lease term of less than a year (short-term leases) and leases with underlying assets of low value (low-value assets). These two options for relief may be elected for a class of assets in the case of short-term leases and for each asset individually in the case of low-value assets. Likewise, the practical expedient offered in IFRS 16 permits the Group to decline to separate lease and non-lease (e.g. maintenance) contract components. When certain events occur (e.g. changes in the terms of leases or changes in future lease payments as the result of a change in the index or interest rate used to determine the lease payments), the lessee must remeasure lease liabilities. The remeasured amount of the lease liability will be generally recognised by the lessee as an adjustment to the right of use asset.

While a lessee is no longer required to classify a lease as either a finance lease or an operating lease, IFRS 16 still requires lessors to do so - as is the case with the currently applicable IAS 17.

IFRS 16 must be applied for the first time for annual periods beginning on or after 1 January 2019. Early application is permitted if the entity also applies IFRS 15 Revenue from Contracts with Customers at that time.

The 11880 Group will apply the new standard from 1 January 2019. The practical expedient for not recognising short-term leases as assets is applied to motor vehicle leases. On the other hand, the option to recognise short-term leases for rental premises, such as offices, as right-of-use assets is exercised. As a rule, the Group also does not recognise leases for low-value assets. The corresponding lease expenses therefore remain part of the Group's rental and leasing expenses.

IFRS 16 is applied for the first time in accordance with the practical expedient, using the modified retrospective method, i.e. without restating the comparative period. Transition effects are recognised cumulatively in other components of equity.

Existing contracts potentially to be measured pursuant to IFRS 16 were identified and divided into the following contract groups in a comprehensive contract analysis:

- Leases for office space and car parking spaces
- Leases for advertising space
- Leases for storage space
- Leases for data lines
- Leases for cars
- Leases for hardware and software
- Leases for other office equipment

This was followed by a more detailed examination of the individual contract groups based on materiality to determine possible recognition. The payment obligations from previous operating leases qualifying for recognition are discounted at the corresponding incremental borrowing rate of interest when at transition date.
The 11880 Group will proceed as follows with regard to the options and expedient to be exercised:

- Essentially, the Group will exercise the option not to capitalise leases with underlying low-value assets.
- The Group will exercise the option not to recognise lease assets for leases with a term of up to 12 months (short-term leases) (applies to motor vehicle leases).
- The Group will exercise the option to recognise lease assets for leases with a term of up to 12 months (short-term leases) (applies to rented business premises).
- The Group will not separate lease and non-lease components.

The anticipated effects on the presentation of the Group's net assets, financial position and results of operations are as follows:

- Increase in financial liabilities as of 1 January 2019 by around EUR 6.5 million to EUR 7.5 million due to the capitalisation of lease liabilities and increase in property and equipment by EUR 6 million to EUR 7 million as a result of rights of use from rental agreements and leases on moveable assets and real estate to be capitalised, resulting in an increase in total assets/total equity and liabilities.
- Based on the Group's leases as at 1 January 2019, rental and leasing expenses included in distribution costs and general administrative expenses will decline by approximately EUR 1 million to EUR 1.5 million. In contrast, the interest expense will rise by EUR 300 thousand to EUR 550 thousand and depreciation/amortisation totalling EUR 800 thousand to EUR 1.2 million will be recognised.
- The interest and principal portion associated with the lease liability will in future be reported in cash flow from financing activities. This will improve cash flow from operating activities by reducing rental expenses. Lease payments for short-term leases (motor vehicle leases) and low-value leases (other operating and office equipment) will continue to be disclosed in cash flows from operations.
- Based on the Group's leases as at 1 January 2019, the Group's EBITDA is expected to increase by approximately EUR 1 million to EUR 1.5 million in 2019.

5.7.3 IFRIC 23 Uncertainty over Income Tax Treatments

The IFRIC 23 Uncertainty over Income Tax Treatments interpretation published by the IFRS IC 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 1.122 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. The amendments have not yet been transposed into EU law.

At the present time, we do not expect the amendments to materially affect the Group's net assets, financial position and results of operations.

5.7.4 Amendments to the Conceptual Framework

The IASB issued a revised version of its Conceptual Framework in March 2018. It contains revised definitions of assets and liabilities, and new guidance on measurement and derecognition, reporting and disclosures. In the revision, the IASB limited itself to topics that had not previously been explicitly covered or contained obvious loopholes.

The revised Conceptual Framework was issued in March 2018 and – subject to EU endorsement – must be applied for annual periods beginning on or after 1 January 2020. The IASB is already applying the new Conceptual Framework.

At the present time, we do not expect the amendments to materially affect the Group's net assets, financial position and results of operations.

5.7.5 Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB issued Amendments to IAS 19 concerning the accounting of plan amendments, curtailments and settlements. The amendments stipulates the basis on which to determine the current service cost and the net interest expense (income) for the period between plan amendment and the end of the reporting period.

The amendments must be applied for annual periods beginning on or after 01 January 2019. The standard has yet to be adopted by the EU.

At the present time, we do not expect the amendments to materially affect the Group's net assets, financial position and results of operations.

5.7.6 Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The IASB issued amendments to IAS 28 in October 2017. These were adopted by the EU on 8 February 2019. The amendments to IAS 28 clarify that IFRS 9 must be applied to long-term investments in associates or joint ventures that are not accounted for using the equity method.

The amendments must be applied retrospectively and become effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

To date, the 11880 Group has no investments in associates and joint ventures.

5.7.7 Annual improvements to IFRS – 2015-2017 cycle

These include clarifications concerning:

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

The amendments were issued in December 2017. The amendments must be applied from 1 January 2019. The amendments have not yet been transposed into EU law.

At the present time, we do not expect the amendments to materially affect the Group's net assets, financial position and results of operations.

5.7.8 IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in May 2018 and supersedes the previously applicable IFRS 4 Insurance Contracts. It must be applied for annual periods beginning on or after 1 January 2021.

As the new standard does not regulate the accounting treatment of insurance contracts by the policyholder and the 11880 Group does not act as an insurer, no effects on the Group's net assets, financial position and results of operations are expected.

Notes to the Consolidated Income Statement

1. Revenues

Consolidated revenues in the 2018 financial year amounted to EUR 42,921 thousand (2017: EUR 41,268 thousand).

In the financial year, revenue of EUR 4,219 thousand was recognised from contractual liabilities existing as of 31 December 2017.

Despite the fact that the market for directory assistance has been in decline for years due to the change in consumer behaviour towards digital media and the associated decline in revenues in this business, revenues were slightly higher year-on-year. The increase in revenues is mainly attributable to the growth in revenues in the digital business. Further explanations on the development of revenues can be found in the Group management report and in the presentation by operating segment in note 1 under other notes and disclosures.

2. Cost of revenues

The cost of services rendered in order to generate revenues of EUR 24,316 thousand (2017: EUR 26,586 thousand) primarily consisted of capacity and infrastructure costs of the Digital and Directory Assistance divisions.

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

In the past financial year, EUR 97 thousand (2017: EUR 540 thousand) in cost of revenues was capitalised as costs to fulfil a contract for the creation of websites for customers, which resulted in an equivalent decrease in cost of revenues. In return, capitalised costs to fulfil a contract were amortised over a period of 36 months and thus charged to cost of revenues in the year under review in the amount of EUR 71 thousand.

3. Selling and distribution costs

The selling and distribution costs of EUR 12,086 thousand (2017: EUR 14,925 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 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 further in 2018.

EUR 3,068 thousand in selling and distribution costs (2017: EUR 2,152 thousand) for obtaining customer contracts in the form of internal and external commissions were capitalised in the past financial year, reducing cost of revenues by that same amount. In return, amortisation attributable to the costs to obtain a contract increases selling and distribution costs by EUR 940 thousand (2017: EUR 2,319 thousand). See also the explanations in sections 4.2 and 5.2.

4. General administrative expenses

The general administrative expenses in the amount of EUR 9,475 thousand (2017: EUR 9,847 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 includes consulting fees incurred for company-wide consulting projects.

The reduction in general administrative expenses is due mainly to the decline in costs of termination benefits which were incurred in the previous year in connection with headcount reduction measures carried out at the end of 2016.

5. Staff costs

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

in EUR thousand	2018	2017
Wages and salaries	16,668	18,744
Social security costs	3,327	3,367
Pension costs	3	50
Multi-year variable remuneration	21	27
Total	**20,019**	**22,188**

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.

6. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment losses included in costs of revenue, selling and distribution costs and other administrative expenses were composed as follows:

in EUR thousand	1.1.2018-31.12.2018	1.1.2017-31.12.2017 restated	Restatement, IAS 1 / IAS 8*	1.1.2017-31.12.2017
Amortisation of intangible assets	3,451	6,836	+2,675	4,161
Depreciation of plant and equipment	577	955	–	955
Depreciation of non-current assets	**4,028**	**7,791**	**+2,675**	**5,116**
Amortisation of current intangible assets	**0**	**0**	**-2,675**	**2,675**
Depreciation, amortisation and impairment, total	**4,028**	**7,791**	**0**	**7,791**

(*) This column presents the changes in accounting estimates under IAS 8 and reclassifications under IAS 1 described in section 4

7. Rental and leasing expenses

Rental and leasing expenses of EUR 1,924 thousand (2017: EUR 2,839 thousand) were recognised in the income statement in the 2018 financial year. These expenses mostly stemmed from rental and lease contracts for real estate, line costs and the vehicle fleet.

8.Other operating income

Other operating income amounted to EUR 3 thousand (2017: EUR 5 thousand) and was mainly the result of income from the disposal of equipment.

9.Other operating expenses

in EUR thousand	2018	2017
Impairment of goodwill	0	0
Loss on disposal of non-current assets	45	2
Other	49	1
Other operating expenses	**94**	**3**

See note 6 under the notes to the statement of financial position for more information and explanations regarding the impairment of goodwill.

10. Net financial income

10.1 Net interest income

in EUR thousand	2018	2017
Interest and similar income from available-for-sale financial assets (*)	0	174
Interest and similar income from financial assets measured at fair value (*)	28	0
Other interest and similar income	26	21
Interest and similar income	**54**	**195**
Interest expense for bank overdrafts and guarantees	-8	-12
Other interest and similar expenses	-34	-13
Interest and similar expenses	**-42**	**-25**
Net interest income	**12**	**170**

(*) In connection with the initial application of IFRS 9, securities are classified as financial assets measured at fair value (FVtPL) in financial year 2018 (previous year: available-for-sale financial assets (AfS)). See 5.1 IFRS 9 Financial Instruments for more information.

Interest income results mainly from financial assets measured at fair value.

10.2 Net income from marketable securities

in EUR thousand	2018	2017
Gain on sale of marketable securities	22	49
Net income from marketable securities	**22**	**49**

The net income from the sale of securities results from the sale of shares and measurement investment fund units. Sales are recognised in the statement of financial position on the trade date.

10.3 Net income from foreign currency translation

in EUR thousand	2018	2017
Gains on foreign currency translation	0	7
Loss on foreign currency translation	0	-9
Net income from foreign currency translation	**0***	**-2**

** The amounts for the financial year are less than EUR 1 thousand.*

10.4 Net results on financial instruments by measurement category

	Net income from financial instruments	
in EUR thousand	31 December 2018	31 December 2017
Cash and cash equivalents	-16	-4
Loans and receivables	-803	-1,334
Available-for-sale financial assets (*)	0	223
Financial assets measured at fair value (*)	50	0
Financial liabilities measured at amortised cost	**-769**	**-1,115**

(*) Net interest income from financial instruments measured at fair value as of 31 December 2017 in accordance with IAS 39 (AfS) and measured at fair value through profit or loss (FVtPL) from 1 January 2018 based on the initial application of IFRS 9 (see 4.1 IFRS 9 Financial Instruments). Prior-year figures have not been restated.

The net interest income from financial assets measured at fair value resulted from annual distributions of investment fund profits, see also note 3 under the notes to the statement of financial position.

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

11. 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	2018	2017
Current income taxes	-2	-9
Deferred income taxes	-94	246
Recognised income/expense from income taxes	**-96**	**237**

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 31.60% applicable for the full 2018 financial year (2017: 30.84%):

in EUR thousand	**2018**	**2017**
Net loss before taxes	**-3,013**	**-9,871**
Applicable tax rate	**31.60 %**	**30.84 %**
Expected income from income taxes	**952**	**3,044**
Increase / reduction by:		
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	-1,209	-2,808
Tax effects on temporary differences/loss carryforwards for which no deferred tax assets were recognised in the past	88	-70
Tax expense resulting from tax audits	0	0
Impairment of goodwill	0	0
Income tax rate differences	67	61
Tax effects on expenses / income (permanently) non-deductible for tax purposes	-55	-65
Tax effects of other differences	61	75
Recognised income/expense from income taxes	**-96**	**237**

Calculated as the ratio of income tax expense/income shown to net loss for the period before taxes, the effective tax rate was -3.13 % (2017: 2.40 %).

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.

As of 31 December 2018, the current tax assets totalled EUR 72 thousand (2017: EUR 97 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 5 thousand as of 31 December 2018 (2017: EUR 26 thousand). The recognition of deferred tax liabilities after offsetting increased from EUR 472 thousand (as of 31 December 2017) by EUR 71 thousand to EUR 543 thousand; see also note 10 in the note to the consolidated statement of financial position.

12. Restructuring measures

In August 2017 a detailed and formal restructuring plan for moving the entire Producing business from Rostock to Essen as of 31 October 2017 and its integration into the Customer Care unit there starting on 1 November 2017 were announced. The aim of this move was to leverage synergy effects arising from the direct proximity and cooperation with the Customer Care unit in Essen. No restructuring expenses were incurred in this connection in the current financial year (2017: EUR 473 thousand). The measure was completed in the first half of 2018.

See note 13 in the notes to the statement of financial position for more information and explanation.

13. Earnings per share

Financial year ended on 31 December, in EUR	2018	2017
Earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.16	-0.50

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	2018	2017
Net income attributable to ordinary shareholders of the parent applicable for calculating earnings per share	-3,109	-9,634

Financial year ended on 31 December, in EUR thousand	2018	2017
Weighted average number of ordinary shares for calculating earnings per share	19,111	19,111

Notes to the consolidated statement of financial position

1. 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	2018	2017
Bank balances and cash	806	522
Short-term deposits	1	1
Restricted cash	94	185
Total	**901**	**708**

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 serve to collateralise rental guarantees.

The fair value of cash and cash equivalents amounted to EUR 901 thousand (2017: EUR 708 thousand) and thus corresponded to their carrying amount.

The 11880 Solutions Group had overdraft facilities of EUR 1,000 thousand (2017: EUR 2,000 thousand) with financial institutions at its disposal as of 31 December 2018. Use of these facilities is not restricted. The overdraft facility is secured by a guarantee furnished by 11880 Solutions AG in the same amount.

2. Trade accounts receivable

The amounts presented in the statement of financial position are amounts after impairment charges that were recognised in order to account for potential expected losses over the remaining term.

in EUR thousand	31.12.2018	1.1.2018	Restatement, IFRS 9	31.12.2017 restated**	31.12.2017	1.1.2017 restated*	1.1.2017
Trade accounts receivable, gross	10,955	11,757	–	11,757	11,808	14,174	14,291
Less loss allowances	-1,659	-2,333	-209	-2,124	-2,124	-3,981	-3,981
Trade accounts receivable, net	**9,296**	**9,424**	**-209**	**9,633**	**9,684**	**10,193**	**10,310**

(*) The restatement includes a reclassification of creditors with debit balances in the amount of EUR 117 thousand.
(**) The restatement includes a reclassification of creditors with debit balances in the amount of EUR 51 thousand.

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

The following trade accounts receivable were impaired with an amount of EUR 1,659 thousand (2017: EUR 2,124 thousand) as of 31 December 2018. Changes in the allowance account were as follows:

In EUR thousand	2018	2017
Loss allowances on 1 January 2018	**2,124**	3,981
Restatement, IFRS 9	209	
Additions	1,095	1,393
Utilisations	-1,238	-2,422
Reversal	-531	-828
Loss allowances on 31 December 2018	**1,659**	**2,124**

Expenses from the recognition and income from the reversal of loss allowances are reported under selling and distribution costs.

For further general information on the recognition of expected default risks and risk management, see section 2.6 and section 8.1 under "Other notes and disclosures".

Recoveries of the authorised collection agency were included in the item "Reversal of portfolio-based loss 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.

3. Financial assets at fair value through profit or loss;

The Group holds investment fund units that invest in short-term, low-risk money market instruments and bonds. In the previous year, these were classified pursuant to IAS 39 "as available-for-sale financial assets" and allocated to the statement of financial position item of the same name. Since 1 January 2018, investment fund units have been categorised as "financial assets at fair value through profit or loss" in accordance with IFRS 9, and the designation of the statement of financial position item has been changed accordingly (see 5.1 IFRS 9 „Financial instruments").

The fair value of the Group's monetary investments in investment fund units as of 31 December 2018 was EUR 1,698 thousand (2017: EUR 5,302 thousand). The investments denominated in euros were neither past due nor impaired.

As in the previous year, the securities held by the company in the amount of EUR 1,698 thousand, which were measured at fair value through profit or loss as of 31 December 2018 (previous year: at fair value through other comprehensive income in the amount of EUR 5,302 thousand) are allocated to Level 1 of the fair value hierarchy.

The available-for-sale financial assets and the financial assets measured at fair value through profit or loss changed as follows:

in EUR thousand	**Available-for-sale financial assets/ other financial assets at fair value through profit or loss (*)**
As of 1 January 2017	**9,691**
Addition	0
Disposal	-4,458
Measurement losses recognised in equity	123
Gains reclassified from equity to the income statement*	-54
As of 31 December 2017	**5,302**
Addition	0
Disposal	-3,591
Measurement gain recognised in profit or loss	-13
As of 31 December 2018	**1,698**

(*) In connection with the initial application of IFRS 9, securities are classified as financial assets measured at fair value (FVtPL) in financial year 2018 (previous year: available-for-sale financial assets (AfS), with measurement gains recognised in other comprehensive income). See 5.1 IFRS 9 Financial Instruments for more information.

The effect from the measurement of securities for the 2018 financial year amounts to EUR -13 thousand.

The gains of EUR 218 thousand from the measurement of securities recognised in other comprehensive income as of 31 December 2017 were reclassified to accumulated deficit in the course of transitioning from IAS 39 to IFRS 9. See the explanations under 5.1 IFRS 9 Financial Instruments for more information.

4. Other financial assets

The other financial assets as of 31 December 2018 are all current and consisted of the following:

Financial year ended on 31 December, in EUR thousand	2018	2017
Other financial assets	123	150

As of 31 December 2018, current other financial assets mainly included receivables from non-recourse factoring.

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

5. Other current assets

Other current financial assets consisted of the following items:

in EUR thousand	31.12.2018	31.12.2017 restated**	31.12.2017	1.1.2017 restated*	1.1.2017
Current intangible assets	0	0	1,186	0	1,227
Prepayments made	482	737	737	894	894
Other current assets	46	94	43	159	42
Other current assets	528	831	1,966	1,053	2,163

(*) This column contains restatements due to the reclassification of creditors with debit balances in the amount of EUR 177 thousand and of costs to fulfil a contract (websites) due to the aforementioned change in estimate in accordance with IAS 8 in the amount of EUR 1,227 thousand
(**) This column contains restatements due to the reclassification of creditors with debit balances in the amount of EUR 51 thousand and of costs to fulfil a contract (websites) due to the aforementioned change in estimate in accordance with IAS in the amount of EUR 1,186 thousand

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

6. Goodwill

6.1 Cost

in EUR thousand	Goodwill
As of 1 January 2017*	**6,791**
As of 31 December 2017*	**6,791**
As of 31 December 2018*	**6,791**

**This presentation includes the restated figures after error correction (see section 4.1).*

6.2 Accumulated impairment

in EUR thousand	Goodwill
As of 1 January 2017*	**6,375**
As of 31 December 2017*	**6,375**
As of 31 December 2018*	**6,375**

**This presentation includes the restated figures after error correction (see section 4.1).*

6.3 Carrying amounts

in EUR thousand	Geschäfts- oder Firmenwert
Goodwill	**416**
Carrying amounts as of 31 December 2017*	**416**
Carrying amounts as of 31 December 2018*	**416**

**This presentation includes the restated figures after error correction (see section 4.1).*

6.4 Impairment test of goodwill

The German Financial Reporting Enforcement Panel (FREP) has found that the accounting for the 2016 financial year was erroneous. In accordance with this finding, especially the recoverability of the goodwill of the cash-generating unit Digital business recognised in the consolidated balance sheet as of 31 December 2016 was not demonstrated. As a result, the carrying amounts of the goodwill attributable to the digital business of 11880 Internet Services AG were written off completely retroactively in the 2016 financial year. We refer to the disclosures in note 4.1.

The qualitative assessment of the recoverability of this cash-generating unit in the year under review did not reveal any need for further impairment of the assets allocated to it.

The carrying amount of remaining goodwill in the amount of EUR 416 thousand (2017: EUR 416 thousand) is fully attributable to the directory assistance business of 11880 Internet Services AG. 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.

This impairment test did not result in any impairment in financial year 2018, as in the previous year.

The recoverable amount of EUR 1.6 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 first three years represent detailed planning, while the years 2022 and 2023 represent the extrapolation of trends to the terminal value. 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 (2018: 10.13%; 2017 restated: 6.74%). Cash flows after the period of five years were not recognised.

6.4.1 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. The EBITDA of the cash-generating unit Directory Assistance Business is scheduled to decrease from EUR 0.5 million in 2019 to EUR 0.3 million in 2023 due to the downturn in business.

Nominal interest rate for debt instruments – German government bonds with a term of 30 years were used for the risk-free base rate. The interest rate on 30-year European corporate bonds with a rating of BBB- to BBB+ is used for the interest rate on debt capital.

As a result, the projection assumes a free cash flow before tax of the cash generating unit Directory Assistance Business of EUR 0.3 million in 2023.

6.4.2 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. 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 Directory Assistance Business by EUR 0.1 million. As a result, the fair value of the cash-generating unit Directory Assistance Business would exceed its carrying amount by EUR 0.9 million, resulting in no impairment.
- Changes in market volume in the directory assistance business have no significant effect on the future cash flows of the cash generating unit. 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 Directory Assistance Business by EUR 0.1 million. As a result, the fair value of the cash-generating unit Directory Assistance Business would exceed its carrying amount by EUR 0.9 million, resulting in no impairment.

The management is of the opinion that in the cash generating unit Directory Assistance Business, a realistic change in the material assumptions would not result in any impairment.

7. Intangible assets

7.1 Cost

in EUR thousand	As of 31.12.2017 restated	Restatement, IFRS 15	As of 1.1.2018	Additions	Disposals	As of 31.12.2018
Software	18,470	0	18,470	79	-3,169	15,380
Licenses	16,073	0	16,073	12	-2,725	13,361
Internally generated database	2,073	0	2,073	0	0	2,073
Acquired customer bases	30,301	0	30,301	0	0	30,301
Acquired klickTel brand	997	0	997	0	0	997
Internally generated intangible assets	7,471	0	7,471	933	0	8,403
Customer contracts (*)	13,549	0	13,549	3,068	0	16,617
Customer websites (**)	5,945	-5,945	0	0	0	0
Other intangible assets	8	0	8	0	0	8
Intangible assets being developed/ with prepayments	0	0	0	74	0	74
Total	**94,888**	**-5,945**	**88,943**	**4,165**	**-5,894**	**87,214**

(*) Due to an adjustment of useful lives, customer contracts are all shown under intangible assets in 2018. In the previous year, customer contracts with a useful life of one year were shown under other current assets.
(**) In connection with the initial application of IFRS 15, costs to fulfil a contract for the creation of customer websites and the associated amortisation and impairment are shown under other non-current assets from 1 January 2018 onward. See note 5.2 IFRS 15 Revenue from Contracts with Customers for more information.

in EUR thousand	As of 1.1.2017	Restatement, IAS 1/IAS 8	As of 1.1.2017 restated	Additions	Disposals	Reclassifications	As of 31.12.2017, restated	As of 31.12.2017
Software	18,317	-	18,317	191	-266	228	18,470	18,470
Licenses	15,824	-	15,824	250	0	0	16,073	16,073
Internally generated database	2,073	-	2,073	0	0	0	2,073	2,073
Acquired customer bases	30,301	-	30,301	0	0	0	30,301	30,301
Acquired klickTel brand	997	-	997	0	0	0	997	997
Internally generated intangible assets	6,196	-	6,196	1,235	0	40	7,471	7,471
Customer contracts	6,705	4,692	11,397	2,152	0	0	13,549	6,729
Customer websites	3,702	1,703	5,405	540	0	0	5,945	3,736
Other intangible assets	8	-	8	0	0	0	8	8
Intangible assets being developed/ with prepayments	268	-	268	0	0	-268	0	0
Total	**84,389**	**6,395**	**90,785**	**4,368**	**-266**	**0**	**94,888**	**85,856**

7.2 Accumulated amortisation and impairment

in EUR thousand	As of 31.12.2017, restated	Restatement, IAS 8, IFRS 15	As of 1.1.2018	Depreciation	Disposals	As of 31.12.2018
Software	17,442	0	17,442	684	-3,168	14,958
Licenses	15,639	0	15,639	241	-2,725	13,155
Internally generated database	2,073	0	2,073	0	0	2,073
Acquired customer bases	30,205	0	30,205	96	0	30,301
Acquired klickTel brand	973	0	973	24	0	997
Internally generated intangible assets	5,656	0	5,656	1,463	0	7,119
Customer contracts (*)	12,389		12,389	940	0	13,329
Customer websites (**)	5,773	-5,773	0	0	0	0
Total	**90,150**	**-5,773**	**84,374**	**3,451**	**-5,893**	**81,932**

(*) Due to an adjustment of useful lives, customer contracts are all shown under intangible assets in 2018. In the previous year, customer contracts with a useful life of one year were shown under other current assets.
(**) In connection with the initial application of IFRS 15, costs to fulfil a contract for the creation of customer websites and the associated amortisation and impairment are shown under other non-current assets from 1 January 2018 onward. See note 5.2.

in EUR thousand	As of 1.1.2017	Restatement, IAS 1/IAS 8	As of 1.1.2017 restated	Amortisation	Disposals	As of 31.12.2017, restated	As of 31.12.2017
Software	16,988		16,988	720	-266	17,442	17,442
Licenses	15,394		15,394	245	0	15,639	15,639
Internally generated database	2,073		2,073	0	0	2,073	2,073
Acquired customer bases	29,814		29,814	391	0	30,205	30,205
Acquired klickTel brand	873		873	100	0	973	973
Internally generated intangible assets	3,873		3,873	1,783	0	5,656	5,656
Customer contracts	6,048	4,019	10,067	2,322	0	12,389	6,630
Customer websites	3,344	1,149	4,494	1,279	0	5,773	3,684
Total	**78,407**	**5,168**	**83,576**	**6,840**	**-266**	**90,150**	**82,302**

7.3 Carrying amounts

in EUR thousand	Carrying amounts as of 31 December 2017	Restatement, IAS 8, IFRS 15	Carrying amounts as of 1 January 2018	Carrying amounts as of 31 December 2018
Software	1,028	0	1,028	422
Licenses	434	0	434	206
Internally generated database	0	0	0	0
Acquired customer bases	96	0	96	0
Acquired klickTel brand	24	0	24	0
Internally generated intangible assets	1,815	0	1,815	1,284
Customer contracts (*)	1,160	0	1,160	3,288
Customer websites (**)	172	-172	0	0
Other intangible assets	8	0	8	8
Intangible assets being developed/ with prepayments	0	0	0	74
Total	**4,741**	**-172**	**4,567**	**5,282**

(*) Restatement due to a change in useful life in accordance with IAS 8 (see section 5.2)
(**) Restatement due to initial application of IFRS 15 (see section 5.2)

The useful life of intangible assets was determined in as follows in the 2018 financial year: Compared to the previous year, the useful life of customer contracts was adjusted from two years to three years (see section 4.4).

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	3 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 internal projects for creating or enhancing software in the Digital and Directory Assistance divisions. In the year under review, development costs of EUR 1.2 million (2017: EUR 1.2) not qualifying for capitalisation were expensed cost of revenue.

Sales commission was capitalised as the cost to obtain a contract and amortised over the average customer retention period of 3 years on a straight-line basis.

Moving the Essen office during the financial year led to disposals of software totalling EUR 2,702 thousand and licences in the amount of EUR 1,573 thousand. Additional disposals of licences in the amount of EUR 1,112 thousand and of software totalling EUR 467 thousand resulted from the final closure of the Munich site.

8. Property and equipment

8.1 Cost

in EUR thousand	As of 31.12.2017	Additions	Disposals	Currency translation	As of as of 31.12.2018
Technical equipment	14,025	58	-2,412	0	11,671
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,614	245	-2,107	1	3,753
Equipment being purchased/with prepayments	0	195	0	0	195
Total	**19,639**	**498**	**-4,519**	**1**	**15,619**

in EUR thousand	As of 1.1.2017	Additions	Disposals	Currency translation	As of as of 31.12.2017
Technical equipment	14,036	299	-311	0	14,025
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,878	152	-410	-4	5,614
Equipment being purchased/with prepayments	0	0	0	0	0
Total	**19,914**	**451**	**-721**	**-4**	**19,639**

8.2 Accumulated depreciation and impairment

in EUR thousand	As of 31.12.2017	Depreciation	Disposals	Currency translation	As of as of 31.12.2018
Technical equipment	13,284	388	-2,404	0	11,268
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,189	189	-2,071	1	3,308
Total	**18,473**	**577**	**-4,475**	**1**	**14,576**

in EUR thousand	As of 1.1.2017	Depreciation	Disposals	Currency translation	As of as of 31.12.2017
Technical equipment	12,960	635	-311	0	13,284
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,231	320	-358	-3	5,189
Total	**18,191**	**955**	**-669**	**-3**	**18,473**

in EUR thousand	Carrying amounts as of 31.12.2017	Carrying amounts as of 31.12.2018
Technical equipment	740	403
Other equipment, fixtures, furniture and office equipment, and low-value assets	426	445
Equipment being purchased/with prepayments	0	195
Total	**1.166**	**1.044**

The useful life of property and equipment was determined in as follows in the 2018 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 2018 financial year mainly resulted from the scrapping of technical equipment, other equipment, and operating and office equipment as well as leasehold improvements in connection with relocating the Company's headquarters in the financial year ended.

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

9. Other non-current assets

Other non-current assets in the amount of EUR 188 thousand as of 31 December 2018 mainly include capitalised costs to fulfil a contract (capitalised customer websites) in the amount of EUR 184 thousand (2017: EUR 0). Explanations of the corresponding restatement and reclassification effects have already been discussed in more detail in sections 4.2 and 5.2. Since the beginning of this resporting period, customer websites are recognized as other non-current assets and are amortised on a straight-line basis over a period of 3 years.

10. Deferred tax assets and liabilities

Für die Berechnung der latenten Steuern des körperschafts- und A corporate income tax rate of 15.00% plus a trade tax rate of 15.77% 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 450.63%. 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:

in EUR thousand	31.12.2018	1.1.2018	Restatement, IFRS 9	31.12.2017
Gross value of deferred tax assets:				
Tax loss carryforwards	11,680	10,118		10,118
Intangible assets	812	1,007		1,007
Other assets	21	107	66	41
Provisions	386	282		282
Other liabilities	147	5		5
Less impairment loss	-10,221	-9,078	-66	-9,012
Deferred tax assets before netting	2,825	2,441		2,441
Netting	-2,820	-2,415		-2,415
Deferred tax assets after netting	**5**	**26**		**26**
Less deferred tax liabilities:				
Property and equipment	-1	-33		-33
Financial assets	-28	-67		-67*
Intangible assets	-1,490	-1,010		-1,010
Other assets	-1,844	-1,777		-1,777
Provisions	0	0		0
Deferred tax liabilities before netting	**-3,363**	**-2,887**		**-2,887**
of which in other comprehensive income			67*	-67*
Netting	2,820	2,415		2,415
Deferred tax liabilities after netting	**-543**	**-472**		**-472**
Net value of deferred taxes	**-538**	**-446**		**-446**

(*) In the previous year, deferred tax liabilities on available-for-sale financial assets (AfS) were recognised directly in equity. Due to the initial application of IFRS 9, deferred taxes on „financial assets at fair value through profit or loss (FVtPL)“ are recognised in profit or loss.

As of 31 December 2018, the Group companies' accumulated corporate income tax loss carryforwards amounted to EUR 36,825 thousand (2017: EUR 32,128 thousand). As of 31 December 2018, the Group companies' accumulated trade tax loss carryforwards amounted to EUR 35,716 thousand (2017: EUR 31,166 thousand). The trade tax loss carryforwards were generated exclusively in Germany. The difference between the corporate income tax and trade tax loss carryforwards mainly was the result trade tax add-backs.

Tax loss carryforwards that were not applied as a result of insufficient usability amounted to EUR 31,699 thousand (2017: EUR 28,053 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	2018	2017
Deferred tax assets		
Current	227	238
Non-current	2,598	2,203
Deferred tax liabilities		
Current	-636	-506
Non-current	-2,727	-2,381
Net value of deferred taxes	**-538**	**-446**

11. Trade accounts payable

The trade accounts payable shown as of the reporting date amounted to EUR 478 thousand (2017: EUR 187 thousand).

in EUR thousand	31.12.2018	31.12.2017 restated**	31.12.2017	1.1.2017 restated*	1.1.2017
Trade accounts payable (net)	**478**	**187**	**435**	**572**	**737**

(*) This column contains restatements due to the reclassification of creditors with debit balances to other current liabilities in accordance with IAS 1 in the amount of EUR 165 thousand
(**) This column contains restatements due to the reclassification of creditors with debit balances to other current liabilities in accordance with IAS 1 in the amount of EUR 248 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.

12. Abgegrenzte kurzfristige Verbindlichkeiten

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	2018	2017
Obligations to employees	2,006	3,092
Invoices outstanding	2,526	2,400
Total	**4,532**	**5,492**

Obligations to employees included in particular wage and salary payments that are not due until the 2019 financial year.

Restructuring provisions were recognised in 2017 in connection with the relocation of the Producing operations from Rostock to Essen; see also note 12 in the notes to the income statement. As of 31 December 2018, the restructuring provisions shown under accrued current liabilities totalled EUR 0 thousand (2017: EUR 301 thousand) these exclusively relate to obligations vis-à-vis employees.

13. Provisions

As of the 31 December 2018 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	2018	2017
Contingent losses	0	108
Contract risks	35	134
Other	187	139
Total	**222**	**381**
of which current	35	242
of which non-current	187	139

The changes in provisions for the 2018 financial year were as follows:

in EUR thousand	Contract risks	Contingent losses	Total	Other	Total
	Current			Non-current	
As of 1 January 2018	**134**	**108**	**242**	**139**	**139**
Reversal	-50	-8	**-58**	0	**0**
Use	-49	-100	**-149**	-10	**-10**
Addition	0	0	**0**	57	**57**
Time value of money	0	0	**0**	1	**1**
Reclassification	0	0	**0**	0	**0**
As of 31 December 2018	**35**	**0**	**35**	**187**	**187**

The significant risks included the facts and circumstances presented below.

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

Other non-current provisions consisted of liabilities for future tax audits and obligations from long-term variable Management Board remuneration; see also note 2 under other notes and disclosures.

Restructuring provisions were recognised in 2015 in connection with the closure of the field sales unit; see also note 12 under notes to the income statement. As of 31 December 2018, these restructuring provisions totalled EUR 0 thousand (2017: EUR 12 thousand), which related exclusively to obligations arising under vehicle leases.

14. Other current liabilities

Other current liabilities were comprised as follows:

in EUR thousand	31.12.2018	1.1.2018	Restatement, IFRS 15	31.12.2017 restated**	31.12.2017	1.1.2017 restated*	1.1.2017
Prepayments received	0	-	-4,219	4,219	4,219	2,138	2,138
Contract liabilities	4,353	4,219	4,219	-	-	-	-
VAT liabilities	539	390	-	390	390	368	368
Other liabilities	736	877	-	877	628	621	456
Total	**5,628**	**5,486**	**0**	**5,486**	**5,237**	**3,127**	**2,962**

(*) This column contains restatements due to the reclassification of creditors with debit balances in accordance with IAS 1 in the amount of EUR 165 thousand

(**) This column contains restatements due to the reclassification of creditors with debit balances in accordance with IAS 1 in the amount of EUR 248 thousand

Contract liabilities relate exclusively to payments received from customers prior to performance of services in the digital business. These are recognised as revenues within the following twelve months. Revenues from contractual liabilities of EUR 4,219 thousand as of 31 December 2017 were realised in the reporting period. The increase in this item results mainly from the higher revenue with 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.

15. Pension obligations

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

15.1 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 scheme amounted to EUR 1,733 thousand in financial year 2018 (2017: EUR 1,785 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 %	2018	2017
Actuarial interest rate	2.35	2.21
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	2018	2017
Current service cost	-	-
Interest expense	-29	-27
Interest income	25	21
Expenses for defined benefit post-employment benefits recognised in net income	**-4**	**-5**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**-12**	**-72**

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 2018 G”, which were updated in 2018, in accordance with IAS 19.67, and had shown the following development:

in EUR thousand	2018	2017
Present value of the defined benefit obligations as of 1 January	**1,330**	**1,363**
Current service cost	-	-
Interest expense	29	26
Actuarial gains (-) or losses (+) from changes in financial assumptions	24	-64
Actuarial gains (-) or losses (+) from changes in demographic assumptions	-32	-
Actuarial gains (-) or losses (+) from experience adjustments	6	5
Present value of the defined benefit obligations as of 31 December	**1,357**	**1,330**

In accordance with IAS 19.57 (d) in conjunction with IAS 19.128, the effect from the initial application of the new mortality tables is recognised in other comprehensive income in the year of transition and amounts to EUR -32 thousand. The change mainly results from the assumption of an overall higher life expectancy, especially with regard to the life expectancy of men.

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the Company totalled EUR 1,357 thousand (2017: EUR 1,330 thousand).

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

in EUR thousand	2018	2017
Fair value of plan assets as of 1 January	**1,154**	**1,120**
Interest income	25	21
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	10	13
Contributions by the employer	-	-
Fair value of plan assets as of 31 December	**1,189**	**1,154**

The plan assets constituted pension liability insurance policies with benefit entitlements pledged to beneficiaries. The insurance company holds 31% of its investments in government bonds from industrialised countries, 17% in corporate bonds and 15% Pfandbriefe and other secured loans. 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	2018	2017
Present value of the defined benefit obligation (DBO)	1,357	1,330
Fair value of plan assets	-1,189	-1,154
Liability recognised in the statement of financial position	**168**	**176**

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 2018		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0.50%	Decrease by 9.96%	Increase by 11.43%

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%

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 2018 (previous year: up to 31 December 2017).

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 2019.

The weighted average term of the defined benefit plans is 22 years.

15.2 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 21 thousand (2017: EUR 50 thousand), EUR 3 thousand (2017: EUR 25 thousand) of which was attributable to contributions for current or previous Management Board members.

16. Equity

16.1 Subscribed capital

The share capital of 11880 Solutions AG was divided into 19,111,091 (2017: 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 2018, the number of shares outstanding amounted to 19,111,091 (2017: 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.

The Management Board is authorised to increase the share capital of the Company with the approval of the Supervisory Board one or more times until 31 December 2021 by a nominal total of up to EUR 1,911,109.00 by issuing new, no-par value bearer shares in exchange for contributions in cash and/or in kind (Authorised Capital I).

The Management Board is authorised to increase the share capital of the Company with the approval of the Supervisory Board one or more times until 31 December 2021 by a nominal total of up to EUR 7,644,436.00 by issuing new, no-par value bearer shares in exchange for contributions in cash and/or in kind (Authorised Capital II).

16.2 Additional paid in capital

The additional paid in capital as of 31 December 2018 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.

16.3 Accumulated deficit

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

in EUR thousand	
Accumulated deficit as of 1 January 2017 before IAS 8 restatement	**-27,780**
Restatement, IAS 8	-3,073
Accumulated deficit as of 1 January 2017 after IAS 8 restatement	**-30,852**
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	**-40,436**
IFRS 9 restatement	-58
Accumulated deficit as of 1 January 2018	**-40,494**
Net income (loss) for the 2018 financial year	-3,109
Actuarial losses from pensions and similar obligations in the amount of EUR 12	12
Accumulated deficit as of 31 December 2018	**-43,591**

16.4 Other components of equity

As of the reporting date, the other components of equity totalled EUR -3 thousand (2017: EUR 146 thousand). The changes were as follows:

in EUR thousand	
Other components of equity as of 1 January 2017	**99**
Financial assets measured at fair value (*)	48
Foreign currency translation	-1
Other components of equity as of 31 December 2017	**146**
IFRS 9 restatement	-151
Other components of equity as of 1 January 2018	-5
Actuarial gain/loss from pensions and similar obligations	-1
Foreign currency translation	3
Other components of equity as of 31 December 2018	**-3**

(*) In connection with the initial application of IFRS 9, securities are classified as financial assets measured at fair value (FVtPL) and shown under net financial income in financial year 2018 (previous year: available-for-sale financial assets (AfS)). See 5.1 IFRS 9 Financial Instruments for more information.

The change in the statement of financial position item results from the offsetting of unrealised measurement gains on available-for-sale financial assets as part of the modified retrospective approach used for the initial application of IFRS 9 by restating retained earnings / accumulated losses.

Other notes and disclosures

1. Operating segments

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

In the Digital segment, the 11880 Solutions Group generates revenues with small and medium-sized companies. The Group provides online marketing services. A minimal amount of revenue is also generated from the sale of data in this segment. Since this line of business does not fulfil the criteria for an independent segment, the products consist of the same components and the same organisation provides support, no additional segment is recognised.

The key criteria for identifying this segment are the products on the one hand and the sales process, which requires active customer acquisition, on the other.

Directory Assistance generates revenue mainly with end customers or retail customers in Germany. These customers independently call our information numbers which provide users with information and directory assistance services. Moreover, this segment includes the new call centre services business line. Here also, a user (a call centre services customer) actively seeks to talk to our employees. The unifying element is that the employees in this segment serve both customer groups.

The key difference between the segments lies in the ability of employees to generate revenues.

Costs directly attributable to revenue generation and product development are assigned to the segments and include all personnel, technology, rental and licence expenses required to manage the segments. Costs not directly attributable are distributed among the segments according to a formula that is regularly reviewed and reflects actual costs incurred.

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).

There were no intersegment or third-country revenues in the financial year ended or in the previous year.

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

Regarding the changes in the allocation of overhead expenses, we refer to chapter 4.3 IAS 8 correction of errors – segments results. Information referring to the previous reporting period have been adjusted accordingly.

Financial year ended on 31 December 2018 in EUR thousand	**Digital**	**Directory Assistance**	**Group**
Revenues			
Revenues from transactions with external customers	30,342	12,579	**42,921**
Total revenues	**30,342**	**12,579**	**42,921**
Cost of revenues	-14,981	-9,335	**-24,316**
Selling and distribution cost	-11,802	-284	**-12,086**
General administrative expenses and other operating income and expenses	-5,907	-3,659	**-9,566**
Operating result	**-2,348**	**-699**	**-3,047**
Depreciaion and Amortization	3,402	626	4,028
EBITDA	**1,054**	**-73**	**981**
Interest income	33	21	**54**
Interest expenses	-27	-15	**-42**
Other finance income	6	16	**22**
Other finance expenses	0	0	**0**
Earnings before income taxes	-2,336	-677	**-3,013**
Assets and liabilities			
Segment assets			**19,553**
Segment liabilities			**11,979**
Other segment information			
Capital expenditure for non-current fixed assets	4,612	51	**4,663**
Depreciation of plant and equipment	256	321	**577**
Amortisation of intangible assets	3,146	305	**3,451**

Financial year ended on 31 December 2017 in EUR thousand	Digital	Directory Assistance	Group
Revenues			
Revenues from transactions with external customers	26,834	14,434	**41,268**
Total revenues	**26,834**	**14,434**	**41,268**
Cost of revenues	-17,094	-9,492	**-26,586**
Selling and distribution cost	-14,601	-324	**-14,925**
General administrative expenses and other operating income and expenses	-6,044	-3,801	**-9,845**
Operating result	-10,905	817	**-10,088**
Depreciaion and Amortization	6,897	894	**7,791**
EBITDA	-4,008	1,711	**-2,297**
Interest income	117	78	**195**
Interest expenses	-15	-10	**-25**
Other finance income	30	19	**49**
Other finance expenses	-2	0	**-2**
Earnings before income taxes	-10,775	904	**-9,871**
Assets and liabilities			
Segment assets			**23,074**
Segment liabilities			**12,194**
Other segment information			
Capital expenditure for non-current fixed assets	4,562	257	**4,819**
Depreciation of plant and equipment	388	567	**955**
Amortisation of intangible assets	6,509	327	**6,836**

2. 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 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. 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 ended in March 2018 at a price of EUR 1.08.

In the 2018 financial year, a personnel expense in the amount of EUR 32 thousand (2017: EUR 49 thousand) was recognised for the long-term variable Management Board remuneration element (deferrals). The obligation amount for phantom stocks is derived from the stock market price of the 11880-Solutions AG share on the measurement date.

The fair value of the phantom stocks granted in 2017 was estimated as of the 31 December 2018 reporting date based on the reporting date closing rate and amounted to EUR 30 thousand. For reasons of materiality, the Company refrained from using an option pricing model.

3. Other financial obligations and claims

3.1 Other financial obligations

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

in EUR thousand Maturity	As of 31 December 2018 Obligations under Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements	As of 31 December 2017 Obligations under Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements
up to 1 year	1,635	1,622	241	1,791	1,041	1,474
between 1 and 5 years	3,342	26	0	233	81	169
More than 5 years	2,227	0	0	0	0	0
Total	**7,204**	**1,648**	**241**	**2,024**	**1,122**	**1,643**

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.

3.2 Claims under rental agreements

As of 31 December 2018, there was no more future income from ongoing non-cancellable subleases for rented properties. All subleases that still existed as of the last reporting date were terminated in the 2018 financial year.

Financial year ended on 31 December, in EUR thousand Maturity	**2018**	**2017**
up to 1 year	0	85
between 1 and 5 years	0	0
Total	**0**	**85**

3.3 Contingent liabilities and assets

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

There were contingent liabilities as of the reporting date totalling around EUR 200 thousand from leases already terminated. The probability of a resulting outflow of resources is measured at 30% to 40%.

4. 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 unlikely after a thorough examination by the Group's legal adviser. These were recognised as contingent liabilities.

5. 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.

6. Number of employees

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

2018 financial year	As of 31 December 2018		Annual average	
11880 Solutions Group	absolute	in full-time equivalents	absolute	in full-time equivalents
Total	575	511	571	503
of which operators and sales	395	336	391	327

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

7. Auditors' fees

The expenses for the fees of the auditors Ebner Stolz GmbH & Co. KG, Cologne (previous year: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich) recognised in the income statement were comprised as follows:

in EUR thousand	2018	2017
Audits of financial statements	215	130
Incidental costs of audits of financial statements	8	7
Other assurance services	5	
Other services	8	0
Total	**236**	**137**

The other assurance services include the analysis of the rate of fixed-term temporary employment contracts in the call centre business in 2017. Other services include consulting services in connection with interim financial statements.

8. 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 measured at fair value and other financial assets.

The Group's financial liabilities mainly comprised trade accounts payable and the available overdraft facilities, which were not utilised during the 2018 financial year.
For information on existing lines of credit, see note 1 in the notes to the statement of financial position.

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".

8.1 Credit risk

The Group assumes a complete default on a financial asset if contractual payments are 2 years overdue. In addition, it may in certain cases assume that a financial asset will default if internal or external information indicates that it is unlikely that the Group will receive all outstanding contractual amounts in full before all credit collateral held by it is taken into account. A financial asset is written off if there is no justified expectation that the contractual cash flows will be realised.

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 measured at fair value 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. 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 trade accounts receivable reported in the statement of financial position are net of impairment losses determined using the simplified approach under IFRS 9. Using the simplified approach, the expected credit losses are calculated over the entire term of the financial instruments. The determination of expected credit losses is based on analyses of historical default rates, age structures, the current development of the economic environment and the creditworthiness of customers.

If, in the case of individual circumstances and risk indications (e.g. conspicuous deterioration in payment behaviour or filing for insolvency), creditworthiness is determined to be impaired, individual loss allowances are recognised. If it can no longer be assumed that a trade account receivable will be settled in full or in part (e.g. in case of an affidavit or statute of limitations, unsuccessful collection proceedings or termination of insolvency proceedings), the financial instrument is derecognised. If the reasons for an individual loss allowance no longer apply, any reversals of the loss allowance are recognised in profit or loss.

As of 31 December 2018, the default risk position of trade receivables was as follows:

in TEUR	Gross carrying amount in EUR thousand	Expected default rate for the remaining term of the receivables	Impairment in EUR thousand
Not due	6,760	1.7 %	116
1–90 days past due	1,577	7.0 %	110
91–180 days past due	417	26.9 %	112
> 180 days past due	1,356	35.1 %	476
Default	845	100.0%	845
Total	**10,955**		**1,659**

The following table shows the age and risk structure of the trade accounts receivable as of 31 December 2017:

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 2017*	11,757	7,200	1,111	219	1,103

** Adapted according to the reclassification of creditors with debit balances according to IAS 8.*

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 an internal dunning process. It is written off in full if the account has not been settled after the second year.

The default of the debt collection service for the directory assistance business 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 default of the collection company is estimated at 5% and, were this to occur, such a default would affect earnings by EUR 0.04 million, which is considerably less than in the previous year (2017: EUR 0.6 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 again able to successfully expand the in-house collection call team in the 2018 financial year. Counterparty credit risks are taken into account by means of specific loss allowances and general loss allowances on a portfolio basis based on the credit losses expected of the term.

Deutsche Telekom AG is a very important supplier of upstream 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.

The risk of falling revenue or rising collection costs in connection with the implementation of the EU Payment Services Directive, as presented in the previous year, was eliminated in the 2018 financial year following the introduction of the Directive without the risks materialising.

8.2 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. In addition to liquid assets, the main variables in this regard are the financial assets measured at fair value 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 478 thousand as of 31 December 2018 (2017 adjusted: EUR 187 thousand) and were due in full within a period of up to 60 days. Fore more information on trade accounts payable, see note 11 in the notes to the statement of financial position.

Declining call volumes in the directory assistance business, which makes a significant positive contribution to the Company's earnings, continues to be one of the factors increasing 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. Further information and estimates for assessing liquidity risk can be found in section 3.1 „Going concern premise" and in the Group Management Report in the report on „Opportunity and risk management".

8.3 Price risk

The Group is exposed to price risk due to investments in money market and bond funds that invest in short-term securities and are reported in the consolidated statement of financial position as financial assets measured at fair value.

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 through profit or loss under net gains from financial instruments (previous year: in other comprehensive income).

If the price of the fund shares acquired were to change by 0.50%, the effect on net income for the period would amount to EUR 9 thousand (2017 restated: EUR 27 thousand). Due to the portfolio structure, no complete loss of capital is anticipated.

8.4 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.

8.5 Interest rate risk

The Group has only little exposure to interest rate risk because investments in money and capital market products made in the financial year under review concerned only investments with a very low risk.

9. 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 2018, the equity ratio (equity as a percentage of equity and liabilities) was 38.75% (2017 restated: 47.15%).

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

10. Related party transactions

Business transactions between 11880 Solutions AG and its subsidiaries (see section 1.1) 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 2018 and 31 December 2017.

10.1 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 2018, members of the management of Italiaonline S.p.A. (until 11 June 2016: Seat Pagine Gialle S.p.A. – formerly the ultimate parent company of 11880 Solutions AG), Assgo – Milanofiori Nord (MI), Italy, were Supervisory Board members of 11880 Solutions AG. These persons were entitled to Supervisory Board remuneration for the 2018 financial year in the amount of EUR 4 thousand (2017: EUR 25 thousand), which accordingly was recognised as a current liability.

10.2 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	2018	2017
Salaries and other current benefits	539	770
Multi-year variable remuneration (deferrals)	29	51
Defined contribution benefit plans	0	25
Total	**568**	**846**

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

During the 2018 financial year, remuneration totalling EUR 10 thousand was paid out to former members of the Management Board (2017: EUR 0 thousand).

A total of EUR 1,357 thousand was recognised as of 31 December 2018 (2017: EUR 1,330 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 15 in the notes to the statement of financial position.

The Supervisory Board members received remuneration totalling EUR 119 thousand in the 2018 financial year (2017: EUR 127 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.

11. Disclosure regarding the corporate bodies of 11880 Solutions AG

11.1Supervisory 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, Until 30 September 2018 • Managing Director of B2X Care Solutions GmbH, Munich until 15 September 2017 • Managing Director at think project GmbH, Munich, since 16 September 2017	Member of the Supervisory Board of NFON AG, Munich (since April 2018)
Mr Helmar Hipp	Member of the Supervisory Board Since 12 June 2018, Managing Director of Cyberport GmbH, Dresden	Member of the Supervisory Board of TGOA AG (The Group of Analysts), Meersburg
Mr Ralf Ruhrmann	Member of the Supervisory Board Since 12 June 2018, Auditor, tax advisor and Partner at RLT Ruhrmann Tieben & Partner mbB, Essen	• Katholisches Klinikum Oberhausen GmbH, Oberhausen - Chairman of the Supervisory Board • AHRB AG, Zurich, Switzerland - Member of the Board of Directors • ARHARH Resort Holding AG, Zurich, Switzerland - Member of the Board of Directors • Gebr. Schmidt GmbH & Co.KG, Essen – Member of the Advisory Board • Travel Charme Hotels & Resorts Holding AG, Zurich, Switzerland - Member of the Board of Directors
Mr Antonio Converti	Member of the Supervisory Board Since 11 February 2016, Until 22 February 2018 CEO, Italiaonline S.p.A., Assago, Italy From 08 October 2015 to 06 December 2018	• Prontoseat s.r.l., Turin, Italy, Director/President (since 14 January 2016) • Change of name on 05 April 2018 from ProntoSeat S.r.l. to BIZPAL S.r.l. • ITnet s.r.l., Assago, Italy, Director from 07 July 2011 until 09 March 2018 • Joyent Inc., Sausalito, USA, Director (until 23 June 2016) • MOQU ADV S.r.l., Florence, Italy, Director, President and CEO
Ms Gabrielle Fabotti	Member of the Supervisory Board since 29 June 2017, Until 22 February 2018 CFO, Italiaonline S.p.A, Assago, Italy	none
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 from April 2016 to 19 December 2017
Ms Ilona Rosenberg	Member of the Supervisory Board Since 30 January 2001, since 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.

11.2 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, Essen, responsible for Digital Sales, Personnel, Corporate Finance, Marketing/Product, Digital Customer Development, Production and Corporate Communications, Technology, Legal Affairs/Regulation and the Directory Assistance division	none
Mrs Birgit Hausmann	Member of the Management Board, from 11 April 2018 to 12 June 2018 11880 Solutions AG, Essen	none

12. Report on post-balance sheet date events

On 18 January 2019, the wholly-owned subsidiary telegate LLC, Armenia, was renamed Technoimp LLC, Armenia. Effective 2 February 2019, all equity interests held in Technoimp LLC, Armenia, were sold for EUR 100. This resulted in a disposal of assets (EUR 2 thousand) and liabilities (EUR 0 thousand). Overall, a loss on disposal of EUR 2 thousand was recognised.

13. 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 2018. The exact wording of the declaration can be retrieved under https://ir.11880.com/corporate-governance/entsprechenserklaerung.

Essen, 5 April 2019

Christian Maar
Chief Executive Officer

Audit Certificate of the independent auditor's

To 11880 Solutions AG, Essen

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, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and the 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, Essen, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sections 289f, 315d German Commercial Code (HGB), which is referred to in section 10 of the group management report, and the corporate governance report of the combined management 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 Section 315e (1) HGB 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 2018, and of its financial position for the financial year from 1 January to 31 December 2018, 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 the above mentioned parts of the group management report whose content has not been audited.

Pursuant to Section 322 (3) 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 Section 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) (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.

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

We refer to the disclosures in section 3.1 of the notes to the consolidated financial statements under „Going concern premise" and to the disclosures in section 7 of the group management report under „Financial and liquidity risks", in which the Management Board explains that the continued existence of the Group as a going concern due to the currently still existing annual net cash outflow and the tight liquidity situation associated with this is contingent in the short to medium term on the realisation of the assumptions in the corporate planning regarding revenue growth in the digital business and the further development of expenses. As outlined in section 3.1 of the consolidated notes under "Going concern premise" and in the disclosures in section 7 of the group management report under "Financial and liquidity risks" this indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and constitute a risk that jeopardizes the existence of the Group as a going concern within the meaning of Section 322 (2) Sentence 3 German Commercial Code (HGB). Our audit opinions have not been modified with respect to this matter.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. 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 addition to the matter described in the section "Material uncertainty in connection with the Company's ability to continue as a going concern", we determined the matter described below as a key audit matter to be included in our auditor's report.

(1) Recoverability of goodwill

a) Risk for the financial statements

Goodwill totalling EUR 3.5 million (10.2 % (13.4%) of total assets for 2016 (2017) and respectively 14.9% (25.0%) of consolidated equity for 2016 (2017) was reported in the company's consolidated financial statements for financial years 2016 and 2017 under the item "Goodwill" presented in the statement of financial position. 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 recoverable amount is defined as the higher of fair value less costs to sell and value in use. The value in use is determined on the basis of the present value of the expected future cash flows of the respective group of cash-generating units determined using a discounted cash flow model. 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.

In financial year 2018, it was discovered after the fact that an error had been made in the impairment testing carried out in financial year 2016. Correction of this error led to the need for further write-downs of EUR 3.1 million in the Digital Business cash-generating unit, resulting in full impairment of the allocated goodwill. This material error from financial year 2016 was retrospectively corrected in the 2018 consolidated financial statements by adjusting the opening balances for the 2017 period.

Following this adjustment, the remaining goodwill totalling EUR 0.4 million (2.1 % of total assets and respectively 5.5 % of consolidated equity for 2018) was reported in the company's consolidated financial statements for financial year 2018 under the item "Goodwill" presented in the statement of financial position.

The impairment test carried out in financial year 2018 determined that no further write-downs were necessary.

The company's disclosures on impairment testing and goodwill are contained in Chapter 6 „Goodwill" of the notes to the consolidated financial statements.

The outcome of this measurement of goodwill depends to a large extent on how management estimates the future cash flows of the relevant group of cash-generating units as well as on the discount rate applied, the growth rate used and other assumptions. The measurement is thus materially affected by estimated amounts and is therefore subject to considerable uncertainty. Against this background and due to the highly complex nature of the measurement, this matter was of particular significance in the context of our audit.

b) Audit approach and conclusions

As part of our audit we assessed the reasonableness of, in particular, the planning on which the impairment testing of all goodwill is based by conducting an analysis of the planning assumptions and records submitted to us as well as intensive discussions with the responsible employees and also examined these to determine a possible unilateral exercise of discretion. We based our assessment, among other things, on the Management Board's detailed explanations of the key value drivers underlying the expected cash flows. In addition, we assessed the adherence to budget by comparing the planning for the previous year with the actual figures recognised.

Moreover, we examined the calculation methods used to determine whether these had been correctly applied, in addition to the derivation of segment-specific discount rates and, on a sample basis, the mathematical accuracy of the calculations. We validated the results of the company's calculations on the basis of supplementary analyses. In order to reflect the uncertainty inherent in the projections, we retraced the sensitivity analysis prepared by the company and performed our own sensitivity analysis for the groups of cash-generating units with low excess cover (carrying amount compared to recoverable amount). For groups of cash-generating units for which a possible change in an assumption would lead to a recoverable amount below the carrying amount of the cash-generating units including the allocated goodwill, we satisfied ourselves that the necessary disclosures have been made in the notes. We also assessed the accuracy and completeness of the assets and liabilities included in the carrying amount of the cash-generating unit.

As part of our examination of the correction of the error in the performance of impairment testing in financial year 2016, we reviewed in particular the calculation of the value in use of the Digital Business cash-generating unit, evaluated the results of the company's calculations and assessed the appropriate presentation of the retrospective correction of the error in the 2018 consolidated financial statements.

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

Other information

The Management Board is responsible for the other information. The other information comprises

- the non-audited parts of the group management report mentioned in the section "audit opinions",
- the responsibility statement in accordance with Section 297 (2) sentence 4 HGB on the consolidated financial statements and the responsibility statement in accordance with Section 315 (1) sentence 5 HGB on the group management report, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements the unaudited components of the group management report, together with our audit 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 of the consolidated financial statements, 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 audited components of the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed using the information obtained by us prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the consolidated financial statements and the group management report

The Management Board is 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 Section 315e(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 profit or loss of the Group. In addition, the Management Board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is 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 Management Board is responsible for the preparation of the Combined 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 Management Board is responsible for such arrangements and measures (systems) as it has 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 Section 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 judgement and maintain professional scepticism 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 Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's 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 Section 315e (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 Management Board in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Management Board 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 12 June 2018. We were engaged by the chairman of the Supervisory Board on 2 November 2018. We have been the group auditor of 11880 Solutions AG, Essen, since financial year 2018.

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 Mr. Nikolaus Krenzel.

Cologne, 8 April 2019

Ebner Stolz GmbH & Co. KG

Certified audit firm Tax consultancy firm

Marcus Lauten	Nikolaus Krenzel
Auditor	Auditor

Corporate Information

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11880 on the 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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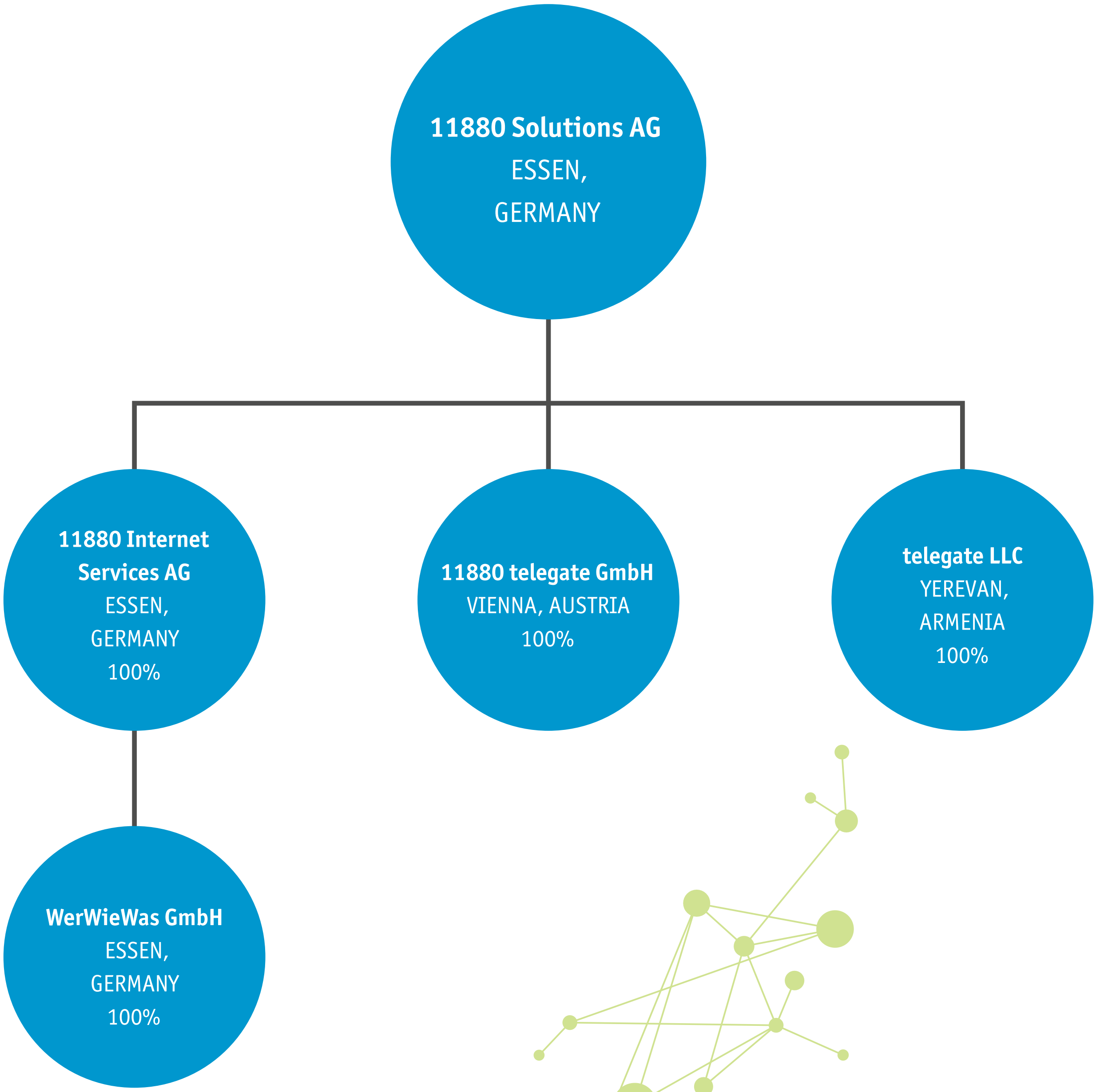
Regional Office Cologne

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 2019

10 April 2019
Publication of the annual report 2018

9 May 2019
Publication of the interim report for the 1st Quarter 2019

12 June 2019
Annual General Meeting 2019

8 August 2019
Publication of the financial report for the 1st half-year 2019

7 November 2019
Publication of the interim report for the 3rd Quarter 2019

Imprint

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