ANNUAL REPORT
2015

GREAT CONNECTIONS

AT HOME
AT WORK
ON THE GO
REGIONALLY
NATIONALLY
EVERYWHERE

telecolumbus

GREAT CONNECTIONS

CONTENTS

GREAT CONNECTIONS

As a multimedia provider, our mission is to connect our customers with the best of the digital world. Tele Columbus stands for connectivity and entertainment – anytime, anywhere.

KEY FIGURES

	2015	2014	Change	Change (in %)
Equity capital (in EUR million)				
Revenue	279.2	213.0	66.2	31.1%
Normalized EBITDA	140.9	98.9	42.0	42.5%
Normalized EBITDA margin (in %)	50.5%	46.5%	–	–
Depreciation and amortization	75.8	50.8	25.0	33.0%
Annual results	–66.4	–21.9	–44.5	203.2%
Consolidated Balance Sheet (in EUR million)				
Tangible assets	648.6	209.9	438.7	209.0%
Intangible assets including goodwill	1,378.8	381.8	997.0	261.1%
Cash and cash equivalents	85.2	24.4	60.8	–
Total assets	2,195.8	667.2	1528.6	229.1%
Net debt [1]	1,186.7	654.4	532.3	81.3%
Net debt to EBITDA (ratio)	5.1	6.6	–1.5	–
Consolidated Cash Flow Statement (in EUR million)				
Capital expenditures (Capex) [2]	–113.2	–84.1	–29.1	34.6%
Cashflow from operating activities	49.6	52.9	–3.3	–6.2%
Cashflow from financing activities	729.5	–49.2	778.7	n. a.
Changes in cash and cash equivalents	55.5	–46.5	102.0	n. a.
Operating Free Cashflow [3]	27.7	14.8	12.9	87.2%
Network (in thousands)				
Connected households	3,605	1,697	1,908	112.4%
Households connected to our own network and Internet ready	2,193	933	1,260	135.0%
Number of customers (in thousands)				
Total customers	2,435	1,282	1,153	89.9%
RGUs (in thousands)				
CATV	2,458	1,311	1,147	87.5%
Premium-TV	426	161	265	164.6%
Internet	462	202	260	128.7%
Telephony	427	170	257	151.2%
RGUs in total	3,774	1,843	1,931	104.8%
RGUs per customer (in units)	1.55	1.44	0.11	7.6%
ARPU (in EUR / month)				
Total TV ARPU average (per RGU)	9.5	9.6	–0.1	–1.0%
Total Internet and Telephony ARPU average (per Internet RGU)	22.9	22.0	0.9	4.1%
Total ARPU average	14.9	13.9	1.0	7.2%
Employees (average number)				
Employees	962	497	465	93.6%

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

OUR PRINCIPLES

TELE COLUMBUS is one of Germany's leading cable network operators. Providing a wide range of multimedia and telecommunications services, first-class customer service and exceptional technical performance, we are an important partner for the housing industry, end customers and municipalities. As a strong number three, we are now a nationally positioned provider – with an unchanged regional orientation.

OUR CONNECTIONS

TV

Extensive analogue, digital and HDTV offers with attractive pay-TV packages

@

Tariffs with exceptional value for every need

Flat rate for unlimited free calls to the German landlines

LETTER FROM THE MANAGEMENT BOARD

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

At Tele Columbus, we are looking back at a fiscal year 2015 that was just as eventful as it was successful. The past year was shaped on the one hand by our IPO on 23 January 2015, several financing rounds as well as a capital increase on 4 November 2015. On the other hand, we also experienced extraordinary network growth, which was made possible by our newly obtained access to the capital market and our new financing structure.

By acquiring primacom, Germany's fourth largest cable network operator, on 1 August 2015, and pepcom, Germany's fifth largest provider, on 1 December 2015, as well as procuring several smaller cable network operators, the Tele Columbus Group more than doubled its connected homes within a few months and thereby strengthened its third-place position on the German cable market to an even greater degree. Over the course of the fiscal year, revenues increased by approximately 31 percent to over 279 million euros as a result of the proportional consolidation of the providers. Operating results (Normalised EBITDA) rose by more than 42 percent to nearly 141 million euros.

In our view, it is crucial that by consolidating these providers we are pursuing not only our goal to expand to significant size in a standard TV market that is largely saturated – but also a clear strategic and economic logic. What connects Tele Columbus with primacom and pepcom is not only a great potential for synergy due to numerous overlaps in our regional footprint, but also a common DNA in our clear orientation to a close partnership with the housing industry.

This special relationship with the housing industry can also be seen in the new market position of the Tele Columbus Group. Although – with 3.6 million households – the company is only about half as large as each of its two major competitors on the German cable market, it covers circa one-third of the housing industry in the concession market, just as these other competitors. Altogether, nearly every tenth household in Germany obtains its services from a cable connection provided by the Tele Columbus Group. As a nationally operating provider with a strong regional focus, we aim to maintain our customer basis and expand it if appropriate opportunities occur.

Our products and technological innovations as a multimedia provider are obviously crucial for our further growth. In the 2015 fiscal year, we achieved two major milestones:

In April 2015, the Tele Columbus Group was the first German telecommunications service provider to launch an Internet offer with download speeds of up to 400 Mb per second for end consumers. The new tariff was first provided to approximately 40,000 connected homes via our cable network in Potsdam. In September, it was expanded to some 20,000 further households in the Jena area. The extension of this offer to additional regions and networks is already in preparation. By the end of the year, we plan to have upgraded some 670,000 households in the entire Tele Columbus Group to this record speed.

The Management Board
Frank Posnanski
Ronny Verhelst

The second milestone was the expansion of our product portfolio of television, Internet and telephone by mobile services in September 2015. We are no longer simply a Triple Play provider, but a Quadruple Play provider! Tele Columbus customers can now receive a double flat-rate for mobile voice and data – i.e. all media and telecommunication services conveniently and economically from one provider. This puts us that much closer to accomplishing our mission of offering customers connectivity and entertainment everywhere any time, and giving them high-performance access to the best of the digital world.

We will continue to single-mindedly pursue this path in 2016. With harmonisation of the Internet and telephone products of Tele Columbus and primacom on 1 March 2016 in the context of integration, we have also started a new community WLAN service – a "Cable To Go" connection that will allow Tele Columbus and primacom customers to use approximately 50,000 hotspots in the corresponding regions for mobile Internet access at no additional cost. In February 2016, a first field test for the new advance TV platform was carried out. advance TV will enhance the customer experience by an intelligent electronic program guide as well as further innovative features such as interactive, time-shift and multi-screen TV usage. By integrating maxdome in the future Tele Columbus multimedia platform, which we agreed with the ProSiebenSat.1 Group in October 2015, customers will have access to movies, series and documentaries out of Germany's largest online video library.

For further development of the Tele Columbus Group in fiscal year 2016 and the following years, the following four core strategic initiatives will be crucial:

Generating organic growth: It is our goal to keep the number of connected households stable and constantly increase the proportion of two-way-upgraded networks that are connected to our own signal feed. This will create additional potential for up- and cross-sales of Internet, telephone and premium TV services and – supported by a strong brand – allow us to exploit these.

Use M&A opportunities: In addition to the three major network operators, the German cable market offers further strategic and economically significant opportunities for further consolidation of smaller networks. As a national provider with maximum flexibility in local orientation, the Tele Columbus Group is the natural driver of this development.

The Management (f.l.t.r.)
Ronny Verhelst, Elmar Baur, Jean-Pascal Roux, Richard Fahringer, Diana-Camilla Matz, Jens Müller, Frank Zimmermann, Ludwig Modra, Stefan Beberweil, Frank Posnanski

Exploit synergies: Economies of scale and synergies resulting from the merger of Tele Columbus, primacom and pepcom have created a total potential of at least 40 million euros in cost and Capex annual run-rate synergies, which we will fully exploit from the fiscal year 2018 on.

Expand our business customer area: The provision of high-performance connections and networks for business customers is an additional growth area that Tele Columbus has not previously developed. The newly acquired subsidiary HL komm offers access to this segment – and many new strategic options as well.

In the current fiscal year, we again have sufficient funds to implement these initiatives. Similar to the past fiscal year, we will again reinvest approximately 35–38 percent of our revenues into the network infrastructure to ensure the long-term success of our company, its investors and its partners.

We would be pleased to have you accompany us on our path so that we can mutually profit from the opportunities and chances in a dynamic telecommunications and multimedia market. We thank our partners for their trust and cooperation in recent months, years and decades. We also thank our employees, all of whom have substantially advanced our company with their expertise and commitment, even in the most dynamic of times.

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

THE MANAGEMENT BOARD

RONNY VERHELST

CEO

Previous positions:
Telenet, PWC, Anhyp, Belgacom

FRANK POSNANSKI

CFO

Previous positions:
Digital Identification Solutions, Pulsion Medical, KabelBW, Johnson Electric

THE MANAGEMENT

STEFAN BEBERWEIL

Chief Marketing Officer

Previous positions:
Unitymedia, KabelBW, Vodafone

DIANA-CAMILLA MATZ

Chief Customer Sales Officer

Previous positions:
Sky Deutschland / Premiere

JEAN-PASCAL ROUX

Chief Sales Officer Housing Associations

Previous positions:
primacom, Minol, Tele Columbus, debitel, AOL / Bertelsmann

LUDWIG MODRA

Chief Technology Officer

Previous positions:
primacom, Unitymedia, Kabel Deutschland, KabelBW, COLT Telecom

RICHARD FAHRINGER

Geschäftsführer HL komm

Previous positions:
Nexinto, Siemens, Teles, British Telecom

JENS MÜLLER

Chief Integration Officer

Previous positions:
primacom, Unitymedia, Tele 2, Le Shop

FRANK ZIMMERMANN

Senior Director Strategy & M & A

Previous positions:
Vodafone Kabel Deutschland, T-Online, Fujitsu Siemens

ELMAR BAUR

Senior Director IR & Corporate Communications

Previous positions:
Vodafone Kabel Deutschland, ProSiebenSat.1, BDO, Deutsche Bank


GREAT
CONNECTIONS
Welcome

We've done our job: our current campaigns ensure our presence in our network areas.

GREAT CONNECTIONS _WITH THE FUTURE

Welcome

AS GERMANY'S THIRD-LARGEST CABLE NETWORK OPERATOR WITH HEAD-QUARTERS IN BERLIN, WE ARE SETTING NEW STANDARDS FOR MODERN MULTIMEDIA REAL ESTATE COVERAGE.

OUR PRODUCTS are as diverse as the pulsating life of the city. HDTV, flat-rate telephone service, the fastest cable Internet and mobile telephony. Anytime, anywhere, on any device.
Our modern, fibre-based networks are the foundation of a society and economy in transition. Innovation and close cooperation with the housing industry are the cornerstones of our 30-year success story. With us, the future of multimedia coverage is in the best hands. Not without reason, nearly every tenth cable connection in Germany is provided by the Tele Columbus Group.

GREAT
CONNECTIONS
through diversity

GREAT CONNECTIONS WITH THE RIGHT PROVIDER


3.6m
connected
households since
December 2015


GREAT
CONNECTIONS
through diversity
_ON THE GO
OR AT HOME:
SURF
TOGETHER_
Mein Neuer kann
drei Dinge auf einmal.
Alles richtig gemacht.
telecolumbus
Jetzt bestellen
19,99

UNITED IN DIVERSITY, COMBINED REGIONALLY

Living in the countryside and being digitally connected with work and your social network? No problem for Tele Columbus customers: Our television, telephone, broadband Internet and mobile telephony services take widely diverse lifestyles into account.

Our services are not only reserved for large cities, but go significantly further. For example, to so-called mid-sized cities that must assert themselves in the infrastructure competition. Today, powerful multimedia coverage with full broadband access is essential for job creation and so that young families can plan for the future in smaller locations. With the expansion of fibre-optic networks in and outside of large metropolitan areas, Tele Columbus makes a valuable contribution to bridging the digital divide and securing existing real estate values for the future. Customers in properties that have been developed by Tele Columbus gain more decision-making latitude.

A decision for Tele Columbus offers end customers even more appealing and beneficial services. In September 2015, Tele Columbus began offering an attractive mobile phone rate containing a flat rate in all German fixed and mobile networks as well as 2 GB of LTE data volume for mobile surfing at up to 50 Mbit / s. In early 2016, this offer was expanded by an additional mobile phone tariff and a Community WLAN offer for free mobile surfing in regions with Tele Columbus coverage.

ULTRAFAST SURFING

MORE FUN AT HOME – BETTER CHANCES FOR LOCAL ECONOMIES

Increasing numbers of devices now access the Internet via a single connection. The bandwidths in Tele Columbus households grow dynamically with the requirements.

50,000 HOTSPOTS

FOR WIRELESS INTERNET SURFING

The exclusive Community WLAN access points provide a bandwidth of up to 10 Mbit / s with no time or volume limitation – for up to three different end-devices per customer.

NATIONALLY DEVELOPED NETWORKS, REGIONALLY ENSURED COVERAGE

DIVERSITY FOR CONNECTED LIVING

Marie Landmesser

Marketing department of the Tele Columbus Group
"Uniting the diverse brands in the Tele Columbus Group and keeping the best of all worlds for our customers and partners – that is our current task."

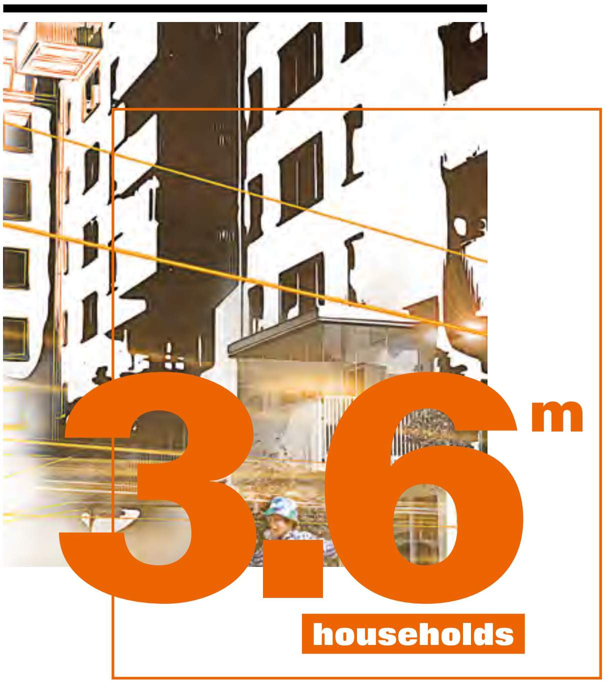
Tele Columbus AG combines the important medium-sized, regionally oriented network operators under one roof.

On 16 July 2015, Tele Columbus announced its merger with primacom. Among others, the primacom group includes the brands deutsche telekabel or Martens in Hamburg. Barely two months later, Tele Columbus acquired the pepcom network operators, which include KMS in Munich, HL komm in Leipzig as well as other regional subsidiaries. Due to the merger of the Tele Columbus subsidiaries BIG, BMB and Wowisat with the region West, the company opened a new branch office for the western part of Germany in Ratingen – thus ensuring a strong presence in the corresponding focus regions.

Today, Tele Columbus combines the technical know-how of a nationwide telecommunications company with the customer familiarity of its regional subsidiaries.

With individual consulting and advanced connection and media concepts, Tele Columbus's goal is to support the housing industry as it moves into the age of connected living.

Strategic growth
Together, Tele Columbus is strong. Growth is not only a question of market size, but also the result of quality. We have won households and competencies by making strategic acquisitions. Our varied, regional approach creates the basis for long-term partnerships with the housing industry. This makes us at home in Berlin – yet always close to the customer.



Strong in the concession market
Our remarkable strength in the concession market impressively confirms our successful proximity to the housing sector. Although Tele Columbus – with 3.6 million connected households – is much smaller than its major competitors, our one-third market share in the concession market puts us on a par with the large, internationally controlled cable groups.

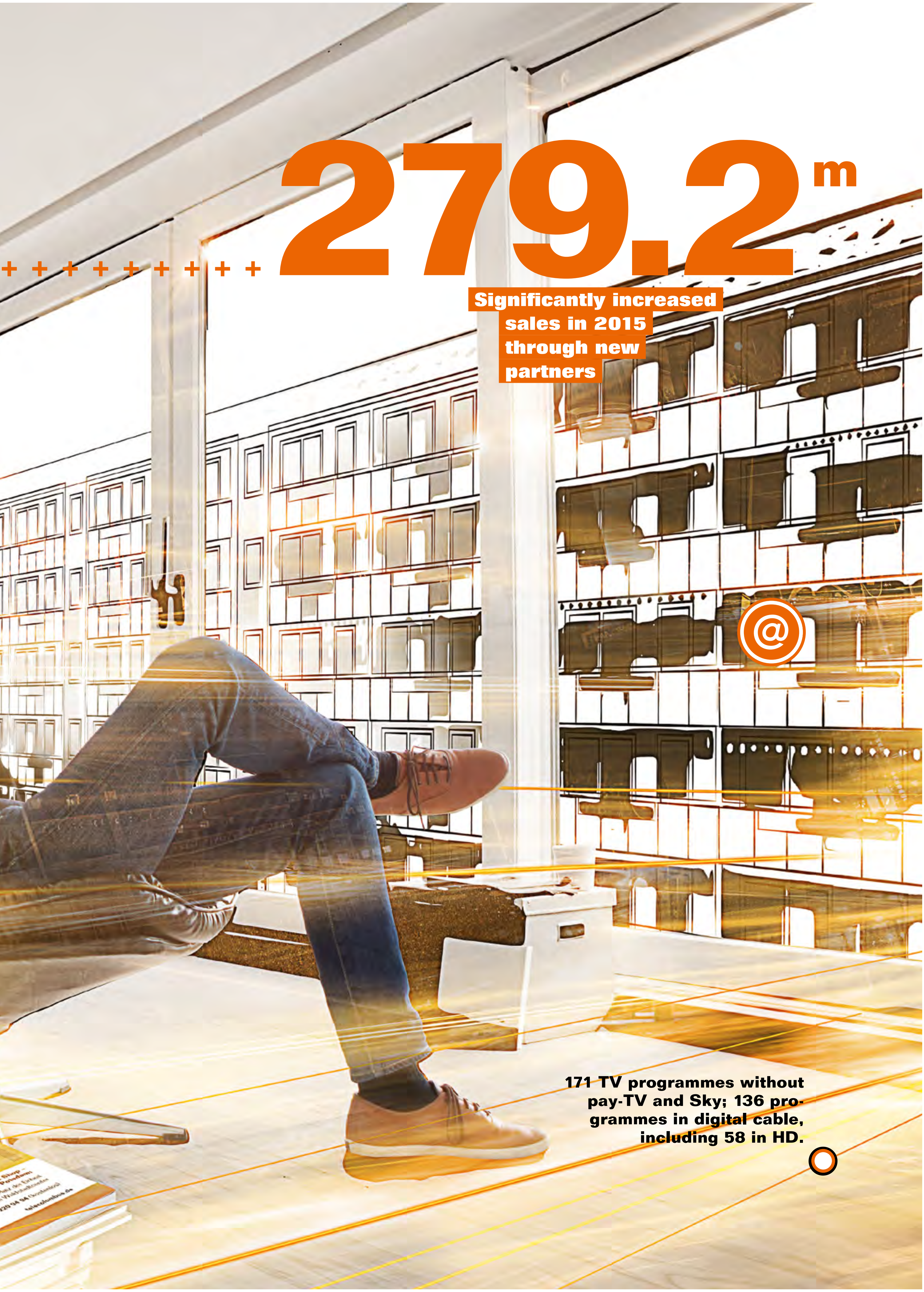
We offer more than television
Individual TV programme packages, telephone, Internet and attractive mobile telephony offers – Tele Columbus customers are increasingly discovering our attractive combined offers for themselves.

GREAT CONNECTIONS through partnership

213.0m

Sales in 2014

GREAT CONNECTIONS WITH MY FRIENDS



279.2m

Significantly increased sales in 2015 through new partners

171 TV programmes without pay-TV and Sky; 136 programmes in digital cable, including 58 in HD.


GREAT
CONNECTIONS
through partnership
_CHEER
TOGETHER
WITH
MAX_
TV

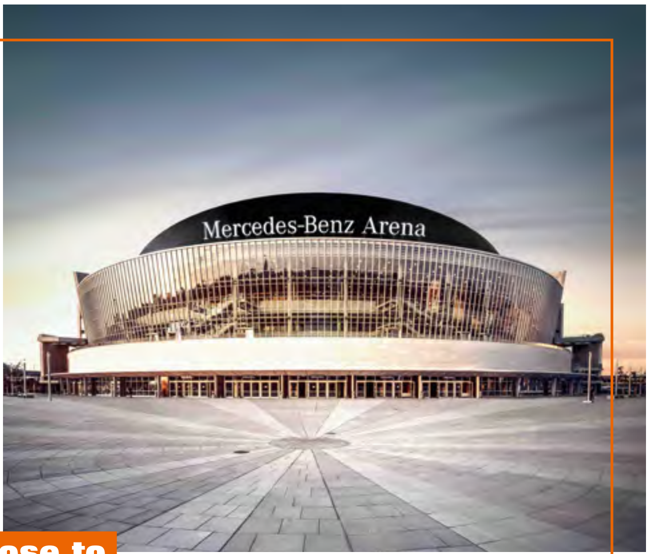
TELE COLUMBUS USES PARTNERSHIPS TO DEVELOP INNOVATIONS FOR DAILY DIGITAL LIFE

THE CABLE NETWORK OPERATOR KNOWS COUNTRY & PEOPLE

Local knowledge, tailor-made project consulting and products that adapt flexibly to the needs of end consumers – these are the elements of the Tele Columbus success story.

Family means, living at home together. Working and enjoying leisure time, enjoying entertainment together, or sometimes withdrawing for some individual digital time. Media accompanies our lives – and we determine the content. Tele Columbus products are always there, in WhatsApp on your smartphone, in your training webinar, or when watching football in the best HD quality. Our state-of-the-art media coverage makes your home a welcome place for young and old.

To drive innovation and develop the digital infrastructure, Tele Columbus relies on selective partnerships. In 2015, the company completed cooperation agreements with Drillisch and maxdome to serve its customers via mobile phone and to expand its own TV platform by adding attractive video content on demand.



Close to the action

Whether it's the home game of Berlin "Eisbären" or a rock concert, Tele Columbus service has been on the scene since December 2015.

Tele Columbus – partner of the Mercedes-Benz Arena

The Mercedes-Benz Arena in Berlin hosts the best entertainment – and now has the best connections: As part of a partnership also completed in 2015, Tele Columbus has set the arena up with public WiFi – and is developing a high-performance fibre-optic network for the newly emerging area as well.

426 THOUSAND premium-TV-users

MANY BRANDS – ONE DNA:

THE HOUSING INDUSTRY IN FOCUS

It is this regional DNA that makes Tele Columbus successful and clearly distinguishes us from the established multi-national competitors.

Partnership with the housing industry is our focus. This includes a regionally oriented service structure with offices in Berlin, Leipzig, Munich, Ratingen and Hamburg, involvement in various national and regional housing associations and our own housing industry board as an expert advisory committee. The purpose of the board is to maintain intensive dialogue with housing industry partners in order to develop new and innovative concepts.

Florian Pannemann

is responsible for associations and cooperation at the Tele Columbus Group.

Partnerships connect us both regionally and nationally

"We share a great common interest with the housing industry and the municipalities: a valuable, future-proof infrastructure. We can thus master the challenges of the digital future best by working together – by learning from experience and thinking in new ways."

95 PERCENT

of Tele Columbus's connected households are reached through partnerships with housing associations.

28 percent

of the housing industry concession market is served by companies in the Tele Columbus Group.

400
Mbit / s
in Jena & Potsdam – started

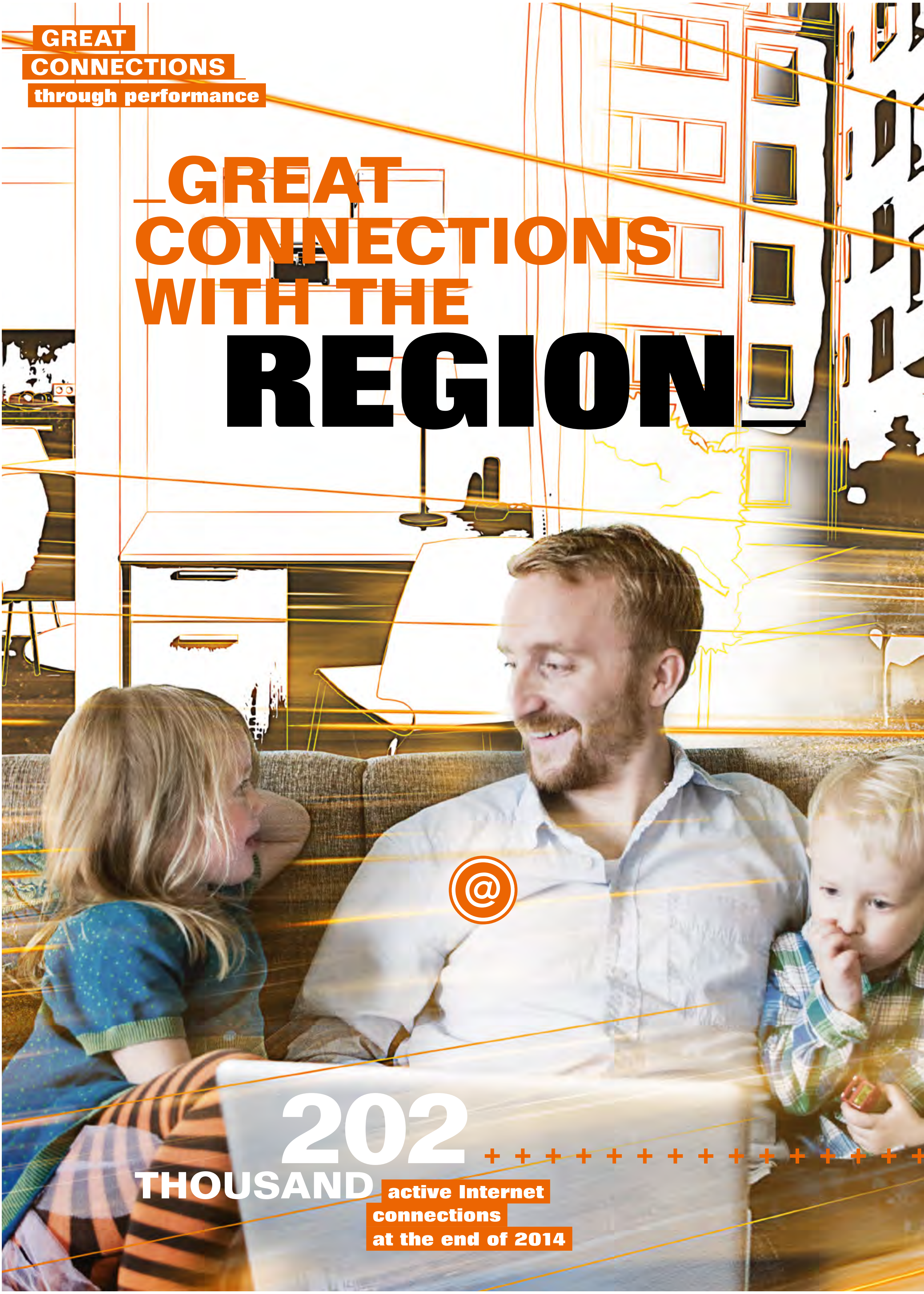
30
years of experience in the German cable and telecommunications market

10
combined tariffs with telephone and Internet flat rate

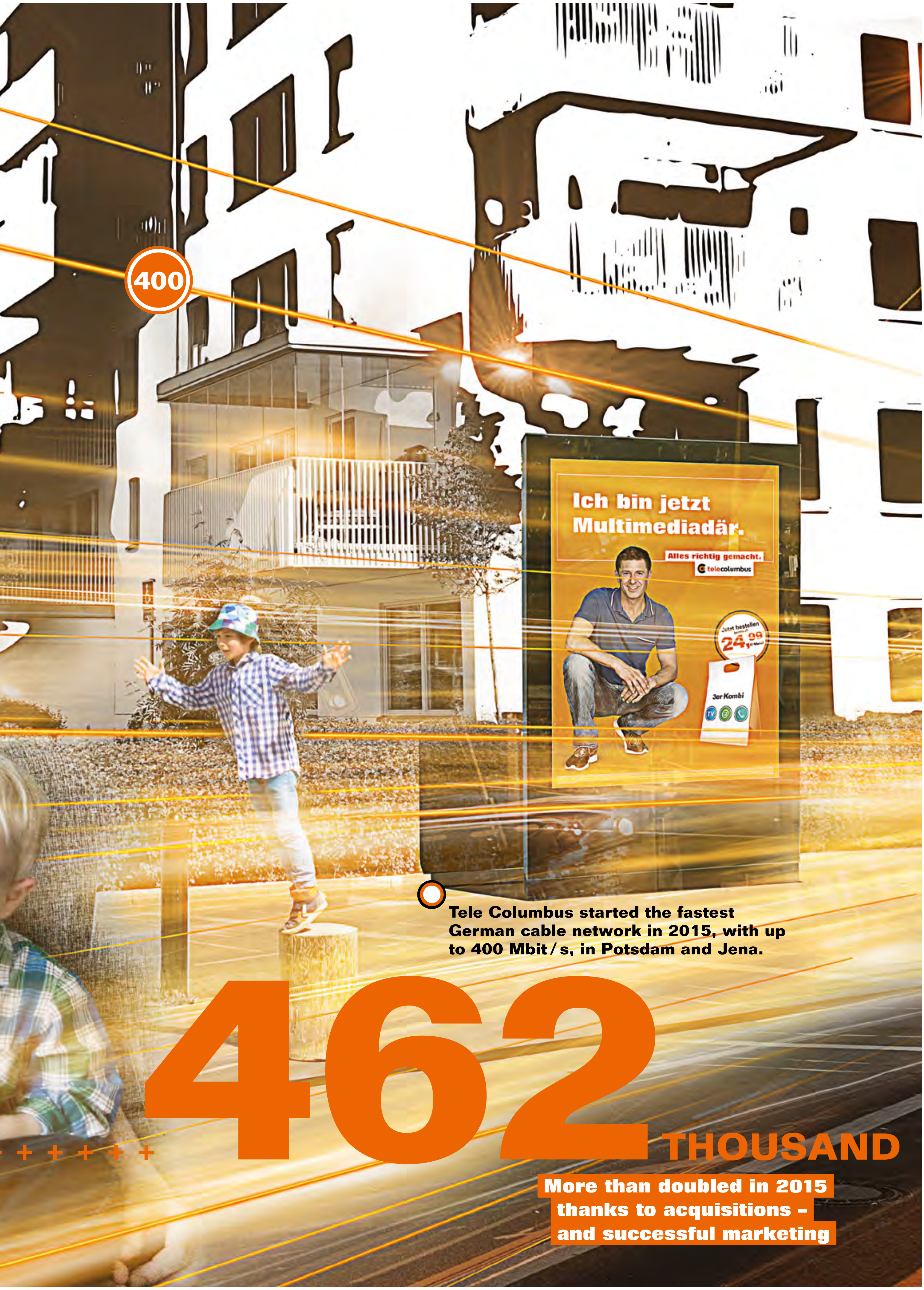
READY FOR THE MULTIMEDIA FUTURE_

GREAT
CONNECTIONS
through performance

GREAT CONNECTIONS WITH THE REGION



202 THOUSAND active Internet connections at the end of 2014



Tele Columbus started the fastest German cable network in 2015, with up to 400 Mbit/s, in Potsdam and Jena.

462 THOUSAND

More than doubled in 2015 thanks to acquisitions – and successful marketing


GREAT
CONNECTIONS
through performance
_BEST
NETWORK_
POWER
24/7_
Our networks unite
excellent performance with
exemplary reliability.

WE CREATE CLOSENESS

WITH TOP PRODUCTS FOR EVERY NEED

Our modern glass fibre coax-based networks and DOCSIS 3.0 offer unprecedented Internet bandwidth. On 22 April 2015 in Potsdam, Tele Columbus set a new high-speed record for German cable with up to 400 Mbit per second. Networks in Jena followed in early September. This is enough power for simultaneous work, play and video entertainment. In 2016, up to 670,000 households will be able to book the highest Internet speeds in Germany.

With a combination of attractive mobile telephony offers, WiFi hotspots and Community WLAN, which started in 2016 with 50,000 access points, Tele Columbus already offers its customers all possible opportunities for creating their own digital lifestyles – young and old, beginners to heavy users.

2.4 m

Customers

Reliably connected

with bandwidths and tariffs for every need – from the "Digital Native" to the "Silver Surfer"

DOCSIS

3.0

enables high-speed Internet

TOP PERFORMANCE FOR THE LIVING ROOM

Stephan Kalleder **heads** the Products & Customer Insights department at the Tele Columbus Group and is thus responsible for product development and market research.

"Whether it's television, Internet or telephone: reliable hybrid fibre coax networks and ongoing innovations are the basis for creating new products with the diversity and added value that customers want."

Tele Columbus delivers brilliant, diverse TV programmes and image quality for 3.6 million connected households. In digital cable, Tele Columbus customers benefit from up to 136 programmes, 58 of them in crisp HD quality. Thanks to optimally coordinated program packages, including foreign language offers and Sky, every customer gets is or her favourite portfolio. The development of advance TV has already put Tele Columbus on the threshold of TV 2.0 – with time-shift television, multi-screen applications for the widest variety of end-devices, an electronic programme guide with premium features as well as the best video-on-demand entertainment. In this context, Tele Columbus announced its strategic partnership with maxdome, the video-on-demand provider from ProSiebenSat.1, on 15 October 2015.

PAUSE
RESTART
_PREMIUM-EPG
_4x RECORDING
_VIDEO ON DEMAND
_REMOTE CONTROL APP
_MULTISCREEN
_4K-READY

Peak performance – developed by us: with advance TV, Tele Columbus is preparing a new chapter of TV and video entertainment.

58 PROGRAMMES
in HD quality


Glass fibre: since 2010, Tele Columbus has built its fibre networks up to the building (FTTB). Best conditions for performance & reliability.
Up to
1.3
Gbit / s
WLAN speed
via cable modem
2
mobile
phone tariffs
5
surfing
speeds
_ANYTIME
AND
ANYWHERE
GREAT
CONNECTIONS_

REPORT OF THE SUPERVISORY BOARD

DEAR SIR OR MADAM, SHAREHOLDERS

The fiscal year 2015 was a year of changes for Tele Columbus AG ("Tele Columbus AG", "Tele Columbus" or the "Company") during which the Company pursued its growth strategy successfully and set the course for the future. In this respect, the Supervisory Board advised and supervised the Executive Board. In the following, we provide an overview of the activities of the Supervisory Board of Tele Columbus AG and report on the composition and number of meetings of the Supervisory Board and its committees.

Overview of activities of the Supervisory Board

In the fiscal year 2015 (the "reporting period"), the Supervisory Board performed its tasks imposed by the law, the articles of association and rules of procedure diligently. The Supervisory Board accompanied and supervised the Executive Board continuously in its management duties and advised it regularly on its decisions regarding the management of the company. In all decisions of fundamental importance for the company, the Supervisory Board was involved directly and at an early stage.

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

Supervisory Board:
Christian Boekhorst, Catherine Mühlemann, André Krause, Frank Donck, Yves Leterme, Robin Bienenstock

Where the law, the articles of association, or the rules of procedure demanded the approval of the Supervisory Board or a committee for individual measures, the respective body debated these and passed a corresponding resolution. The corresponding proposals for resolution of the Executive Board were submitted timely for review. The plenary Supervisory Board was supported in this process by the competent committees, if required. Plans pending a decision were in detail discussed with the Executive Board.

Due to the Executive Board's reporting, the Supervisory Board was at all times thoroughly informed about the Company's situation and was able to perform its tasks in their entirety. The Supervisory Board reviewed the activities of the Executive Board in all meetings on the basis of the reports received. Significant main topics which the Supervisory Board discussed during the reporting period were the preparations for the successful initial public offering of the Company on 23 January 2015, the acquisition of PrimaCom Holding GmbH and pepcom GmbH, the corresponding financing as well as the capital increase which was resolved upon at the extraordinary general meeting on 14 September 2015 and successfully implemented in November. The topics for discussion in the regular consultations with the Executive Board were in particular the revenue, profit and employment trends of the Group as well as the exchange of views on the situation and strategy of the Company. The regularity, usefulness and efficiency of the company management by the Executive Board were not objectionable. The Supervisory Board also assured itself that the Executive Board formed an effective risk management system and an effective compliance program.

Conflicts of Interest

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

Members of the Supervisory Board and the Executive Board

In the extraordinary general meeting of the legal predecessor of Tele Columbus AG on 10 September 2014, Mr. André Krause and Ms. Catherine Mühlemann were elected, as part of the decision on the change of legal form of the Company into a German public stock corporation, to the Supervisory Board of the Company under the condition precedent of the admission of the Company's shares to trading on the Frankfurt Stock Exchange (Prime Standard). With the admission of the Company's shares to trading on the Frankfurt Stock Exchange on 21 January 2015, the condition precedent regarding the choice of André Krause and Catherine Mühlemann was fulfilled and both are, from this date on, members of the Supervisory Board, which since then consists of six persons.

Apart from that the Executive Board and the Supervisory Board remained unchanged.

Supervisory Board Committees

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

The task of the Executive Committee is to prepare the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of Executive Board members, the appointment of the Chairman and decisions on the remuneration of the Executive Board. The Executive Committee consists of the Chairman of the Supervisory Board, who is also Chairman of the Executive Committee, and two other members. These are Frank Donck as Chairman, as well as Yves Leterme and Catherine Mühlemann. The Executive Committee also assumes the function of a Nomination Committee, in accordance with the German Corporate Governance Code, whose role is to recommend suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. The Executive Committee held two presence meetings during the reporting period. Among others, the topics included the bonus and targets for the year 2015 as well as amendments to the terms of the Executive Board members' service contracts.

The Audit Committee concerns itself particularly with proper accounting, the independence of the auditor, the system of the internal company controls, risk management and compliance. The Audit Committee worked closely together with the auditors. It issued the audit mandate to the auditor, determined the key audit priorities, agreed upon a fee and brought forward a proposal to the Supervisory Board for the nomination of the auditors for the fiscal year 2015. It prepared in particular the decisions of the Supervisory Board on the adoption of the annual financial statements 2014 and to this end undertook the preliminary examination of the financial statements, the management report, the profit distribution proposal, the consolidated financial statements and consolidated management report and discussed the audit report with the auditor. Also the half-year and the quarterly financial report were discussed by the audit committee with the Executive Board before its publication.

The Audit Committee consists of three members. These are André Krause (chairman), Christian Boekhorst and Robin Bienenstock. In 2015, the audit committee held two presence meetings. Five meetings were held by way of a telephone conference. Apart from the audit of the financial statements and interim financial reports, the topics discussed included the internal control and audit system as well as the compliance.

Meetings of the Supervisory Board

The activity of the Supervisory Board in the reporting period was characterized by setting the future course for Tele Columbus AG. The advisory and monitoring activities of the bodies were focused on the following topics:

- On 20 January 2015, the Supervisory Board approved by way of a telephone conference to grant a bonus to the Executive Board, which was financially borne by Tele Columbus Holdings S.A., Luxembourg.
- By resolution dated 20 January 2015, the Supervisory Board approved to increase the share capital by EUR 33,333,334.00 in connection with the Company's IPO. On 21 January 2015 the Supervisory Board gave approval to increase the share capital by up to EUR 3,333,333.00 for the greenshoe option, if any, and approved on 30 January 2015 the actual implementation of this capital increase. All resolutions were passed by way of telephone conference.
- At the meeting on the financial statements on 7 April 2015, the Supervisory Board approved by way of a telephone conference the annual financial statements and the management report as well as the consolidated financial statements and the group management report, the report of the Supervisory Board and the Corporate Governance report in each case for the 2014 fiscal year and the 2014 declaration of compliance. Furthermore, the Supervisory Board did not object to the declaration of the Executive Board at the end of the report on relations with affiliated companies pursuant to sec. 312 (3) of the Stock Corporation Act (Aktiengesetz). Moreover, the Supervisory Board adopted the proposals for resolutions for the agenda of the Annual General Meeting 2015.
- On 6 July 2015, the Supervisory Board approved by way of a telephone conference the conclusion of the financing agreement for the acquisition of PrimaCom Holding GmbH. In the same meeting, a standby equity underwriting commitment was concluded with two banks in order to be able to replace a bridge financing by a capital increase at a later point in time.
- On 13 July 2015, the Supervisory Board approved by way of a telephone conference the acquisition of PrimaCom Holding GmbH, under certain conditions, and the submission of a final offer for the acquisition of pepcom GmbH.
- On 23 July 2015, the Supervisory Board approved by way of a telephone conference in connection with the acquisition of PrimaCom Holding GmbH the refinancing agreement, or alternatively the amendment of the existing senior facilities agreement with BNP Paribas as well as the conclusion of further financing agreements.
- On 5 August 2015, the Supervisory Board passed the circulation resolution to convene an extraordinary General Meeting in the third quarter of 2015 and approved the agenda to increase the Company's share capital by up to EUR 56,691,667.00.
- On 6 August 2015, the Supervisory Board decided by way of a telephone conference to reallocate some of the responsibilities within the Executive Board. The business units "Investor Relations and Capital Market Compliance" and "Corporate Communication" were combined to form the new business unit "Investor Relations/Group Communications/Press" that is part of Ronny Verhelst's responsibility.
- On 21 August 2015, the Supervisory Board approved, also by way of a telephone conference, the submission of a final offer for the purchase of pepcom GmbH.
- On 12 September 2015, after having been given detailed information and following comprehensive discussions, the Supervisory Board approved by way of a telephone conference the acquisition of pepcom GmbH.
- Another meeting of the Supervisory Board was held on 24 September 2015 by way of a telephone conference. At this meeting, the Supervisory Board extensively addressed the implementation of the law on a pari passu participation of women and men in executive positions as well as corresponding target figures regarding the proportion of women in the Supervisory and Executive Board. Following

extensive consultation, target figures and corresponding implementation periods for the Supervisory and the Executive Board were adopted.

- On 8 October 2015, the Supervisory Board passed a circulation resolution regarding the approval of the conclusion of contracts in connection with the financing and acquisition of pepcom GmbH.
- On 12 October 2015, the Supervisory Board approved by way of a telephone conference the management's new organizational structure. In addition to the Executive Board members Ronny Verhelst (Chief Executive Officer) and Frank Posnanski (Chief Financial Officer), Stefan Beberweil as Chief Marketing Officer, Diana-Camilla Matz as Chief Customer Sales Officer, Ludwig Modra as Chief Technology Officer and Jens Müller as Chief Integration Officer were appointed as members of the management in the course of this restructuring. Jean-Pascal Roux was appointed as senior director for housing associations.
- On 18 October 2015, the Supervisory Board approved by way of a telephone conference the rights offering in the period from 21 October to 3 November 2015 by increasing the share capital by EUR 70,864,584.00.
- On 22 October 2015, the Supervisory Board approved by way of circulation resolution of the acquisition of Mietho&Bär Kabelkom GmbH.
- At the regular Supervisory Board meeting on 2 December 2015, an overview of the provisional budget planning for 2016 was presented to the Supervisory Board. Besides, the Supervisory Board addressed the appropriateness of the remuneration of the Executive Board pursuant to sec. 87 of the Stock Corporation Act (Aktiengesetz) and sec. 4.2.2 of the German Corporate Governance Code, and adjusted the share-based payment. Furthermore, the Supervisory Board was provided with extensive reports on operating developments in the key business units, in particular with regard to the integration status of PrimaCom Holding GmbH and pepcom GmbH.

In the fiscal year 2015, the Supervisory Board and its committees dealt, besides the regular reporting, with management issues such as operational management sales, distribution, marketing, customer satisfaction and technological innovations in the network.

In the reporting period, the Supervisory Board held five presence meetings in Berlin. 26 meetings were held by way of a telephone conference. In total, 31 meetings of the full Supervisory Board were held. Furthermore, resolutions were made outside of meetings, if necessary, in particular regarding urgent business transactions, which require the consent of the Supervisory Board.

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

Corporate governance

The Supervisory Board takes the German Corporate Governance Code very seriously and has dealt extensively with the corresponding recommendations of the Governance Committee. In April 2016, the current annual declaration of compliance pursuant to sec. 161 German Stock Corporation Act (Aktiengesetz) was adopted by the Supervisory Board together with the Executive Board. This declaration of compliance is available on the Company's website.

Audit of annual and consolidated financial statements 2015

The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft was appointed at the ordinary general meeting on 15 May 2015 to audit the annual and consolidated financial statements 2015. The Executive Board prepared the annual financial statements of Tele Columbus AG and the status report for the fiscal year 2015 in accordance with German GAAP (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated management report, which was combined with the status report of the individual financial results pursuant to sec. 315 (3) in conjunction with sec. 298 (3) sent. 1 German Commercial Code (Handelsgesetzbuch). The KPMG AG Wirtschaftsprüfungsgesellschaft reviewed the annual financial statements and the consolidated financial statements as well as the combined status report considering the accounting principles and approved them without reservation.

The financial statement documentation and the audit reports were timely submitted to all Supervisory Board members. The members of the Audit Committee discussed at their meeting on 28 April 2016 in detail and reviewed the above-mentioned statements in a joint meeting with the CFO and the auditor, and reported on this to the full Supervisory Board in its session on 28 April 2016. The Supervisory Board, in knowledge and in consideration of the audit reports of the auditor, discussed and examined in detail the annual financial statements and the consolidated financial statements as well as the combined management report in its meeting on 28 April 2016. The Executive Board also provided additional oral explanations on the financial statements documentation. The auditor participated in these meetings, reported on the essential results of the audit and was available for answering questions and to provide supplementary information to the Supervisory Board. Through this and on the basis of the report presented from the previous meeting of the Audit Committee, the Supervisory Board was able to satisfy itself as to the correctness of the audit. Inquiries of the Supervisory Board members were answered by the Executive Board and the present auditors in detail.

The Supervisory Board raised no objections to the annual financial statements and the consolidated financial statements as well as the combined management report in knowledge of and in consideration of the report of the audit committee and the audit reports of the auditor.

The Supervisory Board thus concurred with the results of the audit by the auditor and approved the annual financial statements compiled by the Executive Board of Tele Columbus AG and the consolidated financial statements as of 31 December 2015. The annual financial statements of Tele Columbus AG as of 31 December 2015 are thus adopted.

The Supervisory Board wishes to thank the Executive Board and all employees for the Company's strong results in 2015 and their outstanding performance in the preparation of the acquisitions realized in 2015 as well as the subsequent integration of the companies into the Tele Columbus group.

Berlin, 28 April 2016

Frank Donck
Chairman of Supervisory Board

CORPORATE GOVERNANCE REPORT

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

There is a close content-related connection between the corporate governance report to be submitted in accordance with Section 3.10 of the German Corporate Governance Code, as amended on 23 June 2015 ("Code") and the declaration on corporate governance pursuant to § 289a German Commercial Code ("HGB"). For this reason, the Management Board and Supervisory Board of Tele Columbus AG submit both declarations concomitantly below.

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO § 289A OF HGB

The declaration on corporate governance pursuant to § 289a HGB contains the declaration of conformity with the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act ("AktG") (1.), relevant Information on the corporate governance standards which exceed the legal requirements (2.) and a description of the operating principles of the Management Board and Supervisory Board and operating principles and composition of the committees of the Supervisory Board (3.) and the specifications pursuant to § 76 para. 4 and § 111 para. 5 German Stock Corporation Act and the indication whether the specified target figures have been achieved or not including related statements of grounds (4.).

The declaration on corporate governance pursuant to § 289a HGB is part of the management report. Pursuant § 317 paragraph 2 sentence 3 HGB the declarations pursuant § 289a HGB shall not be reviewed by the auditor.

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

Pursuant to § 161 paragraph 1 AktG, the Management Board and the Supervisory Board of a publicly listed stock company must declare every year that the recommendations of the code have been and are being complied with or which recommendations have not been or are not being applied and why not. Any deviation from the recommendations of the Code must be explained in detail. The compliance declaration should permanently be publicly accessible on the company's website.

The Management Board and the Supervisory Board have dealt in detail with the recommendations of the Code and declare according to § 161 paragraph 1 AktG that Tele Columbus AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" (Code Commission) as of 5 May 2015 and published by the Federal ministry of Justice in the official part of the electronic Federal gazette with the following exceptions and will continue to do so in future:

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

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

3. Pursuant to item 7.1.2 of the Code, the consolidated financial statements will be publicly accessible within 90 days after the fiscal year end. Because of the acquisitions of PrimaCom Holding GmbH and pepcom GmbH in 2015, the integration of those companies into the group and the considerable additional effort for the preparation of the consolidated financial statements resulting therefrom, the publication of the consolidated financial statements for the fiscal year 2015 will not be made publicly accessible within 90 days after the fiscal year end. The company is not compliant with the recommendation of item 7.1.2 in this respect. However, it is intended that the recommendation of item 7.1.2 of the Code will be complied with in future.

Berlin, April 28, 2016

For the Management Board
Ronny Verhelst

Frank Posnanski

For the Supervisory Board
Frank Donck

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

2. Relevant information on corporate governance

The corporate governance of Tele Columbus AG is largely, but not exclusively, determined by the provisions of the AktG and takes guidance also from the recommendations of the Code, all of which Tele Columbus AG complies with, apart from the exceptions as stated in its declaration of conformity pursuant to § 161 paragraph 1 AktG (cf. no. 1). Compliance is a top priority for Tele Columbus AG and is considered by the Management Board to be a key management task.

2.1 Internal control system

The Management Board of Tele Columbus AG has implemented numerous organisational measures to establish an internal control system and fulfil its duties responsibly and transparently. This includes, besides a general compliance management system (CMS) and a risk management system, also the establishment of a capital market department dedicated to issues of capital market compliance.

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

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

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

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

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

The compliance management system and its application is regularly reviewed and further developed by the company.

2.2 Audit-related processes

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

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

2.3 Avoidance of conflicts of interests

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

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

There is a close and trusting cooperation between the Management Board and the Supervisory Board of Tele Columbus AG that is focused on the long-term success of the company. The members of the Management Board attend the meetings of the Supervisory Board, unless the Supervisory Board chairman, after prior consultation with his/her deputy, decides otherwise or the Supervisory Board decides to meet without the Management Board. The Management Board informs the Supervisory Board promptly, comprehensively and regularly about the development of the business operations of Tele Columbus AG. The year 2015 was characterized by important transactions and strategic decisions. 2015 began with the initial public offering, followed by large acquisitions, a refinancing and the successful completion of a rights capital increase as resolved upon by the extraordinary shareholders' meeting on 14 September 2015. Further, decisions were taken with regard to the re-organization of the management structure and the integration of the acquired enterprises. Hence, the Management Board and the Supervisory Board worked closely together. In total, the Supervisory Board held 31 meetings, of which 26 were held by way of telephone conference.

3.1 Operating principles of the Management Board

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

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

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

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

3.2 Operating principles of the Supervisory Board

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

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

The members of the Supervisory Board are elected by the annual general meeting of the company by simple majority. Tele Columbus AG is subject neither to the Mitbestimmungsgesetz (German Co-Determination Act) nor to the Drittelbeteiligungsgesetz (German One-third Participation Act).

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

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

In order to enable the Supervisory Board to carry out its tasks optimally, the rules of procedure of the Supervisory Board provide for two permanent committees, the Executive Committee and the Audit Committee. The tasks of the nominating committee to be set up in accordance with Section 5.3.3 of the Code are performed by the Executive Committee.

Executive Committee

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

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

Audit Committee

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

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

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

4. Reporting pursuant to § 289a para. 2 no. 4 HGB

As a listed and non-co-determined stock corporation, Tele Columbus AG is obliged to define specific objectives with regard to the so called female quota, to implement such objectives until 30 September 2015 as well as to publish such objectives within the status report of the business year. The objectives for the Supervisory Board and management board shall be resolved by the Supervisory Board according to § 111 para. 5 AktG and the objectives for the lower levels of management by the management board according to § 76 para. 4 AktG. The initial objectives cannot exceed the period until 30 June 2017.

The Supervisory Board has set an objective for women's representation on the management board and Supervisory Board in due time and determined the 30 June 2017 as the deadline for the objective attainment. At the moment, there are no women on the management board of Tele Columbus AG. As – due to the term of office of the current management board members and the fact that an extension of the management board on short term seems not to be reasonable in terms of efficient cooperation and cost consideration – there are no changes expected to be implemented within the statutory deadline, so that the objective set by the Supervisory Board is limited to retain the current women's representation on the management board of 0% on the date of the resolution. This, however, shall not prevent the Supervisory Board from taking an increase of the women's representation in consideration in case of a replacement of a management position that will be due to an unexpected vacancy. In a mid- and long term view, the Supervisory Board aims at the participation of at least one woman on the management board of Tele Columbus AG. On the Supervisory Board, the female quota amounts to 33.3%. The Supervisory Board is aware of the importance of an appropriate participation of women in management positions for Tele Columbus AG and has therefore determined that the existing status quo on the Supervisory Board shall not be diminished.

The management board has also determined in due time target figures for the female quota in the first two management levels under the management board of Tele Columbus AG. On 30 September 2015, the female quota was 14.29% on the first management level and 26.09% on the second management level. These quotas on the first and second management level shall not be diminished until 30 June 2017 in order to accomplish an appropriate participation of women in the controlling bodies of Tele Columbus AG. In a mid- and long term view, the management board aims to increase the participation of women in management positions of Tele Columbus AG.

5. Further details relating to Corporate Governance

5.1 Transparency through communication

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

5.2 Shareholders and annual general meeting

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

5.3 Financial accounting and auditing of annual statements

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

By resolution of the Annual General Meeting on May 15 2015, the auditing firm KPMG AG, Berlin, was appointed as auditor for the fiscal year ending 31 December 2015.

5.4 Compensation for the Management Board and Supervisory Board

The remuneration report details the principles regarding the compensation of the members of the Management Board and the Supervisory Board and shows the compensation of members of the Management Board in the financial year 2015 in individualised form in accordance with statutory requirements, broken down according to non-performance-based components (fixed base salary and fringe benefits) and performance-related components (long-term variable compensation components) and components with long-term incentive effect (long-term incentive plan).

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

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

SHARE HOLDINGS AND REPORTABLE SECURITIES TRANSACTIONS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Share holdings

The members of the Management Board and one member of the Supervisory Board hold indirect shares in the company via Tele Columbus New Management Participation GmbH & Co. KG, Berlin. As of 31 December 2015, the total indirect ownership of the members of the Management Board of shares of Tele Columbus AG or related financial instruments was on the basis of recalculation 1.50% of all shares issued by the company at that time. As of 31 December 2015, the total indirect ownership of Yves Leterme, member of the Supervisory Board, of shares of Tele Columbus AG or related financial instruments was on the basis of recalculation 0.25% of all shares issued by the company at that time.

As of 31 December 2015, the total indirect ownership of Frank Donck, member of the Supervisory Board, of shares of Tele Columbus AG or related financial instruments, which he held via 3D N.V., was on the basis of recalculation 2.99% of all shares issued by the company at that time.

Furthermore, as of 31 December 2015, the other members of the Supervisory Board held directly the following amount of all shares issued by the company at that time, or of related financial instruments:

- Catherine Mühlemann: 0.01%
- Christian Boekhorst: 0.24%
- Andre Krause: 0.01%
- Robin Bienenstock: 0.00%

Reportable securities transactions (“directors’ dealings”)

Members of the Management Board and Supervisory Board and related persons are obligated in accordance with § 15a of the Wertpapierhandelsgesetz (German Securities Trading Act; “WpHG”) to disclose reportable transactions with shares of the company or related financial instruments, such as derivatives, if the value of these transactions reaches or exceeds the sum of €5,000 in any given calendar year. Tele Columbus AG has been listed in the regulated market on the Frankfurt Stock Exchange since 23 January 2015.

In the fiscal year 2015, the company was informed of the following reportable transactions:

- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported the purchase of 1,500,000 shares at a price of EUR 10.00 per share, with a total price of EUR 15,000,000.00 on 26 January 2015.
- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported an off-market securities loan of 333,333 shares on 4 February 2015.
- Robin Bienenstock, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 1,672 shares at a price of EUR 14.4959 per share, with a total price of EUR 24,237 on 1 April 2015.
- Robin Bienenstock, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 4,140 shares at a price of EUR 14.26639 per share, with a total price of EUR 59,063 on 1 April 2015.

- Robin Bienenstock, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 1,672 shares at a price of EUR 14.4959 per share, with a total price of EUR 24,237 on 2 April 2015.
- André Krause, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 4,800 shares at a price of EUR 14.69 per share, with a total price of EUR 70,531.93 on 7 April 2015.
- Catherine Mühlemann a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 4,861 shares at a price of EUR 14.40 per share, with a total price of EUR 69,998.40 on 9 April 2015.
- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported the purchase of 9,468 shares at a price of EUR 10,1917 per share, with a total price of EUR 96,495 on 25 September 2015.
- Christian Boekhorst a person performing managerial responsibilities as a member of an administrative or supervisory body reported the sale of subscription rights of 74,134 shares at a price of EUR 3.934 per share, with a total price of EUR 291,643 on 21 October 2015.
- Christian Boekhorst a person performing managerial responsibilities as a member of an administrative or supervisory body reported the sale of subscription rights of 40,000 shares at a price of EUR 3.98965 per share, with a total price of EUR 159,586.00 on 22 October 2015.
- Robin Bienenstock a person performing managerial responsibilities as a member of an administrative or supervisory body reported the sale of rights of 5,812 shares at a price of EUR 3.748 per share, with a total price of EUR 21,783.38 on 27 October 2015.
- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported the purchase of 375,000 shares at a price of EUR 8.3117 per share, with a total price of EUR 3,116,880 on 28 October 2015.
- Christian Boekhorst a person performing managerial responsibilities as a member of an administrative or supervisory body reported the sale of subscription rights of 5,000 shares at a price of EUR 3.4952 per share, with a total price of EUR 17,476 on 29 October 2015.
- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported the purchase of 37,195 shares at a price of EUR 8.3082 per share, with a total price of EUR 309,023 on 30 October 2015.
- André Krause, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the sale of 2,400 shares at a price of EUR 3.47415 per share, with a total price of EUR 8,338 on 2 November 2015.
- André Krause, a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 3,000 shares at a price of EUR 5.40 per share, with a total price of EUR 16,200.00 on 3 November 2015.
- 3D N.V., a legal entity, company or institution with close ties to a person entrusted with management tasks (Frank Donck), reported the purchase of 1,886,839 shares from the capital increase at a price of EUR 5.40 per share, with a total price of EUR 10,188,930 on 6 November 2015.
- Christian Boekhorst a person performing managerial responsibilities as a member of an administrative or supervisory body reported the purchase of 102,750 shares from the capital increase at a price of EUR 5.40 per share, with a total price of EUR 554,850 on 6 November 2015.

INVESTOR RELATIONS

Tele Columbus AG was first listed in the Prime Standard of the German Stock Exchange in Frankfurt on 23 January 2015.

Capital Market Environment

In the first half of the year, German stock markets were largely influenced by the further easing of the European Central Bank's (ECB) monetary policy. In January 2015, the ECB had announced the expansion of its monetary policy through bond purchases in the amount of EUR 60 billion per month from March 2015 to September 2016 (QE = Quantitative Easing). Prior to the announcement, the Euro had fallen sharply against the US dollar. This improved export opportunities for German industry, and was in turn reflected by rising stock prices in the Euro area.

Toward the middle of the year, discussions about a new rescue package for Greece moved to the centre of attention. The discussions led to short-term strain on the stock markets, but as the Euro countries continued to stress their wish to retain Greece in the Euro area, a new rescue package was ultimately anticipated by the stock markets. The third rescue package in the amount of EUR 86 billion for Greece was adopted on 19 August 2015.

After the summer break, economic concerns about China arouse and led to insecurities on the capital markets. This led to a weaker stock market in August/September 2015. The last months of 2015 were influenced on the one hand by the debate over whether after seven years, the US economy was strong enough to cope with a first interest rate increase by the Federal Reserve; on the other hand, by the declining oil price (Brent), whose downward trend accelerated especially toward the end of 2015. On 31 December 2015, it was listed at below USD 40 for the first time in around ten years. In the course of the strongly declining oil prices and the increasing risk of increased credit defaults in the raw materials and especially the oil sector, share prices worldwide have reacted negatively.

The Tele Columbus Share

The share price of Tele Columbus AG benefited at the beginning of the year by the positive environment and the strong demand for it. The share price reached its peak on 16 March 2015, with EUR 15.80.

Share performance

Opening price on 23 January 2015 (IPO):	EUR 7.50 (EUR 10.70 before adjustment by the capital increase in November 2015)
High (16 March 2015):	EUR 10.72 (EUR 15.80 before adjustment by the capital increase in November 2015)
Low (22 September 2015):	EUR 7.15
Closing price on 31 December 2015:	EUR 9.35
Share price performance for 2015:	24.7%
Average daily trading volume: [1]	95,538 (without adjustment of the trade volumes before the capital increase in November 2015)
Number of shares	127,556,251 (after the capital increase in November 2015, when 70,864,584 new shares were issued)
Admission segment	Prime Standard
Index	SDAX
Stock Exchange	Frankfurt Stock Exchange

1) Based on number of shares traded on XETRA

Overall, 2015 was an exciting year for the company. A number of events considerably affected the share price. The most important capital market-related events were:

i) Report of preliminary figures for fiscal year 2014 on 3 March 2015. In this context, expectations for fiscal year 2015 were given for
   a. the number of homes connected at year-end,
   b. expected revenue growth during the year,
   c. expected adjusted EBITDA margin,
   d. planned investments for fiscal year 2015,
   e. status of the homes two-way upgraded for Internet and telephone services connected to the own signal, and
   f. planned medium-term leverage.
   g. At the same time, it was noted that no dividend were to be expected for the year 2015.

ii) On 12 May 2015, the figures for the first quarter of fiscal year 2015 were reported. This was the first quarter after the IPO. It is noteworthy that, due to the inflow of proceeds from the IPO, the leverage could be reduced, compared to 31 December 2014, from 6.6x to 3.2x on 31 March 2015 (including Finance Leases). In addition to the significantly lower interest expenses, the interest coupon on the new loan could be reduced as well. Furthermore, available credit lines totalling EUR 125 million were available on 31 March 2015.
   In addition, the outlook given on 3 March 2015 was confirmed.

iii) On 15 May 2015, the first Annual General Meeting was held in Berlin. 44.39% of the authorised share capital was represented. All agenda items including creation of new authorised capital were approved by a large majority. The individual voting results are available on the IR website at www.telecolumbus.com.

iv) Effective 22 June 2015, the shares of Tele Columbus AG were included in the SDAX.

v) On 16 July 2015, Tele Columbus AG announced that an agreement for the purchase of 100% of the shares of PrimaCom Holding GmbH ("primacom") for a purchase price of EUR 711 million had been signed. The acquisition was expected to generate synergies in the amount of approximately EUR 20 million. The financing was secured among other things through bridge financing by banks.

vi) On 23 July 2015, the so-called lock-up period of the IPO ended for existing shareholders after 180 days, whereupon they could sell their shares on the market. Some of the shareholders made immediately use of their selling rights. With expiry of the lock-up, the free float of the shares increased to about 85%.

vii) Since the acquisition of primacom did not require any approval by the cartel authorities, the acquisition of the company was completed on 31 July 2015.

viii) On 6 August 2015, Tele Columbus AG sent out an invitation to an Extraordinary General Meeting to be held on 14 September 2015. The purpose of this meeting was to approve a capital increase by way of a rights offering with pre-emptive rights in order to achieve targeted gross proceeds in the amount of EUR 240 million.

ix) On 14 August 2015, the company published its figures for the second quarter and first half of 2015. The outlook was confirmed; however, the investment volume for the year 2015 was reduced by around EUR 20-30 million and the amount shifted into 2016.

x) At the end of August 2015, the TC Management S.à r.l., which owned 10.15% of the holdings of Tele Columbus AG in the form of shares, was liquidated. The shares were transferred to the individual members of the TC Management S.à r.l., who were immediately allowed to trade the shares in Tele Columbus AG. Due to the liquidation, the free float increased to around 97%.

xi) On 13 September 2015, Tele Columbus AG announced that it had closed an agreement to purchase pepcom GmbH ("pepcom") for an enterprise value of EUR 608 million. The acquisition was expected to generate synergies in the amount of approximately EUR 15 million. The financing of the transaction was subject to, among other things, the resolution on the capital increase by the Extraordinary General Meeting as well as the successful implementation of the capital increase.

xii) On 14 September 2015, an Extraordinary General Meeting was held in Berlin. The agenda contained only one item: the increase of the share capital against contributions in cash by way of a rights offering with pre-emptive rights. 70.70% of the share capital was represented and the decision was approved by a 99.99% majority.

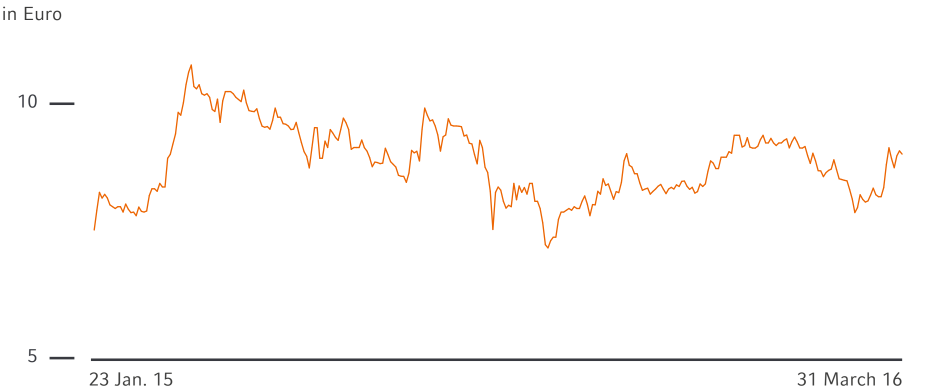
xiii) With the ad hoc announcement dated 19 October 2015, the company announced that it would execute a capital increase by way of a rights offering with pre-emptive rights, and in this context offered 70,864,584 new shares at a subscription ratio of 4 to 5 at a price of EUR 5.40 per new share. Details of the capital increase were published inter alia in the prospectus for the rights offering. With the capital increase, net proceeds of approximately EUR 363 million were generated. Trading of the newly issued shares started on 6 November 2015. Incorporating the new shares in the existing listing, based on the closing price of EUR 11.40 on 16 October 2015, resulted in a theoretical stock price of EUR 8.07 (TERP "Theoretical Ex-Rights Price"). Due to this, the share price was subsequently adjusted in the systems based on the capital increase data.
In addition to the capital increase, the company also accomplished debt financing in the form of two loans in the amount of EUR 320 million and EUR 117 million.

xiv) On 12 November 2015, Tele Columbus AG reported its figures for the third quarter and the nine months to 30 September 2015. For the first time, the figures included two months of primacom, which have been consolidated since 1 August 2015. Therefore, a comparison with the same prior-year quarter and same prior-year period was only possible to a limited extent. At the same time, the company announced a Capital Markets Day for March/April 2016.

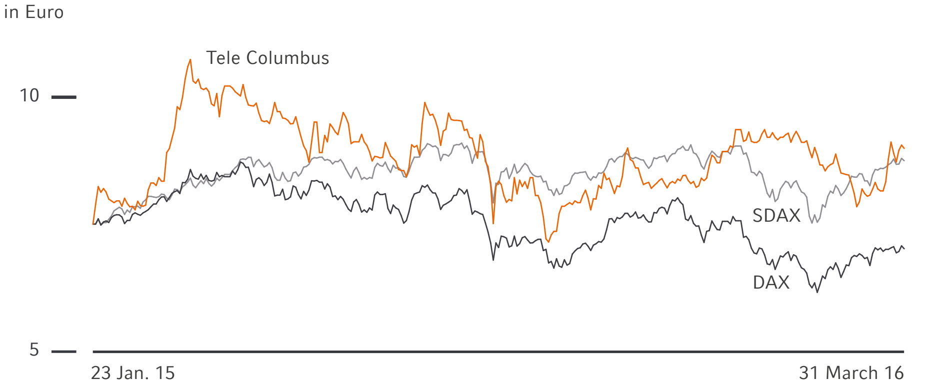
xv) With the publication dated 30 November 2015, the completion of the pepcom acquisition was announced to the capital market. pepcom has been fully consolidated since 1 December 2015.

The above events influenced the share price performance in the past fiscal year:

Development of the share to 31 March 2016



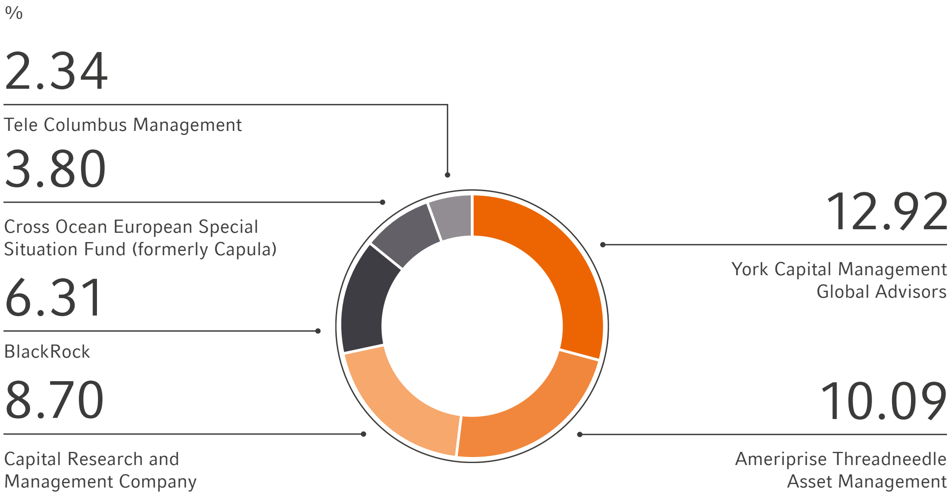
Development of the Tele Columbus share compared to DAX an SDAX (indexed)



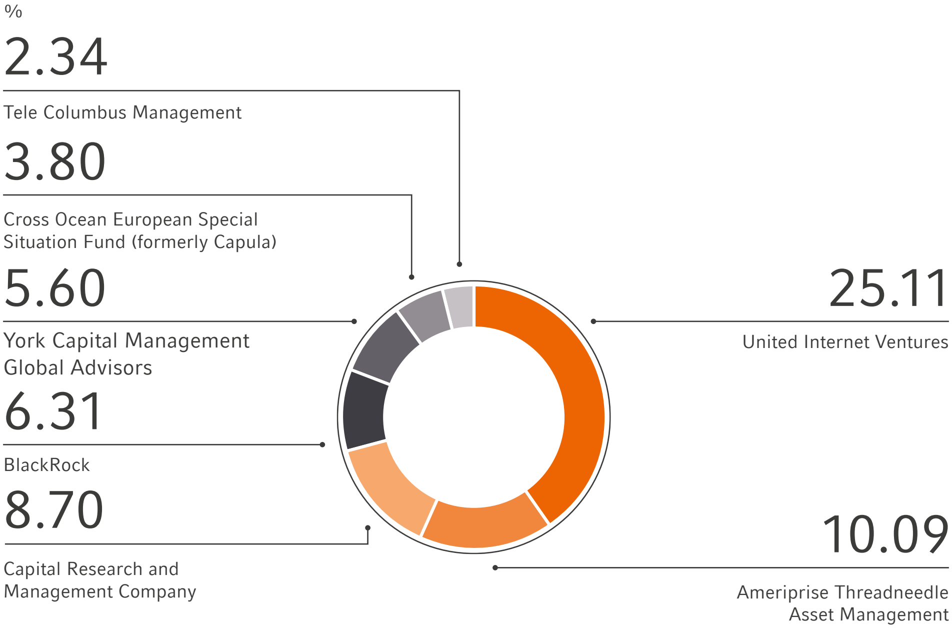
Facts and figures about the Tele Columbus AG share

Type of shares	Registered shares
ISIN	DE000TCAG172
WKN	TCAG17
Bloomberg Code	TC1:GR
Reuters Code	TC1n.DE
Ticker	TC1
Sector	Telecommunications
Number of shares	127,556,251 (after the capital increase in November 2015, when 70,864,584 new shares were issued)
Admission segment	Prime Standard
Index	SDAX
Stock Exchange	Frankfurt Stock Exchange

The major shareholders (Date: 31 December 2015 based on official notifications)



The major shareholders (Date: 31 March 2016 based on official notifications)



Communication with capital market participants

A key element of our communication is the interaction with our numerous analysts and mainly institutional investors. Given that the company hired an experienced capital market expert who is well known in the TMT sector for the IR position in June 2014, we were quickly able to enter into intensive dialogues with relevant capital market participants.

Our goal is to maintain this intensive and proactive dialogue at a high level. In fiscal year 2015, Tele Columbus AG intensified its dialogue with institutional investors, private investors and financial analysts. The focus of its activities was one on one and group meetings with institutional investors during roadshows and conferences in international financial centres in Europe and the United States. Overall, in 2015 the company was represented at 13 different (mainly equity) conferences in Germany and abroad. Most of the conferences were attended by one of the two Management Board members. 16 roadshows with a total of 19 roadshow days – predominantly with one of the Management Board members – led to financial centres such as Frankfurt, London, Paris, Zurich, Geneva and New York. The annual and quarterly figures were presented simultaneously in telephone conferences and in the Internet.

In the future, all capital market activities will also be aimed at maintaining a continuous dialogue with our analysts and investors as well as other partners such as rating agencies. All relevant data on historical business figures, information on the Tele Columbus share as well as analyst estimates, investor relations releases, company presentations, the financial calendar as well as an overview of upcoming IR activities are available on our website www.telecolumbus.com under Investor Relations.

As of March 31, 2016, Tele Columbus AG is being analysed and evaluated by nine different sell side analysts, including IPO underwriters J.P. Morgan, Goldman Sachs, Berenberg, and Bank of America Merrill Lynch, and also by Hauck & Aufhäuser, Bankhaus Lampe, New Street Research, Commerzbank and Citigroup. In the medium term, it is assumed that the number of analysts will further increase.

Your permanent contact person for all IR-related matters is Elmar Baur, Senior Director Investor Relations and Corporate Communications (e-mail: Elmar.Baur@telecolumbus.de).

ELMAR BAUR

Head of Investor Relations

elmar.baur@telecolumbus.de

GROUP MANAGEMENT REPORT

TO THE CONSOLIDATED FINANCIAL STATEMENTS 2015

MANAGEMENT REPORT

INTRODUCTION

The following management report is a combined management report in accordance with § 315 Abs. 3 HGB (German Commercial Code) for the Tele Columbus Group (hereinafter referred to as Tele Columbus, Tele Columbus Group or the Group), and the Tele Columbus AG as of 31 December 2015. It represents net assets, the financial position and results of operations for the fiscal year 2015. The probable development of the Tele Columbus Group and Tele Columbus AG, including risks and opportunities, is closely interrelated and inseparable.

We refer to further explanations in the Supplementary Report and the Notes to the Consolidated Financial Statements for Tele Columbus AG. To ensure comparability to the prior year financials, certain information has been adjusted for company acquisitions effected during the fiscal year 2015. This is not representative of the economic situation of the Group as a whole for the fiscal year end.

1. THE GROUP

1.1 Business Model of the Group

1.1.1 General Information

Tele Columbus is based in Berlin and holds 52 direct and indirect subsidiaries as of 31 December 2015. The subsidiaries are fully consolidated in the Group's consolidated financial statements. Furthermore the Group holds two associated companies as well as two Joint Ventures. Since 23 January 2015, Tele Columbus AG has been listed on the Frankfurter Stock Exchange (Prime Standard).

The Tele Columbus AG is the parent company of the Tele Columbus Group and predominantly acts as the holding for the individual entities of the Group. Its individual financial results strongly depend on the performance of the subsidiaries. This is reflected in other income from investments and profit and loss transfer agreements. The Tele Columbus AG is also responsible for the controlling, financial planning, sales and distribution, technology, customer service, accounting and general administration for the Group.

The Tele Columbus Group is one of the leading cable network providers in Germany and therefore one of the most important service partners for end users, home owners, and the housing industry. The Group operates primarily in Eastern Germany. Approximately 37% (prior to acquisitions effected in 2015 approx. 20%) of the Group's stock are in the remaining region of the Federal Republic of Germany. With the acquisition of primacom group (hereinafter also referred to as primacom) and pepcom group (hereafter also referred to as pepcom), Tele Columbus is able to service approx. 10% of all German households with its existing cable network infrastructure.

63%

of the Group's stock are in the remaining reion of the Federal Republic of Germany

10%

of all German households are provided with the services of Tele Columbus

The Group offers high performance state of the art access to TV offers, telephony, and high speed internet. The portfolio includes service, maintenance and supply of these products, as well as customer care for existing customers and debt collection. In addition to this core business, Tele Columbus expanded its portfolio to include mobile broadband and mobile telephony services as of September 2015, and, after the business acquisitions of primacom- and pepcom-group, constructional services related to telephony and internet services. The latter includes individually tailored solutions for key accounts.

1.1.2 Organizational Structure of the Group

The organizational structure of the Group changed significantly in the fiscal year 2015. Changes to the group structure mainly result from the acquisitions of the primacom group on 1 August 2015, with four entities (after implemented mergers) and the pepcom group on 1 December 2015 with 25 entities.

Business Operations are predominantly driven by Tele Columbus Ost GmbH, Tele Columbus Multimedia GmbH, primacom Berlin GmbH, pepcom Nord GmbH, pepcom Mitteldeutschland GmbH, pepcom West GmbH, pepcom Süd GmbH and HL komm Telekommunikations GmbH. The primacom Berlin GmbH is a subsidiary of the acquisitioned primacom group and the latter companies are part of the pepcom group. Furthermore the Group integrates primacom Holding GmbH and the pepcom GmbH for controlling and administrative purposes of the newly acquired primacom- and pepcom-group.

The Tele Columbus AG operates as the management holding company for the new Group and its transformed setup. It is the top administrative and holding entity of the Group and therefore responsible for the controlling function of the Group. Hence, the Tele Columbus AG accounts for the strategic development of the Group and the provision of service and financing for its subsidiaries, including the newly acquired subsidiaries of the primacom- and pepcom-group. Since the newly acquired groups (primacom and pepcom) are controlled by the Tele Columbus AG, they are considered as part of the Tele Columbus Group and therefore economically depending on the parent of the Group, the Tele Columbus AG. Tele Columbus is currently integrating the new groups primacom and pepcom, which will impact the economical and corporate structure within the next months and years.

The overall goal is to setup a convergent telecommunication- and cable network provider.

1.1.3 Acquisitions

The Group performed various acquisitions during the course of the fiscal year 2015. Besides the acquisitions of primacom- and pepcom-group, Tele Columbus acquired further cable network providers. The next biggest acquisition in terms of housing units was Funk und Technik GmbH, Cottbus with 21,800 units. In addition the Group acquired Teleco GmbH Cottbus Telekommunikation and KABELMEDIA GmbH Marketing and Service, Essen, with a total of approx. 19,100 housing units. 12,200 further housing units were procured through several smaller acquisitions during the year. This document primarily focuses on the significant acquisitions for the Group, the acquisitions of primacom- and pepcom-group.

1.155 m

homes connected were integrated into the group through the acquisition of primacom

1.1.3.1 Acquisition of the primacom group

The acquisition of primacom Holding GmbH, Leipzig, the fourth-largest German cable network operator, offers unique opportunities for Tele Columbus to expand operations. With the acquired primacom group in August 2015, Tele Columbus was able to integrate 1.155 million additional households connected in Eastern Germany as well as in western key areas such as Hamburg, North Rhine-Westphalia and Baden-Wuerttemberg. Furthermore, primacom's penetration of its customer base with additional Pay-TV, Internet and telephony services is another potential source of growth regarding Internet and telephony products as well as premium TV services. First synergies in operative and administrative areas were in 2015. Besides the merged product portfolios, integration efforts succeed in the implementation of aligned processes and strategic direction to ensure integral controlling of the Group (please refer to chapter 1.1.2 Organizational structure of the Group as well as chapter 1.2 Control System).

3.6 m

total homes connected after the acquisition of primacom and pepcom

1.1.3.2 Acquisition of the pepcom group

The pepcom group has a customer base of approx. 0.755 million households connected, with a regional focus on Bavaria, Hesse, Mecklenburg-Western Pomerania, Brandenburg and Saxony and a strong presence in the economically attractive cities of Munich, Nuremberg, Leipzig and Frankfurt am Main. The pepcom group was integrated into the Tele Columbus Group in December 2015. As a direct result the number of total households connected increased to approx. 3.6 million. This facilitates Tele Columbus to pursue attractive growth opportunities through increasing the penetration of premium TV, Internet and telephony services across the pepcom group customer base. In addition, it is expected that pepcom group's well-established B2B business will add a strategically important pillar and new customer base for upside growth potential. Further growth is expected to be realised through leveraging online sales experience and marketing mobile services into pepcom group's customer base. To realize this growth potential, the Group has started the alignment of procedures and controlling measures within the new Group structure and the integration and establishment of the B2B business (please refer to chapter 1.1.2 Organizational structure of the Group as well as chapter 1.2 Control System).

1.1.4 Main Market and Core Business

The Tele Columbus Group is the third largest cable network operator in Germany in terms of households connected and the regional market leader in large areas of the Eastern German federal states. The Group operates exclusively in the Federal Republic of Germany, predominantly focusing on the states of Berlin, Brandenburg, Saxony, Saxony-Anhalt and Thuringia as well as selected regions within the states of North Rhine-Westphalia and Hesse. The acquisition of primacom GmbH and pepcom GmbH represented a unique opportunity to expand the geographic footprint across Germany with a focus on Bavaria, Baden-Württemberg, Mecklenburg-Western Pomerania, Hamburg and Rhineland Palatinate.

In the fiscal year 2015, the Group maintained locations in Berlin, Hanover, Chemnitz, Dresden, Magdeburg, Ratingen and Jena and, with the acquisition of primacom and pepcom group, integrated new locations in the economically attractive cities of Leipzig, Munich and Frankfurt am Main.

Generally the Group operates cable networks at network levels three and four. Level 3 networks – hereafter NE3, Level 3, or L3 – distribute the signal from the head ends to the home hand-over points and are commonly referred to as the network's trunk or backbone. Level 4 networks – hereafter Level 4, NE4, or L4 – distribute the signal from the level 3 hand-over points to the wall socket inside the customer's home and consist primarily of in-house wiring. As integrated L3/L4 network operator the Group specializes in delivering integrated, high quality products to the end customer. In locations where the Group's internal network is not obtainable, external network services are purchased from third party providers. Furthermore Tele Columbus tailors to the "Business to Business" (B2B) market and engages in building and construction projects for third party customers, such as housing associations or municipalities.

Products and services within the B2B market is comprised of the provision of bandwidth services to third party carriers as well as between businesses, product sales to businesses around telephony and internet hardware, network monitoring and marketing of data centres. For building and construction projects, the Group constructs amongst others optic fibre urban networks or integrates new buildings into the existing backbone.

The Group offers a wide range of products and services around TV and telecommunication, focusing on a basic package of Cable TV ("CATV"), premium TV, Internet and landline services. In September 2015, the Group expanded its product portfolio to include mobile and data services. As of 31 December 2015 Tele Columbus has a customer base of approx. 3,6 million residential units connected, of which approx. 2,4 million households connected were receiving at least one of those products.

The main revenue driver for Tele Columbus are CATV related subscriber cost. Approximately 95% of subscribers, i.e. customers who are provided with at least one of the services, are tenants of premises located in multi-dwelling units (''MDUs'') which are owned or administered by housing associations with whom the Group has entered into signal delivery agreements. These long-term agreements ensure sustainable revenues. Most of those subscribers receive the CATV signal based on bulk arrangements, where the housing associations pay a bulk amount and bill it to their tenants as operating cost according to applicable rental law regulations. As of 31 December 2015, approx. 63% of customers pursued this practice whereas approx. 37% of customers received CATV services based on individual contracts.

1.1.5 Business Segments

The Group reports its operating activities in two operating segments, „TV" and „Internet and Telephony".

1.1.5.1 Segment „TV"

In the Group's TV segment, the Group offers basic CATV, as well as premium TV packages to its customers. Basic TV packages include analogue and digital TV and radio channels. Premium TV packages offer up to 60 additional digital TV channels, of which up to 36 can be received in HD-quality.

Management plans to expand the segment's product portfolio to include a Video on Demand-Platform in the fiscal year 2016.

Revenues generated within this segment result from cable connection fees and recurring fees for service options of cable access subscribers, as well as the completion of new customer contracts with related installation services. Furthermore Tele Columbus receives feed-in-fees from programme providers for the distribution within its cable network.

The segment earned approx. TEUR 190,142 (2014: TEUR 156,929) of revenues in 2015, which is approx. 68.1% of the Group's total revenues in 2015 (2014: 73.6%).

Double

the number of Internet contracts due to the purchase of primacom and pepcom

400 Mbit / s

Tele Columbus provides high-speed downloads

1.1.5.2 Segment "Internet and Telephony"

The Group includes internet and telephone services in the Internet and Telephony segment.

Revenue is composed of proceeds from the conclusion of new contracts and installation services as well as monthly contractual and service fees. In 2015, the portfolio was expanded for the inclusion of mobile services.

In addition the Group increased the number of existing internet contracts from approx. 202,000 to 462,000, which primarily results from a further expansion of the cable network and the acquisition of the primacom- and pepcom-group. Last but not least, the consistent expansion of the DOCSIS 3.0 network with the related performance increase to a download speed of up to 400M / Bits supported this increase in subscriber numbers.

Internet and Telephony earned revenues of approx. TEUR 79,251 in 2015 (2014: TEUR 1,837), which is approx. 28.4% of total revenues for the fiscal year 2015 (2014: 24.3%).

1.1.5.3 "Other"

Business activities and items not directly related to the Group's reportable segments are reported under 'Other'. This includes the Group's B2B and Construction Business, with revenues of approx. TEUR 9,773 in 2015, which predominantly were derived by the pepcom group. This segment also includes general administrative and personnel related cost of approx. TEUR 38,438.

1.2 Control System

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

The main internal key control parameter in these reports is the Normalized EBITDA, which is reported for each operating segment.

This control parameter, as defined by the group's management, accounts for the operating results (results from subsidiaries accounted for using the equity method, interest earnings, interest expenditure and other financial results), taxes on income as well as write-offs and depreciation of intangible assets and goodwill. It is also adjusted for "nonrecurring items". These are defined by the Management Board as non-recurring, rare or extraordinary expenses or earnings stemming from an event which presumably will not occur again in the following two fiscal years and has not already occurred in the previous two fiscal years. An additional adjustment to the "Normalized EBITDA" are expenses or earnings which do not predominantly result from ordinary operative business or are of a restructuring nature. These are eliminated as they cannot be used to assess operative success. This includes costs related to new product launches (e.g. mobile phone products).

Furthermore, the Management Board uses financial and non-financial Key Performance Indicators ("KPI") to monitor the group's financial performance. The KPIs used are for example "RGUs" (Revenue Generating Units), the normalised contribution margin as well as the ARPU (Average Revenue Per User), as well as the percentage of homes connected with two-way transmission.

Significant monetary KPIs

RGUs (Revenue Generating Units)

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

ARPU (Average Revenue Per User)

The average revenue per user is monitored on three different levels:

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

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

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

Significant non-monetary KPIs

Percentage of homes connected with two-way transmission

This percentage describes the share of homes which are connected to the group's internal NE3/NE4 integrated and upgraded two-way transmissible network to the total number of homes connected.

Additional relevant control parameters include personnel figures (measured in Full Time Equivalents/FTE), capital expenditures (Capex) and cash flow.

Personnel related indicators in focus are the general qualification and necessary know-how of employees to ensure the successful completion of operative and administrative goals, as well as employee costs, wages/salaries, which are managed according to industry standards.

Tele Columbus carefully selects network investments via a thorough analysis of market opportunities and limits new investments to economically attractive projects. This ensures a sustainable contribution towards the achievement of company goals and the continuous growth of the company value.

The internal control system has been implemented in all entities of the Group in 2015 to ensure an alignment in processes and strategies, resulting in a common approach to classifications and KPI and hence meaningful numbers for the Group as a whole.

In addition to the key indicators above, the Management Board also monitors non-financial performance indicators such as the total number of end users and the number of residential units connected to the Group's own cable networks. Another non-monetary KPI is customer satisfaction. Tele Columbus measures the satisfaction of its customers with the internally defined customer satisfaction index, which showed a slight increase in 2015.

High customer satisfaction

The satisfaction index rose slightly in 2015

1.3 Goals and Strategies

Tele Columbus focuses its strategic efforts on sustainable and profitable growth. Defined KPIs, as described in chapter 2.2 'Business Development', were accomplished in 2015.

Focus of defined goals are the following three KPIs:

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

2. ARPU (Average Revenue Per User) per month, and

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

1.8 RGUs

per customer are strived for by Tele Columbus. In 2015, the indicator increased from 1.44 to 1.55.

RGUs provide information on the number of services sold. If a customer not only purchases basic cable television via the Tele Columbus network but also other services such as an Internet access for example, each individual service counts as an RGU. The Tele Columbus Group strives to achieve 1.8 RGUs per unique subscriber in the mid-term. At the end of the fiscal year 2014, the indicator was still at 1.44 RGUs per unique subscriber. In the course of the fiscal year 2015, the Group was able to increase the RGUs per end user to 1.55 by 31 December 2015. Tele Columbus' organic growth, excluding the acquisition of the primacom- and pepcom-group as of 31 December 2015 was 1.52 RGUs (2014: 1.44 RGUs). Therefore the Group's strategic goals as defined in the beginning of 2015 were successfully accomplished, even without the acquisition of primacom- and pepcom-group and Tele Columbus reports a growth of 6%. The average revenue per unique subscriber (ARPU) per month from all services is expected to grow to EUR 18 within the next four years. By the end of the fiscal year 2015, this was at EUR 14,92; in comparison to the fiscal year 2014 EUR 13,91. When looking at the Group's organic growth, excluding the acquisition of primacom- and pepcom-group, ARPUs grew approx. 3.1%. Therefore the strategically defined goal of EUR 14.35 was successfully accomplished.

70 %

of the entire portfolio will be upgraded to two-way transmission in the medium-range future

The share of homes connected to the Group's internal network with the upgraded two-way transmission is expected to increase to 70% of the entire portfolio in the mid-term. By the end of the fiscal year 2015, the Group was already able to achieve 61%; by the end of the fiscal year 2014, the key indicator was still at 55%. This realization rate was supported by the acquisition of the pepcom group. Excluding the significant acquisitions during the year the percentage of homes connected to the Group's internal network with the updated two-way transmission is 59%.

These goals are defined on an operative segment level and are monitored and controlled via the respective KPIs. This also applies to all newly acquired entities, as they implemented the Group's controlling measures and KPIs.

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

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

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

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

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

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

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

2. ECONOMIC REPORT

2.1 National Economic and Industry related General Conditions

Consumer spending supports German business

The German economy managed to gain some momentum in 2015. For the whole year, there was an increase in the price-adjusted gross domestic product (GDP) of 1.7% – a slight increase to the preceding year, in which the GDP increased by around 1.6%.

Germany asserted itself in a challenging international economy, which was dominated by conflicts in the Middle East, decreased demand for raw materials, diminishing growth of the Chinese economy as well as the European issue of ineptness.

In the year under review, the Germany economy profited above all from strong domestic demand. Price-adjusted private consumer spending increased by 1.9% and government expenditure increased by around 2.4%. The employment figure for 2015 was approx. 43 million – approximately 329.000 people or 0.8% more than in the preceding year – thus reaching a new peak for the ninth year in succession. In 2015, the disposable income of private households increased by 2.8% in comparison to the preceding year.

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

Sector related General Conditions

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

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

17.9 m

households in Germany have cable TV - the biggest European cable market

Germany is the biggest cable market in Europe, with 17.9 million households using cable TV; this number has been stable since 2014. The second most important infrastructure for TV services is satellite reception. More than 17.8 million households used satellite reception in the year under review, so that both infrastructures have an almost equal share, Satellite distribution has approx. 46.1% and access via cable approx. 46.3%.

The structure of the German cable market we know today, first developed in the early of the 1980s, where there was a separation between Level 3 network operators and Level 4 network operators. While the Level 3 infrastructure was built by Deutsche Bundespost, the roll out of the Level 4 network was executed by private-sector including craftsmen, small and medium enterprises (SMEs) and larger corporations.

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

In competition with these suppliers, who control the former Deutsche Bundespost Level 3 networks, the traditional Level 4 operators also built Level 3 network, thus creating an integrated network infrastructure. In the case of Level 4 operators, the market was fragmented for historic reasons. However, in recent years a consolidation of Level 4 network operators occurred.

Due to a concentration of providers in the cable network market in recent years, there are only several providers supplying to a large demand. In the regions Tele Columbus is operating, there are only two larger competitors: Vodafone/KD and Unitymedia.

Tele Columbus further strengthened its market position in Eastern Germany through the acquisition of the primacom- and pepcom-group and expanded its footprint to the states Bavaria, Baden-Württemberg, Mecklenburg Western Pomerania, Hamburg, and Rhineland Palatinate.

In competition between cable network operators, Tele Columbus holds a strong market position in the Eastern German federal states: In 2015, in Berlin and Brandenburg around 53% of the cable households were supplied by Tele Columbus, 59% in Saxony, 22% om Mecklenburg Western Pomerania, 40% in Thuringia and even 99% in Saxony-Anhalt. Tele Columbus market share of cable households in these regions was approx. 55% in 2015. In selected Eastern German regions, for example the cities of Erfurt, Jena or Halle, Tele Columbus is the clear market leader and has a strong regional identity. In Western Germany, the Group is focused on individual network islands, – in particular in the states of North Rhine-Westphalia and Hesse – which, in the future, are to be further expanded through targeted, economically beneficial investments and acquisitions. Through the acquisition of primacom and pepcom in 2015, Tele Columbus services 18% of cable homes in Bavaria, 15% in Hesse and 12% in North Rhine-Westphalia.

55%

of Eastern German households obtain cable service from Tele Columbus

This market offers future growth potential through increasing digitalization. In summer 2015, approximately 13 million cable households – corresponding to 72.5% of all connected households – used the broadband cable digital TV offerings. In comparison to the preceding year, this is an increase of approximately 1.8 million cable households. The drivers for the uptake of digital offers are HDTV, 3D-TV, video on demand and time-shift television. About 7.3 million cable households are already in possession of a HDTV screen and a HD receiver, thus receiving their channels in high-definition quality.

Another important trend in the German TV market is the increasing distribution of Pay-TV, i.e. digital TV services that can be purchased in addition to existing cable or satellite television.

In addition to the analogue and digital TV offer, Internet and telephony services via the cable connection are also in demand. Currently, approximately 6.0 million households in Germany are already using their cable connection for Internet access and telephony. The introduction of new products, such as product bundles, as well as marketing activities support the realization of growth potential.

6.0m

households use their cable connections for TV and Internet

The Group estimates a total of approx. 30.9 million broadband connections in operations at the end of 2015 (previous year: 29.6 million), although the leading technology continued to be DSL with a share of approximately 78%.

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

The German market shows a clear trend to higher bandwidths. Currently the broadband cable network already provides a large number of German households with high speed

60%

of all cable Internet customers have booked bandwidths of over 30 Mbit/s

61%

of connected homes have been upgraded to two-way transmission; in 2014 this figure was 55%

15%

is the market share of cable network operators of fixed line services.

Internet: More than 60% of all cable customers have already booked Internet bandwidths over 30 Mbit/s. On the basis of their high-performance infrastructure, today cable network operators can offer its customer connections with 200 Mbit/s and more: These bandwidths were booked by approximately 20% of the German cable households in 2014. A bandwidth of up to 400 Mbit/s is already available in some German Cities. The next transmission standard DOCSIS 3.1 is already looming in the market and based on the combination with the existing fibre optic and coaxial cable networks, the supply of bandwidths in the Gigabit range within the foreseeable future.

In 2015 the Tele Columbus Group increased the share of households connected to its own two-way upgraded network, allowing the marketing of telephony and Internet services from 55% to 61% through targeted investments, particularly at network Level 3. One significant driver for the increase in this KPI is related to the acquisition of the pepcom group, which caused an increase of 3.6%.

In the case of cable fixed line telephony, growth in Germany is also increasingly dependent on a high-quality broadband service, as telephone services are increasingly bundled with broadband services and are provided on the basis of the Internet protocol technology (Voice-Over-IP). Fixed line telephony services have seen a considerable drop in prices based on the increasing range of flat rate products. Competition in fixed line has grown stronger through the emergence of resellers, alternative operators, decreasing mobile phone charges (and the resulting substitution using mobile phones), alternative access technologies and providers of other services such as Skype. Even under these market conditions, the cable network operators' market share of the fixed line services grew steadily and amounted to 15% or 5.7 million users. The acquisition of the primacom- and pepcom-group on the one hand, and the introduction of attractive, state of the art, high quality products and product bundles on the other hand gave Tele Columbus a better market position and enabled the Group to gain market share. In 2015 approx. 0.5% of growth in market share result from the Group's organic share, without the acquisition of primacom- and pepcom-group. Tele Columbus had a total market share of 1.2%

2.2 Business Development

The fiscal year 2015 was notable for the acquisition of primacom, Germany's fourth largest cable network provider, the introduction of mobile services as of 1 September 2015, and the acquisition of the next largest cable network provider pepcom. Please refer to chapter 1.1 Business Model of the Group.

In the fiscal year 2015, Tele Columbus AG continued to successfully implement its growth strategy and achieved strategic goals for the period.

Revenue and EBITDA increased significantly. The Normalized EBITDA margin is above 50.5%. The number of homes connected to the internal two-way transmission network increased considerably. RGU and ARPU developed as predicted and strategic goals were achieved.

This positive development is mainly due to the Group's efficient network. The number of homes connected to the internal two-way transmission network increased by approximately 1,260,000 to approx. 2,193,000 homes. A main driver of this increase was the acquisition of primacom- and pepcom-group. The Tele Columbus Group, excluding primacom- and pepcom-group increased its share of homes connected to the internal two-way transmission network (NE3) by approx. 63,000. The share of homes connected increased by approximately 6% to 61% of the total homes connected.

Additionally, by the end of the reporting year, approximately 91% of the networks with hybrid fibre optic structures were upgraded to the DOCSIS 3.0 Internet transmission standard, which enables technical transmission rates of up to 1 Gbit/s. The number of homes connected to the Group's cable network at the end of 2015 amounted to approximately 3.6 million showing a significant rise in comparison to the previous year (2014: 1.7 million). This development is primarily due to the described business acquisitions, with a share of approx. 1.9 million housing units and the sale of new products to existing customers. The potential of the Group's existing customer base to up-sell and cross-sell additional products such as Premium TV, Internet and telephony via the traditional cable connection was successfully utilised in the reporting year.

Furthermore, new product launches contributed to increasing sales of additional services to cable access subscribers. New contract offers in combination with free Tablet PCs, one of the top premium gateway routers currently available on the German cable market, have supported the strong growth of the Group. This was further fostered by the offer of triple play packages for new customers and an expanded bandwidth of up to 400 Mbit/second.

2,193,000

homes have been upgraded to two-way transmission – an increase of ca. 1,260,000.

1 Gbit/s

The DOCSIS 3.0 standard enables even higher transmission rates

Customer Base/RGUs

million	2015	2015 (Tele Columbus) 1)	2014
Customer base	2.44	1.24	1.28
RGUs	3.77	1.87	1.84
RGUs Internet and Telephony segment	0.89	0.44	0.37
RGUs TV segment	2.88	1.43	1.47
RGUs Kabel TV	2.45	1.26	1.31
RGUs Premium TV	0.43	0.17	0.16
RGUs per customer	**1.55**	**1.52**	**1.44**

1) The Tele Columbus Group adjusted for the acquisition of primacom- and pepcom-group.

The Group's customer base could be expanded by 1.16 million to 2.44 million customers in 2015. In comparison to the former group of Tele Columbus, there was a slight decrease in RGUs of 0.04 million in 2015. This is mainly related to a termination of business with a key client in northern Hesse. However, this impact is compensated by the offsetting effect of the acquisition or primacom- and pepcom-group.

The number of RGUs increased across all services to 3.77 million (2014: 1.84 million). This growth of 1.93 million mainly results from the acquisition of primacom- and pepcom-group and an intensification in market penetration through an expansion of the product portfolio (2015: The Group excluding primacom- and pepcom-group: 1.87 million). According to the budget for 2015, Tele Columbus targeted an RGU of 2.01 million. Due to the described termination of business with a key customer, the Group could not accomplish the targeted RGU.

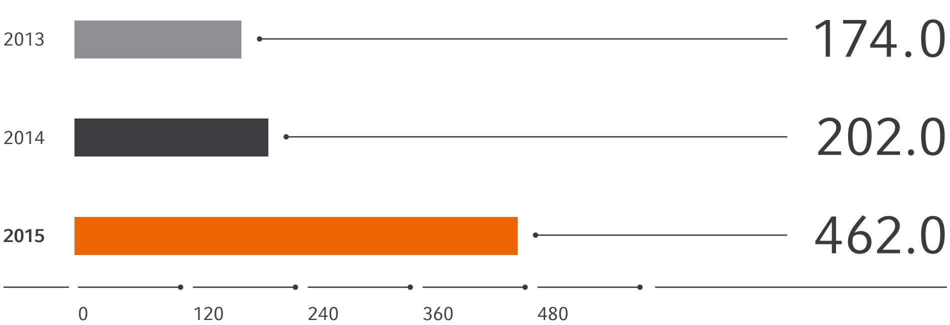
Especially products and services containing the high speed Internet and Telephony connections showed a very dynamic development. RGUs for internet services increased by approx. 129% to 462,000 (prior year: 202,000).Telephony showed an increase of 151% to 427.018 RGUs (2014: 170,000). The Tele Columbus Group reached an organic growth through expansion of the product portfolio in the internet segment of 80,000 in comparison to the prior year.

RGUs for Cable TV increased to approx. 2.45 million in 2015 (2014: 1.31 million). (2015 – The former Tele Columbus Group excluding acquisitions: 1.26 million). Especially the premium TV services increased significantly. This is predominantly a result of the acquisition of the primacom- and pepcom-group: the total at year end was approx. 430,000 units, which equals an increase of 167% (2014:161,000). The organic growth of the Group excluding the acquisitions of primacom- and pepcom-group shows a small increase in RGU for premium TV, which is a result of campaigns, such as a three months test subscription for premium TV services.

The average number of the products (RGUs) per unique subscriber showed a positive development in the fiscal year 2015. The KPI increased by the end of 2015 to 1.55, having still been at 1.44 by the end of 2014. Thus, the development of the RGUs per unique subscriber corresponded to the strategic goals for Tele Columbus AG. The total RGU adjusted for the acquisition of primacom and pepcom was 1.52. Therefore the Tele Columbus Group accomplished its strategic goals for this key measure.

RGUs/Internet

in thousand



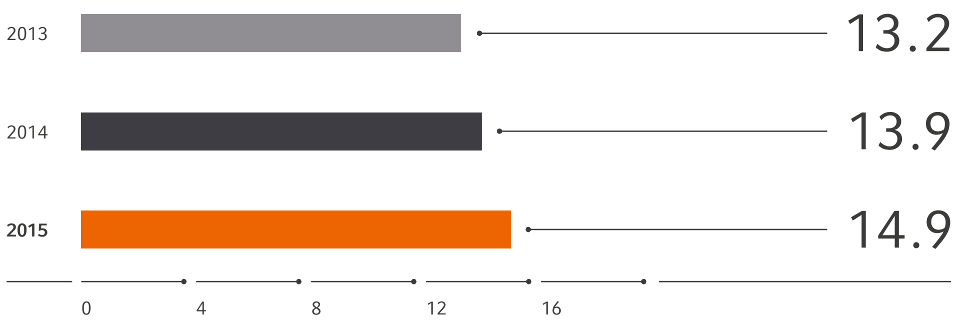
ARPU

EUR	2015	2015 (Tele Columbus) 1)	2014
Blended ARPU	14.92	14.35	13.91
Blended ARPU TV (per TV end customer)	9.55	9.19	9.6
Blended ARPU Internet and Telephony (per Internet RGU)	22.87	23.21	22.04

1) The Tele Columbus Group adjusted for the acquisition of primacom- and pepcom- group.

ARPU – Average Revenue per User

in Euro



The "Annual Average ARPU" – came to EUR 14.92 in 2015 and was therefore around 7.3% higher than in the previous year (2014: EUR 13.91). Adjusted for the acquisition of primacom and pepcom, the ARPU was EUR 14.35. This development is in agreement with the Groups defined strategic goals and is a result of the growing customer base, the before mentioned acquisitions and a recreation of internet and telephony contracts, as well as an increasing tendency towards new contracts with higher bandwidths. This is reflected in the development of the monthly ARPU for bundled Internet and telephone services, which grew to EUR 22.87 (2014: EUR 22.04). The organic growth of the Group, adjusted for acquisitions of primacom and pepcom, also shows an increase to EUR 23.21.

The opposing development of the blended TV ARPU to EUR 9.55 in 2015 from EUR 9.60 in 2014, is related to a change in debt collection, from individual collection to direct debit orders.

An additional KPI management uses for monitoring the growth process is the percentage of connected homes with two-way transmission. This KPI was improved from approx. 55% in 2014 to 61% in 2015.

2.3 Situation

2.3.1 Profit Situation

The table below shows the development of the profit situation in 2015, in comparison to 2014.

Profit Situation

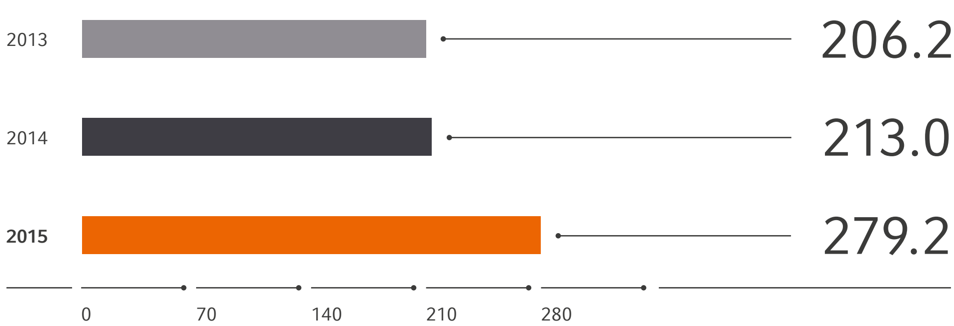
TEUR	2015	2015 (Tele Columbus) [1]	2014
Revenue	279,166	214,384	213,094
Own work capitalised	13,156	11,436	6,649
Other income	27,090	26,130	15,664
Total operating income	319,412	251,950	235,407
Cost of materials	–93,677	–75,769	–76,050
Employee benefits	–53,226	–41,449	–33,754
Other expenses	–99,720	–91,413	–41,449
EBITDA	*72,789*	*43,319*	*84,154*
non recurring expenses (+)/income (–)	68,092	64,112	14,783
Normalised EBITDA	*140,881*	*107,431*	*98,937*
EBITDA	72,789	43,319	84,154
Other finance income and expenses	–62,468	–53,585	–47,250
Depreciation	–75,797	–49,138	–50,789
Income Tax	–905	–1,459	–8,009
Loss	**–66,381**	**–60,863**	**–21,894**

1) The Tele Columbus Group adjusted for the acquisition of primacom- and pepcom- group.

Revenues for the fiscal year 2015 increased by 31% to TEUR 279,166. This development is mainly due to the acquisition of the primacom- and pepcom-group.

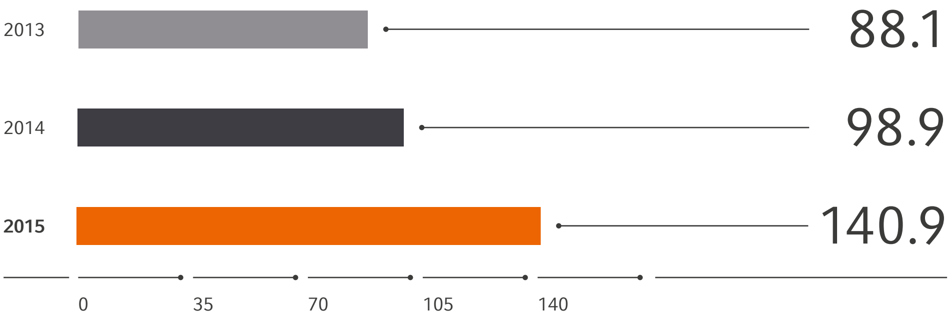
Revenue

in EUR million



Normalized EBITDA

in EUR million



Proceeds in the segment "TV" increased by 21.2% to TEUR 190,142 (2014: 156,929), of which TEUR 18,358 were derived in the premium TV business. Premium TV increased by 66.6% (2014: 11,022). Proceeds in the segment "Internet and Telephony" show a significant increase of 52.9%, from TEUR 51,837 to TEUR 79,251.

Adjusted for the acquisition of primacom- and pepcom-group, revenues for the Group increased by TEUR 1,290 to TEUR 214,384 in 2015. For further information regarding the adjusted revenues, please refer to chapter "2.3.1 – Segmentation").

Own work capitalised assets increased significantly from TEUR 6,649 to TEUR 13,156. The majority of this increase is related to the former Tele Columbus Group and in particular to increased investments made in 2015 (TEUR 4,787).

The significant rise of 72.9% of other income to TEUR 27,090 mainly results from reversals of accruals and write-off of liabilities of TEUR 11,368 (2014: TEUR 3,031) in relation to a new long-term signal supply contract and higher than expected IPO costs which were passed on to the former parent company Tele Columbus Management S.à r.l. of TEUR 4,395 (2014: TEUR 2,446).

The Group could improve its operational performance by 35.7% to TEUR 319,412. Operational Performance is defined as total of revenues, other income and own work capitalised. The increase is mainly a result of the acquisition of the primacom- and pepcom-group by TEUR 67,462, while the organic growth of the former Group contributed an increase of TEUR 16,543.

TEUR 319,412

represents the operational performance in FY 2015, an increase of 35.7%

Cost of materials in 2015 in comparison to the prior year increased by TEUR 17,627 to TEUR 93,677. This increase is primarily driven by cost of materials of the primacom- and pepcom-group with a total of TEUR 17,908. The former Tele Columbus Group reported a decrease in cost of materials of TEUR 281, mainly due to lower signal fees. The development of cost of materials is slightly contrary to the increase in revenue, which is predominantly driven by primacom joining the carrier contracts of the Group. Signal fees overall increased by TEUR 9,196 for the Group as a whole in comparison to 2014.

Employee benefits increased by TEUR 19,472 to TEUR 53,226. While the acquisition of the primacom- and pepcom-group impacted employee benefits by TEUR 11,777, the remaining increase results from an adapted personnel strategy to ensure strategic goals were achieved. The adapted strategy included larger investments in personnel and the average number of employees of the former Tele Columbus Group rose from 127 to 624 from 2014 to 2015 respectively.

127

new employees joined Tele Columbus in 2015

Tele Columbus recorded other expenses of TEUR 99,720 in 2015 (2014: TEUR 41,449). On the one hand, this increase is driven by cost incurred in relation to the IPO preparation, new business acquisitions and capital increase (TEUR 58,271), on the other hand other expenses include the expenses related to a restructuring accrual of TEUR 22,482 related to severance payments, other personnel cost and consulting fees. Furthermore the Group has additional funding obligations of TEUR 5,799 for the Tele Columbus Beteiligungs GmbH in relation to a company audit. The Group also incurred incidental expenses for monetary transactions in relation to the IPO, refunding and refinancing activities which increased from TEUR 798 auf TEUR 4,452. Other expenses resulting from the primacom- and pepcom-group were TEUR 8,188 these being predominantly marketing expenses and consulting fees.

Based on these developments during the fiscal year, the EBITDA in 2015 was TEUR 72,789 and decreased slightly in comparison to 2014 by TEUR 11,365. The significant reduction for the former Tele Columbus Group of TEUR 40,835 is mainly the result of non-reoccurring expenses within other expenses, as described above, which could not be compensated by a respective operating growth. Adjusted for the primacom- and pepcom-acquisition the EBITDA was TEUR 43,319.

42.4%

Increase of the Normalized EBITDA

As a result of its operating services and activities the Group improved the Normalized EBITDA to TEUR 140,881, which is an increase of 42.4% in comparison to the prior year.

The operating margin, which is defined as the ratio of Normalized EBITDA to revenues, therefore increased to 50.5% in the reporting period (2014: 46.4%). The newly acquired subgroups contributed TEUR 33,450 within the fiscal year 2015. The Normalized EBITDA of the former Tele Columbus Group was TEUR 107,431 and had an operating margin of 50.1%, which is stable in comparison to 2014.

The (negative) financial result increased in comparison to 2014 by TEUR 15,218 to TEUR 62,468. This primarily contains interest expense of TEUR 45,162. This is a slight decrease in comparison to 2014, TEUR 47,296. While the refinancing activities after the IPO in the first quarter 2015 lead to lower interest expenses, new financing for the acquisition of the primacom- and pepcom- group had opposing effects. The (negative) other financial result was TEUR 18,405 (2014: TEUR 54). This significant decline is on the one hand driven by the recognition of transaction costs as a result from refinancing measures in the first quarter 2015, and on the other hand by a revaluation of in loans embedded derivatives (TEUR –14,359).

Depreciation increased to TEUR 75,797 (2014: TEUR 50,789). TEUR 26,659 therefore are attributable to the primacom- and pepcom-group. Adjusted for the two big acquisitions, there was a slight decrease in depreciation of TEUR 1,651 to TEUR 49,138 due to the end of useful lives for various assets.

For 2015, the Group recorded income tax expenses of TEUR 905 (2014: TEUR 8,009). While there was a decrease in current income tax of TEUR 4,502 to TEUR 3,171 (2014: 7,673), deferred income tax increased by TEUR 2,603 to TEUR 2,267 (2014: deferred tax expense of TEUR 336).

The fiscal year 2015 resulted in a net loss of TEUR 66,381 (2014: Net loss of TEUR 21,894).

2.3.2 Profit Situation by Segments

The operating activities are separated into two segments. The table below provides an overview of revenues by segment for twelve months ended 2015 and 2014 respectively.

Revenues by segment

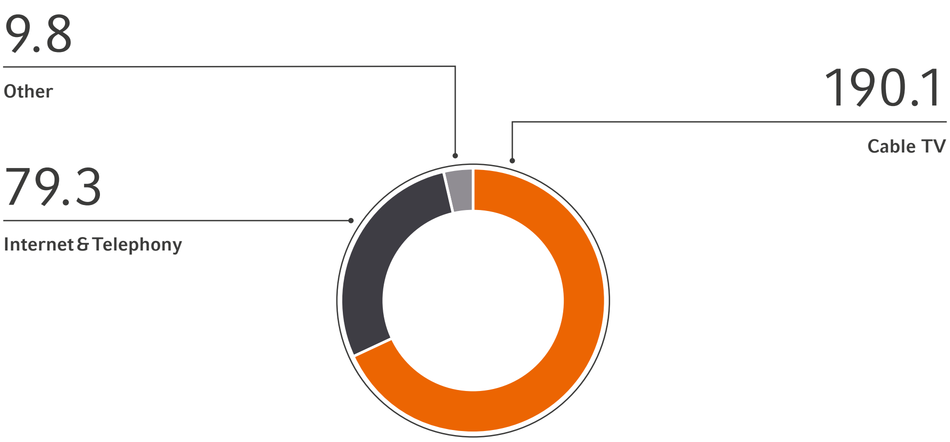
TEUR	2015	2014
Revenues "TV"	190,142	156,929
Revenues „Internet and Telephony"	79,251	51,837
Total Revenues (excl. „other")	**269,393**	**208,766**

Proceeds in the segment "TV" increased by 21.2% to TEUR 190,142, of which TEUR 18,358 were derived in the premium TV business. Premium TV increased by 66.6% (2014: 11,023). Adjusted for the acquisition of the primacom- and pepcom-group, revenues within this segment were TEUR 146,681. This is a decline of TEUR 10,248 in comparison to 2014 and is predominantly due to decreasing cable TV RGUs by approx. 42,000 as well as declining cable TV ARPUs by 0.45 EUR.

Proceeds in the segment "Internet and Telephony" increased significantly from TEUR 51,837 to TEUR 79,251, which represents an increase of 52.9%. (2015: former Tele Columbus Group adjusted for material acquisitions: TEUR 61,180). An increase in "Internet and Telephony" RGUs of approx. 76,000 and ARPUs of EUR 1.18 drove an increase in revenues of TEUR 9,343.

Revenue 2015 by segments

in EUR million



Normalised expenses by segment

TEUR	2015	2014
Cost of materials		
"TV"	–74,250	–61,063
"Internet und Telephony"	–13,513	–9,809
Employee benefits		
"TV"	–14,913	–12,120
"Internet und Telephony"	–8,999	–7,225
Other expenses		
"TV"	–8,858	–8,654
"Internet und Telephony"	–10,007	–9,314

"TV" Expenses, adjusted for the two material acquisitions, of TEUR 61,383 in 2015 were stable in comparison to 2014 because the major cost driver – signal fees – is closely connected to the number of homes connected. Expenses adjusted for the material acquisitions in the segment "Internet and Telephony" was TEUR 9,221.

Employee benefits increased with the acquisition of primacom and pepcom. Adjusted employee benefits decreased by TEUR 2,321 because certain expenses were incurred for integration purposes and are therefore considered as non-recurring expenses.

The increase in other expenses is completely attributable to the acquisition of primacom and pepcom. Adjusted for those transactions, other expenses decreased by TEUR 2,310.

Results by segment

TEUR	2015	2014
Normalized EBITDA		
"TV"	107,094	83,965
"Internet und Telephony"	52,486	30,326
Non-recurring expenses (–)/income (+)		
"TV"	–7,769	–3,391
"Internet und Telephony"	–3,049	–486
EBITDA		
"TV"	99,325	80,574
"Internet und Telephony"	49,437	29,840

Regarding the development of net results please refer to the notes to the Consolidated Financial Statements, Chapter F.6 "Segment Reporting".

2.3.3 Financial Situation and Liquidity

Cash Flow

As of 31 December 2015 cash and cash equivalents was TEUR 79,949 (2014: TEUR 24,084). This is an increase in cash resources of TEUR 55,865 in comparison to 2014. Not included is restricted cash, which was TEUR 85,178 at year end 2015 and TEUR 24,441 at year end 2014.

The Tele Columbus Group could significantly improve its credibility with the IPO in January 2015 and the capital increase carried out in November 2015. During the course of 2015, the Group was able at all times to fulfil its payment obligations. The Group accomplished the expansion of operations and related market reach with the acquisition of the primacom- and pepcom-group (as described in Chapter 1.1.3 in this report) based on the capital injection and the optimization of the Group's finance structure.

The capital increase in November 2015

put Tele Columbus in a position to fulfil its payment obligations at all times

The required financial funds for investments in network development, acquisition of subsidiaries as well as sales and marketing of the new telephony and internet services were financed through regular operations, cash liquidity, and means of capital injections as well as newly taken out loans. Interest expenses for bank liabilities were serviced through cash funds. Available credit lines of TEUR 125,000 were not utilised.

The Tele Columbus Group is primarily financed through the restructured terms of the senior facility loan and second lien, which reach maturity in 2020 and 2022 respectively. By means of these loans the Group was able to replace the external loans of the acquired primacom- and pepcom- group. Covenants were complied with at all times during the course of the fiscal year 2015.

The Group's aggregated Cash Flow as of 2015 and 2014 is as follows:

TEUR	2015	2014
Cash flows from operating activities	49,589	52,943
Cash flows from investing activities	–723,582	–50,234
Cash flows from financing activities	729,501	–49,164
Net increase/decrease in cash and cash equivalents	*55,509*	*–46,455*
Cash and cash equivalents at the beginning of the period	24,441	70,539
Cash and cash equivalents at the end of the period[1)]	**79,949**	**24,084**

1) Excluding restricted cash (refer to the notes to the Consolidated Financial Statements, Chapter 4 Cash Flow)

Cash flow from operating activities

The net cash flow from operating activities for the fiscal year 2015 was TEUR 49,589. It is therefore slightly below the prior year cash flow from operating activities of TEUR 52,943.

Despite the fact that the EBITDA as of 31 December 2015 was TEUR 11,365 lower than in comparison to 31 December 2014, the Group increased cash flows from operating activities. This is especially attributable to the combination of working capital of the Tele Columbus, primacom- and pepcom group (increase in 2015 compared to prior period: TEUR 14,122). In contrast to this development is an increase in income tax payments of TEUR 7,961. Remaining effects of TEUR 1,839 result from activities common to the industry.

Cash flow from investing activities

The cash flow from investing activities of TEUR –723,852 results primarily from the investments in the acquisition of the primacom- and pepcom-group. Funds from the capital injection of TEUR 215,000 were used and bank loans of TEUR 872,500 were taken out to finance the acquisition of both groups.

Besides the acquisition of primacom and pepcom, the following companies were acquired: RFC Radio-, Fernseh- u. Computertechnik GmbH, Wowisat GmbH, Teleco GmbH Cottbus Telekommunikation, KABELMEDIA GmbH Marketing und Service, Funk und Technik GmbH Forst, Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH. For all acquisitions there was a total disbursement of TEUR 641,746 after deduction of cash and cash equivalents of the acquired entities. For further information regarding the housing units related to these acquisitions, please refer to chapter 1.1.3 "Acquisitions".

Priorities of investments carried out, besides the acquisition of the primacom-and pepcom-group, the resolute consistency of the migration-strategy, meaning the replacement of third party signal suppliers by Tele Columbus inventory with the Group's own signal. Also in focus is the expansion of existing HFC-networks for the marketing of IP-services with high bandwidth to serve the increasing demand for faster internet connections. Investments into the roll-out obligations for new acquisitions and/or contract extensions with housing industry were mainly made in Berlin/Potsdam, Dresden and further locations in Sachsony. The Group invested a total of TEUR 69,009 into technical facilities and constructions in progress in the fiscal year 2015.

Investment obligations which arose during the fiscal year 2015 will lead to cash outflows of TEUR 16,200 in the next year (2014: TEUR 8,386). These obligations are financed through existing cash balances.

Cash flow from financing activities

Together with the capital injection in November 2015, the successful IPO in January 2015 is predominantly driving the overall positive cash flow from financing activities. The positive cash flow from financing activities and the refunding were used to pay back long-term loans of TEUR 1,347,530. In the course of new financing activities, which partly resulted from the acquisition of the pepcom- and primacom-group, the Group took out long-term liabilities of TEUR 1,394,033. With the take on of the new groups primacom and pepcom, the Group integrated the cash management of the new subsidiaries into the Group's cash management.

While in 2014, interest paid for bank loans was TEUR 17,126, interest paid on bank loans increased to TEUR 29,265 in 2015. After the IPO and in relation to refunding of the Group, as of February 2015, interest is being paid monthly instead of twice a year (January and July) like in previous years.

Another result of the successful IPO in January 2015 were equity contributions of TEUR 366,667, which led to a net income after the deduction of costs related to the IPO, of TEUR 351,562. The equity injection in November 2015 led to an authorised capital with gross issuing proceeds of TEUR 382,669, with a net income of TEUR 368,483.

TEUR 351,562

was the net income resulting from the IPO in January 2015

Tele Columbus entered into several leasing contracts for infrastructure facilities to supply its customers. These were classified as finance leases according to IAS 17. In the fiscal year 2015 a total TEUR 6,296 leasing payments were made (2014: TEUR 6,112).

During the course of 2015, the Group was able to service its payment obligations at all times. Available credit lines of TEUR 125,000 million were not utilised.

Tele Columbus' Management Board monitors and reviews the Group's liquidity at least on a monthly basis and takes appropriate action to prevent possible liquidity shortages (please refer to chapter 6 "Risk Report in the 2015 Combined Management Report").

Finance Structure

Lender	Borrower	Total in EUR as of 31/12/2015	Shares	Total in EUR as of 31/12/2015	Shares
Senior Tranche A	TC AG	–	0.00%	492,841,295	76.63%
IPO Facility A	TC AG	370,987,323	29.19%	–	0.00%
Second Lien Tranche A	TC AG	–	0.00%	37,627,277	5.85%
Mezzanine Tranche A	TC AG	–	0.00%	35,630,085	5.54%
Senior Tranche C	TC AG	423,907,171	33.36%	–	0.00%
Senior Incremental	TC AG	311,783,274	24.53%	–	0.00%
Rev. Facility/IPO Facility B&C*	TC AG	277,995	0.02%	209,055	0.03%
Second Lien	TC AG	111,963,406	8.81%	–	0.00%
Equity bridge	TC AG	–	0.00%	–	0.00%
Super Senior Tranche 2	TC AG	–	0.00%	16,160,334	2.51%
Senior Tranche A	TC Ost GmbH	–	0.00%	36,292,298	5.64%
Senior Tranche A	TC Sachsen-Thüringen GmbH	–	0.00%	3,820,242	0.59%
Senior Tranche A	TC Netze Berlin GmbH	–	0.00%	9,550,605	1.49%
SSK Gelsenkirchen	TC Multimedia GmbH	3,239,685	0.25%	4,380,624	0.68%
UniCredit & Diverse	BIG	1,231,110	0.10%	1,524,743	0.24%
SKK Magdeburg	MDCC	3,647,283	0.29%	4,611,427	0.72%
Volksbank Magdeburg	MDCC	450,000	0.04%	525,000	0.08%
Other		102,516	0.01%	–	0.00%
DB Lux/Diverse	Pepcom	43,198,374	3.40%	–	0.00%
Total		**1,270,788,137**		**643,172,985**	

* Liabilities from commitment fees for credit lines not yet drawn (old and new)

Tele Columbus redeemed existing liabilities and negotiated new credit terms in relation to the IPO in 2015. While new maturities till 2020 and 2022 were negotiated, there were also new interest margins agreed upon. The provided credit lines were also significantly increased.

The IPO Financing Agreement as of 2 January 2015 contains a credit volume of TEUR 500,000 and is divided into facility A (term loan) with TEUR 375,000 and two, not yet absorbed credit lines. Credit line B of TEUR 75.000 is for investments in property plant and equipment and credit line C of TEUR 50,000 for general costs. The term for facility A is six years, for facilities B & C (undrawn credit lines) five years. The current margin is 4.5% plus EURIBOR for facility A and 3.75% for B&C. The commitment fee for facilities B & C is charged based on 35% of the margin of both credit lines and is due on a quarterly basis. This financing was predominantly used to pay off old liabilities under the senior facilities agreement and the mezzanine facility agreement. Together with the income from the IPO all liabilities from old financing contracts were paid off. Therefore the credit limit under SFA of TEUR 28,327 is ceased.

As of 31 July 2015, the Group paid out three more tranches which can be divided into senior C tranche with TEUR 435,000, the second lien tranche with TEUR 139,000 and the short-term equity bridge with TEUR 125,000.

Conditions for tranches C and the equity bridge are equivalent to the senior A tranche. The interest on the second lien is 7.5% plus EURIBOR. Currently this tranche is subject to a 1%-EURIBOR-Floor, and therefore a total margin of 8.5% can be accounted for the second lien if the EURIBOR is under 1%. These tranches were utilised for the financing of the acquisition of the primacom and the redemption of its bank loans.

The income from the capital injection was used to pay off the equity bridge financing of TEUR 125,000 on 9 November 2015, and for a partial repayment of TEUR 21,500 for the second lien tranche.

A senior incremental facility of TEUR 320,000 was recorded and paid out on 30 November 2015 for the pepcom group acquisition. This loan as has a maturity until 2 January 2021, with an interest of 4.5% plus EURIBOR, which is currently 0%.

Furthermore the local financing facilities of the pepcom group (primarily with "Deutsche Bank") of TEUR 43,198 are reported for the first time.

For further information approx. the maturity of loan agreements please refer to chapter E.20 "Loans and Borrowings" in the Notes to the Consolidated Financial Statements.

Tele Columbus changed all resigned or pledged securities and, in accordance with the share and investment agreement as of 29/30 July 2015 and 23 September 2015, only pledged shares in affiliated companies to collateralise liabilities to banks.

2.3.4 Asset Situation

Twelve months period ended 31 December 2014 versus twelve months period ended 31 December 2015

TEUR **2,195,754**

represents a clear increase in the balance sheet total due to the acquisitions of primacom and pepcom

The balance sheet total as of 31 December 2015 increased by TEUR 1,528,588 to TEUR 2,195,754 in relation to 31 December 2014. The primary driver of this increase was the acquisition of the primacom- and pepcom-group, which is reflected in the increase in property plant and equipment, goodwill and company value or customer base on the one hand, and, through the capital injection and take out of bank loans to finance the acquisition, in an increased capital as well as high liabilities to banks on the other.

Property plant and equipment increased by TEUR 438,647 to TEUR 648,570 as of December 2015 in comparison to 31 December 2014. This increase mainly results from the addition of property plant and equipment from the primacom- and pepcom-group of TEUR 426,617. The investment of the former Tele Columbus Group into property plant and equipment was TEUR 70,995 in 2015.

Intangible assets and goodwill increased by TEUR 997,015 to TEUR 1,378,836 in 2015. This increase is predominantly driven by the consolidation of capitalised goodwill from the acquisition of the primacom-and pepcom-group, resulting in a total increase of TEUR 703,679 to TEUR 1,077,262. In course of the first time consolidation in 2015, TEUR 469,982 were capitalised relating to the primacom group and TEUR 212,407 for the pepcom group. The remaining increase in Goodwill of TEUR 21,290 is related to various smaller business acquisitions. Additionally there was a rise in the Group's customer base from TEUR 5,559 to TEUR 289,259, resulting from the first time consolidation of the customer bases of primacom and pepcom of TEUR 279,279.

Long-term accruals rose significantly (TEUR 4,340) in 2015 due to finance, insurance and guarantee payments (2014: TEUR 72).

Short-term trade receivables increased by TEUR 20,477 to TEUR 39,592. This development is primarily caused by the primacom- and pepcom-group. Adjusted for the two significant acquisitions, the Group has trade receivables as of 31 December 2015 of TEUR 22,395. This increase is in alignment with the increase in revenues.

Other financial receivables decreased by TEUR 5,307 to TEUR 8,855. This decline is primarily due to the reduction of a cash deposit as security for the limit of direct debits with NET M-Bank of TEUR 5,000 which was restricted in 2014.

Please refer to Chapter 2.3.2 "Financial Situation and Liquidity" for further discussions on cash and cash equivalents.

Consolidated equity of the Tele Columbus Group was as of 31 December 2015 TEUR 545,682 (2014: TEUR –107,316). Regarding the development of equity, please refer to chapter 3.

Other provisions increased by TEUR 8,288 and were TEUR 20,111 as of December 2015. This increase is mainly due to newly recognised accruals in relation to restructuring activities for the integration of the subgroups Tele Columbus, primacom, and pepcom of TEUR 21,869 (thereof long-term: TEUR 14,057).

Long-term loans and borrowings increased from TEUR 640,547 to TEUR 1,220,879. The IPO in the beginning of the year, together with related refinancing activities, had a declining impact on long-term loans and borrowings. This was offset in the third and fourth quarter 2015 by new financing activities related to the acquisition of the primacom- and pepcom-group.

The Group's level of debt from loans and borrowings was TEUR 1,270,788 (2014: TEUR 643,173) as of 31 December 2015. This is approx. 57.9% of the balance sheet total (2014: TEUR 96.4%.

Long-term other financial liabilities were TEUR 77,558 (2014: 30,311). This item predominantly contains long-term leasing liabilities as well as liabilities of the pepcom-group to minority shareholders of TEUR 54,583 which is the main driver of the increase in comparison to 2014.

As of 31 December 2015 deferred taxes were TEUR 106,021 (2014: TEUR 0). Deferred tax are mainly related to the first time consolidation of the primacom- and pepcom-group.

Long-term derivative financial instruments were TEUR 13,011 as of 31 December 2015 (2014: TEUR 0). They are derived from embedded derivatives which report a negative fair value as of reporting date.

Short-term other provisions increase by TEUR 21,063 to TEUR 28,529, predominantly driven by the recognition of accruals for restructuring activities.

Short-term loans and borrowings were TEUR 49,909 (2014: 2,626). This increase is mainly related to liabilities of TEUR 41,190 of the pepcom-group.

Short-term trade payables increased by TEUR 38,007 to TEUR 75,203 in 2015. Added trade payables from primacom and pepcom were TEUR 23,931. Furthermore, there was an increase in payables for legal and consulting fees.

2.3.5 General Comments

Net assets, financial position and results of operations reflect the position of the Tele Columbus Group after the acquisition of primacom Holding GmbH, pepcom GmbH and the respective capital injections and financing activities. Tele Columbus has sufficient liquidity and is solidly financed. As a result of the acquisitions and investments in the cable network, the company successfully implement its continuous growth strategy. The Group is extremely well positioned to improve its market position within the next years and continue its growth strategy.

3. TELE COLUMBUS AG – CONDENSED VERSION ACCORDING TO HGB (GERMAN COMMERCIAL CODE)

In addition to the Group reporting above, the development of the parent company is presented below. Tele Columbus AG prepares the annual financial statements in accordance with German Accounting Standards ("Handelsgesetzbuch/HGB") and the German stock corporation act ("Aktiengesetz/AktG").

3.1 Analysis of the Annual Financial Statements

Tele Columbus AG reports revenues of TEUR 73,551 for the fiscal year ending December 2015 (previous year: TEUR 71,943). These revenues mainly result from allocations and sales proceeds from affiliated companies. Operating costs mainly derive from the management and financing function of the AG. Profits from ordinary business activities are strongly determined by general administrative costs as well as other operating income and financial results.

General administrative costs of TEUR 119,871 were significantly higher (+55%) than in the previous year (TEUR 77,277). This rise is mainly driven by increased consulting fees, which incurred in relation to the preparation of various business acquisitions (primacom, pepcom, and others). Increased capital costs due to the IPO are also impacting general administrative costs.

Incurred costs from subsidiaries increased by TEUR 10,500 to TEUR 35,017. These were completely passed on and are the main driver for the development in other operating income to a total of TEUR 42,998.

Personnel related expenses show a significant increase to TEUR 31,471 due to implemented personnel policies (previous year: TEUR 26,625). The annual average number of employees (based on the end of each quarter) rose by 27 to 419 in the fiscal year 2015.

The financial results in 2015 decreased from TEUR –23,875 to TEUR –87,544. Especially increased interest expense (by 77% or TEUR 33,419) to TEUR 76,909 and extraordinary write-offs of shares in Tele Columbus Netze Berlin GmbH of TEUR 27,400. Interest expense contains interest and similar expense of TEUR 39,578 which incurred due to the financing of company acquisitions and the finance restructuring related to this acquisition. Income from profit transfers of TEUR 7,048 incurred (2014: TEUR 18,590). The significant decline derives from a one-time merger of a subsidiary with the Tele Columbus Multimedia GmbH, which charged expenses of TEUR 17,761 this had no cash impact but significantly burdened the financial results. Expenses for assumed losses did not incur. Interest income from borrowings primarily result from loans to the subsidiaries primacom and pepcom with TEUR 8,496 (2014: TEUR 0).

Tax expense results from income from the reversal of prior year accruals of TEUR 1,241.

Tele Columbus AG reports a net loss of TEUR 158.897 for the fiscal year 2015. The loss is carried forward. The extraordinary result is mainly due to expected restructuring costs of TEUR 22,497 and audit compensation obligations of TEUR 5,799 to Tele Columbus Beteiligungs GmbH, which exited the Group.

Due to the expansion of the company, the balance sheet total increased significantly to 1.95 billion EUR in 2015 (2014: 700 million EUR). Financial assets increased by 1,232 million EUR to 1,836 million EUR due to the business acquisition related acquisition costs for primacom, pepcom, and various other businesses (+684 million EUR plus additional acquisition costs of TEUR 9,236) and the related loans to these entities of 567 million EUR. The devaluation to carrying amount of Tele Columbus Netze Berlin GmbH by TEUR 27.400 has an opposing effect. Related payments to notary accounts of TEUR 15,240 are reported under other assets. Property Plant and Equipment increased from TEUR 2,898 to TEUR 6,213 due to investments into future technology. Receivables from affiliates were reduced by TEUR –11,751 to TEUR 43,515. Cash and cash equivalents increased by TEUR 18,414 to TEUR 20,783.

1.95 billion EUR

represents the balance sheet total following expansion in FY 2015

Liabilities increased mainly because of additional bank loans related to the business acquisitions, an increase of 667 million EUR to 1,253 million EUR, and an increase in equity. The increase of share capital by 107.5 million to 128 million , as well as the additional paid in capital of 642 million to 650 million EUR is offset by losses carried forward of 38 million EUR and net losses of 159 million EUR. While in 2014, there was a deficit not covered by equity, the equity ratio in 2015 is 30%.

Other accruals increased by TEUR 38,512 to TEUR 52,172 due to a restructuring accrual (discounted: TEUR 21,869), a compensation obligation to Tele Columbus Beteiligungs GmbH for risks related to the current audit of TEUR 5,799 and increased consulting fees. Payables to affiliates were almost reduced by half to TEUR 46,414.

The financial position of the Tele Columbus AG is depending on the financial requirements of its subsidiaries and own borrowings for refinancing activities. Through corporate actions and capital measures for equity financing and borrowings, Tele Columbus stabilised the financial position during 2015.

Tele Columbus AG has provided a letter of comfort for primacom Holding GmbH and primacom Berlin GmbH to ensure the continuation of the subsidiaries throughout the next years. Tele Columbus does not anticipate the utilisation of the letters of comfort. Related to this topic intercompany loans were issued.

4. SUPPLEMENTARY REPORT

In February 2016 Tele Columbus AG bought two interest rate caps (covering an interest rate of 3 months Euribor plus 0.75%) with a nominal amount of TEUR 550,000 each running until December 2020. The transaction cost amounted to 8,854 TEUR of which TEUR 4.427 were paid cash. The final maturity for the remaining amount of the option bonus (TEUR 4.427) is

31 March 2018. These financial instruments cover the major interest risks of Tele Columbus AG resulting from interest bearing liabilities but do not qualify for hedge accounting according to IFRS.

KMS KG's and HL komm GmbH's external loans with Deutsche Bank Luxembourg SA of TEUR 40,570 were paid early as of 29 January 2016 and 22 January 2016 respectively. The financing of those subsidiaries was secured by internal funding.

On 22 January 2016, Tele Columbus AG provided a loan to pepcom GmbH of TEUR 4,000.

Early February 2016, United Internet purchased additional 15.31% of Tele Columbus AG shares, with subject to antitrust evaluation. After the issuance of release, United Internet will hold 25.11% of shares.

No further significant events occurred after the balance sheet date.

5. FORECAST

5.1 Purchasing Power in Germany is growing

According to the "Institut für Weltwirtschaft" (IfW), Kiel, economic performance in Germany is expected to increase by around 2.0% in 2016 (2015: 1.7%). The IFW considers mainly domestic factors responsible for this increasing dynamic growth. Especially the service sector has a stimulating effect in this regard. Predicted low oil prices, pension increases, and tax reductions shall contribute to a rise in purchasing power.

5.2 Industry Forecast

According to Tele Columbus AG, the cable market will remain on course for success. The Groups's view is based on the industry-specific developments over the past years, the attention paid by the federal government to broadband expansion and the consequential initiatives, the already mentioned strong domestic demand as well as the expectations of German and European competitors (which are reflected in the respective publications) and analysts. The growth is stimulated more and more by new business areas such as B2B or mobile business.

42%

of consumers use bandwidths of over 50 Mbit/s

According to the sector association ANGA, German cable network operators are technologically well prepared for the increasing demand for broadband access and offer with up to 400 Mbit/s more than consumers ask for momentarily. In May 2015, 42% of the costumers used bandwidths of over 50 Mbit/s according to a Kabelmedia study. Regarding TV services, an overall decrease in customers is expected. However, the ARPU is expected to increase for these services. This development shall mainly stem from increased revenue from Pay-TV offerings – also as a result of a growing number of Pay-TV customers.

5.3 Expected Development of the Group and KPIs

Tele Columbus AG makes use of annual, mid-term, and long-term planning as well as forecast models during the year. Those are standardised and based upon bottom-up-planning according to strategic assumptions from management board. The annual and mid-term planning is ultimately approved by the management board and the supervisory board. In January, the forecast for the fiscal year 2016 has been presented to and approved by the management board and supervisory board.

In detail, the planning was based on separate lines of products, e.g. Analogue TV, Digital TV, Premium TC, Internet, or Telephony, and was consolidated within segments upon completion of the internal planning. Both, the management board and supervisory board receive detailed information in the form of financial and operative figures in order to approve the planning on this basis.

For a better understanding and assessment of the planning, the members of the management board and the supervisory board receive historical figures which illustrate the prognostic character and the business development. The boards have been provided with a non-audited preliminary pro forma data base for the 12 months of year 2015 in order to create comparability with the fiscal year 2016. This included a presentation of the essential KPIs for the Group as existing at 31 December 2015 retrospectively from 1 January 2015.

The year 2015 has been an especially eventful year and puts the Tele Columbus AG in a completely new position. The Tele Columbus Group has changed greatly in 2015. The successful initial public offering in the beginning of 2015 was a new chapter in the history of the company. The Group realised its growth potential even more strategically as a listed company, due to the direct access to the capital market. This access enables Tele Columbus to increase its financial flexibility and create ideal conditions to improve the Group's market position. Tele Columbus used this financial flexibility for the acquisition of the two closest competitors, the primacom group and the pepcom group. These acquisitions will strongly influence the development and the KPIs of the Group.

The acquisitions and the new position support the present strategy. The Group will continue to invest in its cable network in order to lay the foundations for profitable and sustainable growth. In the mid-term, this aims at a significant increase in the strategic margins.

The acquisition of competitors and the respective enhanced customer base led to a significantly improved market position of Tele Columbus. Based on this stronger market position, stabilization or even a slight increase in the number of homes connected is expected. From the development of homes connected and similar trend in the development of standard TV customers can be derived since the penetration rates there are relatively stable.

The share of homes connected supplied via its own Level 3 network shall increase further. This will reduce the signal fees due to independence from third party suppliers and will therefore have a positive effect on earnings and margins development. The Group will upgrade additional households (2015: 61%) and targets an additional share of 3% two-way upgraded homes connected within 2016.

Attractive product launches and marketing activities support the goal of increasing the RGUs per end-customers to 1.60. The growing penetration of the homes connected with internet and telephony services and the consequential improvement of product portfolio with higher share in high-margin products shall have a positive impact on revenue and earnings. With the introduction of high-speed internet connections with up to 400 Mbit/s in the past fiscal year, Tele Columbus exceled as an innovation leader. The expansion to further cities provided by Tele Columbus in 2016 will strengthen the market position and also have a positive impact on brand recognition and therefore on the marketing efficiency. The brand recognition and the positive effects on customer acquisition will also be bolstered by the company size and the national relevance after the acquisitions.

16 Euro

are expected as monthly ARPU

According to the strategy, the monthly ARPU from all services within a year should develop a value of EUR 16. This is essentially based on the increase in the area of Internet and telephony. With this knowledge, the Group expects revenue growth of TEUR 462,705, which is in the middle single-digit percentage range, based on the basis of pro forma financials (assuming the acquisition of subsidiaries had taken place as of 1 January 2015). This growth is backed up by new product launches in the TV sector, where new services as well as new customer premise equipment will be implemented, the Group wide implementation of mobile telephony products as well as the B2B business, which has significant potential due to the acquisition of pepcom. In comparison to 2015, operational KPIs are expected to increase slightly in 2016.

The year 2016 will be characterised by the merger of three roughly equalised companies to a strong national provider. The integration initiatives will influence many key indicators, including the investment volume. The combination of the networks and the efficient usage of them requires project based investments. These lead to investments in the range of 35% to 38% or revenues in the investment-intensive fiscal year 2016. Midterm the investment volume should decline to a market standard level.

35–38%

of revenues are planned for investments in 2016

The Group examines opportunities for selective acquisitions in order to expand the customer basis or to win new customers.

Due to the dependencies of the integration activities a precise development of the headcount is complicated to predict. The target organization aims at a personnel structure, which is oriented at the market and the competitors. The target organization should be implemented at the end of the fiscal year 2017 and initialised in the calendar year 2016. A reduction of personnel costs is already expected in the calendar year 2016, due to the reduction of redundant management functions and the partial non succession of redundant jobs in the divisions. The personnel costs of the following to fiscal years as well as the costs for personnel measures depend on the results of the negotiations with the employee representatives.

The fiscal year 2016 will be substantially influenced by integration activities. In this context costs will occur, which cannot be allocated to the operative business and therefore need to be shown as non-recurring costs. These planned expenses are based on detailed plans, which were calculated in project teams. Until the completion of all integration measures and the achievement of all synergies in the mid-term planning, approximate costs are expected to be in the amount of factor 1.0 of the expected synergies. Currently, according to internal estimates which were completed after the planning of the fiscal year 2016, the corporation expects the synergies to be 14% higher than initially communicated to the capital market. The latter were estimated with approx. 35 million EUR in operating costs and approx. 5 million EUR for investments, as of 2018.

5.4 Overall Statement

The successful Tele Columbus AG initial public offering in the beginning of 2015, as well as the successful acquisition of the two competitors primacom group and pepcom group at the end of the fiscal year represents a new chapter in the history of the company. As a listed and according to company law solely independent company, the Group will be able to exploit its growth potentials in an even more focused manner in the future. The fiscal year 2016 will be characterised by the integration initiatives and the positioning in the market. The latter will be supported by a brand communication in the second half of the fiscal year.

The competitive position is stronger than in the past which will affect the customer base positively. The "new" Tele Columbus Group has a company size, which allows to use structures more efficient, to achieve economies of scales on the cost side and therefore achieve a strong position in the competition for new customers.

6. RISK REPORT

6.1 Risk Management System

The early identification, analysis and control of potential risks is for the Tele Columbus Group a fundamental component of corporate strategy, arising from the realization, that the consistent application of the principles of Risk Management results in the possibility of recognizing as well as exploiting opportunities. In order to both identify and consistently handle risks and opportunities, the Tele Columbus Group has implemented a Risk Management System, which also includes an early detection system in accordance with Section 91 (2) of the AktG (German Stock Corporation Act). The Risk Management System regulates the identification, registration, evaluation, documentation as well as the reporting of risks. Thereby the total risk position is constantly kept within a manageable framework, a threat to the Group is not discernible at present.

The fundamental configuration of the Risk Management System is based on the internationally recognised COSO framework "Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission". This framework combines group-wide risk management with the internal control system (ICS) which is also based upon the COSO framework. This holistic approach supports the organisation by aligning control and monitoring activities with corporate goals and their inherent risks. The internal control system is an essential component of the Risk Management System and encompasses all measures and regulations, policies and procedures to achieve the goals of the corporation. In particular it should ensure the security and efficiency of business processing, the effectiveness, efficiency and accuracy of financial accounting and compliance with applicable legal requirements as well as the reliability of financial reports.

The Management Board is responsible for the Risk Management System and the Internal Control System. The Supervisory Board and the Audit Committee monitor their effectiveness.

The Compliance Management System is also a component of the Risk Management System. Further descriptions of the Internal Control System and the Compliance Management System are included in the Declaration of Corporate Governance pursuant to Section 289a, overviews are also included in the Corporate Governance Report and on the Tele Columbus AG website: www.ir.telecolumbus.com in the Statement of Corporate Governance.

A declaration of the Corporate Governance system is available under www.ir.telecolumbus.com

Risk Management stands for the systematic detection and evaluation of risks and aims for a controlled handling of such risks. It should enable the Tele Columbus Group to identify unfavourable developments at an early stage in order to promptly initiate countermeasures which can then in turn be monitored. Risk Management in the period under review predominantly focused on those activities which would have had a significant impact on future earnings (EBITDA from usual business operations, EBITDA, EBIT) and on the future prospects of the company, that is, the Tele Columbus Group.

The Tele Columbus Group organizes its risks into so-called risk fields as follows: industry sector risks (market share, network infrastructure), business risks (operational and strategic risks, including IT), financial risks and other risks (legal and regulatory risks). The evaluation of risk is carried out in so far as is possible, using quantitative parameters, probabilities of occurrence and the potential for damage.

Fundamentally, the Risk Management System includes the rules for identification, registration, evaluation, documentation and reporting of risk, rules which are applied uniformly across the Group. Due to the acquisitions of the primacom group (August 2015) and in particular the pepcom group (December 2015) as well as the start of restructuring, or rather the reorganization of the Tele Columbus Group, the Risk Management System has not yet fully adapted to the changing conditions so that a central control of risk for the newly acquired companies is currently not yet all encompassing. Tele Columbus has therefore started a fundamental review and redefinition of Risk Management throughout the entire "new" Tele Columbus Group. The goal for risk and opportunity management is a holistic, integrated approach, which combines the Governance components of Risk Management, an Internal Control System and compliance. Significant measures are being applied to improve, in particular the organizational structure of the central Risk Management System, as well as the design and group-wide compliance of standardised rules specifically with a view to risk identification, risk analysis, evaluation and communication. In future, these activities will be completed by the supporting audit processes of an internal audit. Point of reference are the requirements for Risk Management and Compliance Management Systems for publicly traded firms. The Tele Columbus Group is currently engaged in the process of building and expanding an efficient structure together with suitable staffing. The implementation was started in the 2015 fiscal year and is expected to conclude during the 2016 fiscal year. This ongoing process of updating and development represents an ongoing management task which has been given high priority.

6.2 Risks

As part of the internal Risk Management System, the risks described below have been identified and appropriate countermeasures have been initiated where necessary. As previously explained, the Group is currently in the development phase of the Risk Management System (Section Risk Management System 6.1).

The assessment period of the risks referred to is a period of one to three years.

In order to categorise risks and assess their potential impacts on the business, financial and earnings position of the Group, the Risk Management System, through its ongoing development, will place risks into either "high", "medium" or "low" rankings. The allocation of a risk to a category will be based on the likelihood of the risk occurring and the potential impact the risk may have.

Based on these risk ratings, all risks listed below would be classified as either low or medium.

The following risks could considerably impair the business, financial and earnings situation of the Group either when taken alone or in combination with other risks and uncertainties which are currently unknown to the company or may currently be seen as insignificant.

The order in which the risk factors are presented does not say anything approx. the probability of occurrence or the significance and level of the risks or the extent of the potential impairment of the Group's business. The stated risks could occur individually or collectively.

Due to the common network by which "TV" and "Internet and Telephony" products are distributed, the risks mentioned could impact both product offerings equally.

6.3 Industry Risks

Risks associated with the Marketplace

Tele Columbus competes with other well-established providers, of which some are part of larger global telecommunication groups. Furthermore, new providers with relatively new technology could enter the market or possibly further market consolidation could bring about an increase in competitive pressure.

The Group faces strong competition in the areas of price, marketing, product quality, network coverage, service portfolio as well as in customer service. Therefore the Group recognizes that there are risks in the acquisition of new customers, the loss of existing customers and the conclusion of commercially attractive contracts.

New providers entering the market could react faster and be more flexible to changing market conditions, for example as a result of new technologies they could adapt quicker.

The major competitors of the Tele Columbus Group are set up on a large scale, having easy access to financing, larger market reach, a larger number of employees and greater brand recognition. Furthermore, they have a long established relationship with the regulatory authorities and with customers.

The Group is exposed to considerable price pressure in all business areas. As regional markets are mostly saturated, the acquisition of new customers is only possible through enticement from direct competitors.

The market is subject to rapid changes in technology with the competition density increasing in line with further developments in technology. In turn this leads to price reductions in traditional product offerings, for example telephony and internet products have seen large price reductions in recent years.

This price trend could continue. A continual decrease in prices, coupled with possible significant increases in marketing costs would reduce profit margin considerably. If the Group does not establish successful new or improved products and services, the resulting decline in ARPU could be difficult to compensate. Failure of the Group to successfully compete with existing or future providers could have a lasting negative impact on business operations, operating results and financial conditions.

The main competitors of Tele Columbus are Vodafone Kabel Deutschland ("Vodafone/KD"), Unitymedia ("Unitymedia"), various other smaller NE4 providers which operate in smaller regions and cities. In addition to these competitors, the Group competes with city carriers such as willy.tel, NetCologne Gesellschaft für Telekommunikations mbH, M-net Telekommunikations GmbH, as well as DSL providers such as Deutsche Telekom ("DTAG") or Telefonica Deutschland ("Telefonica"). Furthermore the Group competes with providers of wireless services for TV and broadband supply, in a range from TV terrestrial reception DVB-T (Media Broadcast), via Satellite reception (Astra), to internet access services via satellite or mobile communications.

In the B2B market the Group competes mainly with DTAG, Vodafone, Versatel (a subsidiary of United Internet), Level 3 Communications and Colt Telekom NetCologne Gesellschaft für Telekommunikations mbH and regional B2B carries such as M-net GmbH or NetCologne GmbH.

In addition the Group includes DSL resellers like for instance United Internet AG and providers of competing technologies like for example SES Astra or digital terrestrial television providers as direct competitors.

Risks Associated with the Network Infrastructure

Expansion as well as improvement of the existing cable network infrastructure must continue into the future in order to remain competitive.

In particular, many components in the network are based on leasing agreements. A risk for the Group can arise out of the terminability of contracts by both parties where there is a valid reason or after the minimum contract duration. There is the potential for contract cancellations or terminations. This will entail costs arising out of the extension of the contract, alternative solutions or a loss of the contract.

Furthermore, through the use of third party cable systems, the Group is dependent on other service providers such as Unitymedia, Vodafone/KD amongst others. However, this dependency is mirrored for the third party and thus the effect is a reduction in the overall risk.

Risks Associated with Planned Integration Measures

Regarding the planned integration measures and their preparation during the 2015 fiscal year, corresponding risks could arise in the market and in the network infrastructure. These mainly relate to a delay in the application of measures, the related harmonization of marketing and also the optimization of the network infrastructure. However, the company considers these risks as very low, since in this context the opportunity arises for further growth and the cultivation of sales markets.

6.3.1 Risks regarding Business Activities

Operative und Strategic Risks

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

The business performance of the Group depends on the technological development of cable television and above all on the expansion of digital and interactive broadband cable services.

In the provision of services as well as the delivery of signals, the Group relies on other upstream suppliers, for example Unitymedia and Vodafone/KD as well as Eutelsat/M7 as service partner for the Group's own TV platform and for satellite transmission. In order to counteract reliance on third party network providers, the company regards the progressive expansion of its own Level 3 network as a strategic target. If it is not possible, signal delivery is guaranteed through long-term contracts.

The business of the Group is capital intensive. There is a risk that sufficient financial resources are not available in order to ensure the expansion and maintenance of the cable network. Due to the IPO of Tele Columbus AG in January 2015 and the subsequent recapitalization in November 2015, the company has ensured sufficient equity cover. Furthermore, corresponding long-term financing contracts are in place in the realm of third party financing.

Ensuring confidentiality when handling customers' personal data is an important component of business operations. A loss of such data could breach legal regulations and ordinances, which in turn could lead to penalty payments and a loss of reputation in the long-term. In order to safeguard against this risk, Tele Columbus AG requires that corresponding data systems and security access systems are subjected to regular checks.

IT Risks

Tele Columbus AG relies extensively on IT systems for business operations. Impairment of these could lead to disruption of operations. With regard to the availability, reliability and efficiency of the IT systems, the company limits risks through the use of up-to-date firewalls and anti-virus programs, ongoing monitoring and maintenance of the IT infrastructure, use of a stand-alone network as well as timely backups and reproducibility of data relevant to operations.

Personnel Risks

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

Risks Associated with Planned Integration Measures

In consideration of the planned integration measures and their preparation in the fiscal year 2015, many risks can arise corresponding to operations, strategy, IT and personnel. In regard to the operational and strategic risks, these mainly relate to a delay in the application of measures and the related harmonization of marketing.

In regard to the IT risks, due to an unplanned delay in the introduction of standardised ERP and BSS systems across the Group, the IT supported operational processes will be systematically implemented in the coming year. The implication of this is the continued use of interim or rather existing systems, which will incur additional costs.

In relation to personnel risks, due to the reorganization of the Group there will be some instances of key knowledge holders and long serving members of staff, both at clerical and middle management level, leaving the Group. Therefore special consideration has been given to negotiations with the workers council and also to the arrangements and conditions for members of staff who don't fall under the auspices of the council. There is a risk of the loss of industry know how and specific knowledge across each part of the Group.

6.3.2 Financial Risks

Through its business activity, Tele Columbus AG is exposed to various risks of a financial nature, especially liquidity risks and interest risks as well as debtor risks. With regard to financial risks, please refer to section 3.2.

Risk management at Tele Columbus is designed to identify potential risks and to minimize the negative effects of these on the financial development of the Group. To this end, finance instruments such as interest rate hedging transactions (swaps etc.), sales of receivables and the utilisation of lines of credit are available to Tele Columbus.

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

Liquidity Risks

Through extensive liquidity planning instruments, both in the short-term and in the mid-term, at the level of the respective operative subsidiary and the Group in general, the ongoing business processes are based on planning data. A liquidity forecast oriented toward a fixed planning horizon as well as non-utilised lines of credit available within the Tele Columbus Group on 31 December 2015, which run until 30 June 2017 should ensure the provision of liquidity on an ongoing basis. In order to ensure the ongoing liquidity of all subsidiaries, the internal cash pooling program between some of the subsidiaries (excluding primacom and pepcom) was extended to the newly acquired subsidiaries.

At the end of fiscal year 2015, unused lines of credit available to the Tele Columbus Group amounted to TEUR 125,000 in total. These revolving lines of credit were not used. There are regular and extensive reports to the Management Board informing them of the ongoing liquidity.

Furthermore, the Group is dependent on obtaining third party capital under suitable terms for the refinancing of its ongoing business activities or for acquisitions. Within the context of the financing contracts, a number of conditions were to be fulfilled by the end of the fiscal year. If these were not met, the lenders had the option of calling in the loans. This refers to conditions of four funding orders of the Group (Facilities und Second Lien Facilities Agreements).

The so-called credit covenants include the identification of a degree of total debt of the Group, the defined EBITDA index and the statement of the gross assets which are reported quarterly. The risk of liquidity in case of non-compliance at the date of financials statements amounted to TEUR 1,253,011. The Management Board expects based on the planning of the Group that the covenants will be kept for at least the next two fiscal years.

Furthermore the Group could not utilize all financial resources at year end (locked cash 2015, amounting to TEUR 5,229). Refer to the explanations provided in the Notes to the Consolidated Financial Statements.

With the initial public offering, Tele Columbus dissolved old liabilities and negotiated new credit terms. Please refer to the further explanations in the Supplementary Report.

Interest Risks

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

The Tele Columbus Group used in 2015 to a limited extent derivative financial instruments. Therefore, a significant increase in EURIBOR would not immediately lead to a significant increase in interest expenses of the Tele Columbus Group.

The risks from the use of financial instruments referred to in the Notes to chapter D.2.6 “financial instruments“.

Debtor Risks

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

Currency Risks

Noteworthy risks and transactions in a foreign currency do not exist since almost all business transactions are carried out in EUR.

Risks associated with the Financing Structure

Due to the successful stock exchange listing of Tele Columbus AG in January 2015, the financial situation of the Group has improved significantly. The negative equity on 31 December 2014 has been more than offset by the issue proceeds. Furthermore the debt ratio was lowered due to the payment of existing liabilities. The acquisition of the primacom Group and the pepcom Group increased the debt of the Tele Columbus Group due to taking a loan in the amount of TEUR 872,500. Since January 2015 the Tele Columbus Group uses derivative financials is therefore not influenced by risks of interest fluctuations and the resulting cash flows. With the acquisition of the two subgroups primacom and pepcom the Group acquired two interest swaps. Therefore, a significant increase in EURIBOR would only lead to a partially significant increase in interest expenses of the Tele Columbus Group. Therefore the interest rate development was monitored precisely to take appropriate action in case of a changing risk situation. The existing collateral gap was addressed in the first quarter 2016, when the Group acquired two interest rate caps and therefore introduced a new security measure.

6.3.3 Risks in Connection with Legal, Regulatory and Official Requirements

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

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

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

6.3.4 Other Risks

Risks Relating to Legal Disputes

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

Tax Risks

The company is exposed to tax risks, because external tax audits may lead to subsequent payments.

In the context of the spin-off, through which the company acquired the operative business of Tele Columbus Beteiligungs GmbH (formerly: Tele Columbus GmbH), it may be exposed to tax risks due to outstanding external audits for the fiscal years 2009 to 2013. Currently the external tax audit for the Tele Columbus Beteiligungs GmbH and its subsidiaries for the period from 2009 to 2012 is taking place.

Due to questions regarding the external audit, for which adjustments are already certain (essentially trade tax additions, bad debt allowances, arrangement fees) as well as the potential tax risk of consultant invoices (possible denial of business expense deduction, withholding tax due to hidden profit distribution, VAT risk), the Management Board considers the risk situation as critical. Taking into account the probability of occurrence the tax burden for Tele Columbus Beteiligungs GmbH is expected to be TEUR 5,800, which are disclosed in the other provisions.

Risks with Respect to the Tele Columbus AG

In addition to the risks in the Group the risks which effect the Tele Columbus AG directly, with the exception of those mentioned above, are listed hereafter.

In the context of the Group´s financing of the primacom group, the Tele Columbus AG raised a loan in the amount of TEUR 361,875 (incl. interest as of 31 December 2015: TEUR 368,811) to ensure the operational activities. Based on the terms until early 2021 and the amount of the loan, a liquidity risk may incur if the repayment will not be met on time.

Furthermore the Tele Columbus AG entered a letter of comfort with two entities of the primacom group, to ensure the existence of the operative business. From this, a liquidity risk for the Tele Columbus AG could arise.

For the depicted liquidity risks, the management of the Tele Columbus AG reserves the right to initiate measures in the form of an alternative financing to ensure the primacom group and its operative business-

6.4 Overall Picture of the Risk Situation

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

7. OPPORTUNITIES REPORT

7.1 Opportunities

Due to the strong competitive strength the Group defines several future opportunities for Tele Columbus. These opportunities essentially apply – insofar as not otherwise indicated – for all segments. The order of the opportunities presented does not imply a probability of occurrence or a prioritization.

Highly attractive German cable network market

Tele Columbus offers its services and products in the German market, which was the largest TV- and broadband cable market in 2015 for TV- and Cable-households in Europe. Germany is the largest economic power in Europe and could benefit from favourable macroeconomic factors, such as a rising gross domestic product, a more disciplined fiscal policy, and low inflation and unemployment rates in 2015, despite various challenges within the European area in recent years.

The fixed line-broadband-internet penetration was estimated at approx. 73% (TeleGeography) in 2015, with continuing increasing projections. Although the fixed line-broadband-internet penetration has grown steadily in recent years in Germany, it still lacks compared to the rest of Europe. This is why a further growth in Germany for the number of households is expected, however this growth will be lower than the growth rates in other European countries. Tele Columbus expects growth potentials for broadband internet networks in Eastern German regions in particular, as the majority of the Homes Connected for this service are based in this area and the penetration rate of broadband internet network for both fixed-lines and mobile networks are still behind other regions in Germany for approx. 5% to 10%.

It will be continued to offer fixed line-broadband-internet-access primarily through DSL/VDSL products (approx. 80% of all households had a broadband-internet-access in 2014), but cable networks are the fastest growing internet access technology due to the relatively small penetration given the large range (approx. 18 million cable network households) and higher speeds of up to 200 Mbit/s per second. From 2011 to 2014 the broadband-internet access via cable networks increased by 13% up to 20% of all households with broadband access. This growth was mainly gained from enticed the DSL-sector.

20%

of households with broadband access have cable access

The Pay-TV sector in the German Market experienced an overall growth, while historically it was historically underdeveloped compared to the rest of Europe and the USA.

The market penetration of German Pay-TV rose from 10% of the German TV-households in 2009 to 14% in 2012. The market penetration is still relatively low compared to the United States (approx. 91%) and England (54%) (Solon, strategies and vision 2013). By developing new innovative products, such as personalised TV, pay-per-view/video on demand ("VoD")-products, HDTV or IPTV-subscriptions, Tele Columbus expects further growth in these segments and considers cable networks as the preferred way of distribution for digital Pay-TV, Premium Pay-TV-products and IPTV, thus retaining the existing customer base in the long-term.

Tele Columbus is the regional market leader in Eastern Germany, an environment with attractive growth potential

For the housing sector, Tele Columbus is an ideal partner because the business combines the competence and innovative power of a large company with the flexibility and proximity of a regional service provider. The Group has a strong regional brand, also enhanced by the acquisition of primacom and pepcom. Tele Columbus builds long-term and reliable customer relationships which ensure sustained and calculable revenue from the CATV business. Its customer base offers great potential for further up- and cross selling of additional products via the traditional cable connection, such as premium TV, Internet and telephony.

This provides Tele Columbus with the opportunity to deepen and expand the existing partnerships with the housing sector, to retain and expand existing customer contracts as well as to gain new end users for cable connection. Tele Columbus can rely on a modern and diversified product portfolio, consisting of cable television in combination with Internet and telephony, and can deliver all modern multimedia services and telecommunication services to its customer from a single source. Even though the average income per capita in Eastern Germany is lower compared to the whole of Germany, the Group estimates that this shall not adversely affect existing growth opportunities, since access to TV and Internet is classified as a basic requirement and is therefore not influenced by the average income level.

Own highly competitive and integrated NE3/NE4 network with attractive growth potentials

The Group is growing to a fully integrated NE3/NE4 network provider which allows for savings in signal fees and shows potential for additional sales and cross-product sales, especially for Telephony, Broadband-Internet and premium-TV for households with two-way transmission connectivity. At the end of the fiscal year 2015 approx. 61% of the Homes Connected were connected to the own signal with two-way transmission. Approximately 99% of the Homes Connected in own networks were upgraded to the transitional internet standard DOCSIS 3.0, which allows us to guarantee homes connected a constant broadband speed of up to several 100 Mbit/s, which is noticeably faster than the standard speed VDSL, which is only up to 50 Mbit/s. According to Tele Columbus, its own network is able to provide a faster internet connection in 95% of the integrated regions than the competitors with DSL-networks.

Tele Columbus currently offers their customers bundle offerings with real phone and internet flat rates, including download speeds between 20 and 400 Mbit/s. Since April 2015, Tele Columbus is the first provider on the German market that is able to provide download speeds of up to 400 Mbit/s. This high speed internet was first introduced to approx. 40.000 homes connected in Potsdam and later on in the urban area of Jena with approx. 20.000 homes connected. FTHH is the only comparable technology available, which can reach similar speeds, however FTHH has also a limited regional availability as construction is rather cost intensive. Tele Columbus will continue to expand the customer base for high-speed downloads of up to 400 Mbit/s in the near future. Moreover the network is compatible with DOCSIS 3.1, which will allow download speeds of up to 10 Gbit/s and an upload of 1 Gbit/s.

A flexible backbone network structure of leased fibre links enables a cost efficient "pay as you grow" model. The adaptable backbone structure allows to establish NE3/NE4-networks in attractive locations at national level. As demand increases, the bandwidth can be increased as demanded. If required, the speed of the network can be realised through fibre upgrades in the current network. Due to the excellent existing internal network the Group focusses primarily on successful projects, which will generate additional revenues and not only a general improvement of network capacities.

>60,000

households were able to achieve the highest download speeds by the end of 2015

Development of an own B2B-Business

With the acquisition of the pepcom group, Tele Columbus also acquired the subsidiary HL komm. The company is located in Leipzig and is a whole sale supplier for B2B customers and a specialist for individual carrier services and commercial solutions, which are enhanced under the roof of the Tele Columbus Group. HL komm offers services such as telephony, internet, networking and computer centre services supplemented by developments like Industry 4.0 and preliminary infrastructure services. As a local partner, the company is involved in local infrastructure projects in undersupplied areas. In connection with the Tele Columbus Group the strength of the local brand and its reliable reputation can be utilised in the region Halle/Leipzig to win potential new contracts with businesses in the housing industry for the supply of cable TV. Tele Columbus predicts further growth potential for the Group in this area including bandwidth and unused fibre offers.

Experienced management

The Tele Columbus Group grew from the consolidation of individual regional cable network operators and as such has a long company history that goes back as far as 1972. The company has established itself on the market as a specialised service provider with an experienced management team and is nowadays – not least because of the acquisitions of primacom group and pepcom group – the third largest cable network provider of Germany. The ten members of the upper management have significant experience in the cable network and telecommunication industry.

The ongoing consolidation of L4-network providers

The L4-network (NE4) market was very fragmented historically. Small local providers installed the NE4-network for single household of individual neighbourhoods. During the past decade, due to cost-intensive network improvements and a constantly improving product environment, not all providers were able to stay on the market, leading to an increasing consolidation of the market.

On the report date, the three largest NE3/NE4-network providers in the German market are Vodafone/KD, Unitymedia and Tele Columbus. In addition to these NE3/NE4-network providers there are still many smaller NE4-network providers such as city-carriers and housing associations which run their own networks. Since the Group was able to consolidate large parts of the market in the fiscal year 2015 and, as a listed company at the stock exchange market, has greater access to financial resources, Tele Columbus' attractiveness as a partner for small network providers is increasing, which presents further growth opportunities.

Synergies and economies of scale in conjunction with the integration

Tele Columbus expects numerous synergies and economies of scale from the integration of primacom group and pepcom group acquired in the fiscal year 2015. The merger of the three groups comes accompanied with the intended expansion of the existing cable network and the thereby increased market position. Furthermore, the harmonization of the product portfolio should contribute to a sustainable strengthening of the operative business.

7.2 Overall Picture of Opportunities

Applications like HD quality video streaming, interactive services, video conferences, and the multiple use of connected devices will lead to increasing demand for bandwidth. The broadband strategy of the federal government and the Telecommunication Act provide political and regulatory framework. The network of Tele Columbus is not regulated by the Federal Network Agency.

Due to the Group's excellent network infrastructure allowing considerably faster download and upload speeds than DSL/VDSL connections as well as to the expansion of the product portfolio with mobile, Community Wi-Fi and advanced TV-services, the Group has reason to believe that it will profit from these developments. Therefore the greatest growth potential lays in the up- and cross-selling of new products and the capability of the Group to offer "multi services" from a single source. The latter concerns the so called "Triple play", "Quadruple play", and "Multi play" services.

The digital industry's new applications and functionalities such as "Internet of Things" (IoT), "Industry 4.0", or "machine learning" will push the demand for IP services, especially in the B2B area. HL komm, now a subsidiary of Tele Columbus Group, provides these services and will benefit from these developments.

8. CONCLUDING DECLARATION OF THE MANAGEMENT BOARD ON RELATIONSHIPS TO AFFILIATED COMPANIES IN ACCORDANCE WITH § 312 AKTG

For the twelve month ended 3 December 2015 the management board of the Tele Columbus AG reported according to § 312 ff. AktG (German Stock Corporation Act) for the period 1 January 2015 to 23 January 2015 relationships to affiliated companies separately. This report entails the following closing statement: "The management board declares, that based on information available at the time each legal transaction was concluded, the Tele Columbus AG received a fair and adequate compensation."

9. CORPORATE GOVERNANCE DECLARATION ACCORDING TO § 289A HGB (GERMAN COMMERCIAL CODE)

The Corporate Governance Declaration according to § 289a HGB (German Commercial Code) can be accessed via the Group's website under www.ir.telecolumbus.com under the chapter "Erklärung zur Unternehmensführung"/"Corporate Governance".

10. INFORMATION ON POSSIBLE TAKEOVER BIDS

TEUR **127,556**

equals the subscribed capital of the Tele Columbus AG

10.1 Presentation and Specification of the Subscribed Capital

The subscribed capital of Tele Columbus AG on the balance sheet date equalled to TEUR 127.556. It consists of 127.556.251 no-par value shares with an interest in capital of EUR 1.00 per share and with full entitlement to dividends as of 1 January 2015. The subscribed capital of Tele Columbus AG is fully paid. There are no different share classes; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 186 and 186 ff of the AktG (German Stock Corporation Act). The claim of shareholders to have their shares issued in individual certificate form is excluded according to section 4 paragraph 3 of the statutes. Each share entitles the bearer to one vote at the annual general meeting. Each shareholder's entitlement to a share in the profits of the Company is determined by their share in the share capital (section 60 AktG).

According to the decision made on of 21 January 2015, the shares of Tele Columbus AG were admitted to the regulated market at the Frankfurt stock exchange and at the same time to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). First date of trading of the shares was 23 January 2015.

10.2 Restrictions relating to Voting Rights or the Transfer of Shares

Restrictions of the voting rights of the shares can arise, in particular, from the provisions of the Stock Corporation Act. For instance, under certain circumstances shareholders can be prohibited from voting on their own discharge, assertion of claims against them, or waiving of claims.

As of 23 January 2015, Tele Columbus shares are traded at the Frankfurt stock exchange in the regulated market (Prime Standard). There are no limitations on share transferability.

10.3 Direct or Indirect Interests in the Capital that exceed 10% of the Voting Rights

The German Securities Trading Act (WpHG) obliges investors with direct or indirect interests in the capital of a listed company reaching, exceeding, or falling below certain thresholds to notify the company. At the balance sheet date the following companies and individuals reported the exceeding of the voting right threshold of 10% of Tele Columbus AG:

- York Capital Management Global Advisors, LLC, NY, USA:12.92%
- Threadneedle Investment Funds IVCV: 10.09%
  This interest is attributed to the following companies: Ameriprise Financial Inc., MN, USA; Ameriprise International Holdings GmbH, Zug. Switzerland; Threadneedle Asset Management Holdings SARL, Luxemburg, Luxemburg; Theadneedle Holdings Limited, London, England; TAM UK Holdings Limited, London, UK; Threadneedle Asset Management Holdings Limited, London, UK; TC Finanincg Limited, London, UK; Threadneedle Asset Management Limited, London, UK

12.92%

of shares held by the largest investor (as of 31 December 2015)

10.4 Shares with Special Rights that confer Powers of Control

Shares with special rights that confer control powers do not exist.

10.5 Appointment and Dismissal of Members and Amendments

The appointment and dismissal of members of the Management Board is in accordance with the provisions of §§ 84 and 85 AktG. Thereafter Board members are appointed by the Supervisory Board for a maximum of five years. Reappointment or extension of a five year term is permitted. In accordance with § 6 paragraph 1 of the Articles of Association, the Management Board consists of at least two members. The Supervisory Board determines the number of board members. In accordance with § 84 AktG and § 6, paragraph 3 of the Articles of Association it may appoint a CEO and a Deputy CEO of the Management Board.

According to § 179 paragraph 1 sentence 1 AktG, a change of the company bylaws may be done by resolution of the Annual General Meeting. Resolutions of the Annual General Meeting on amendments can be adopted in accordance with § 23 of the company bylaws in conjunction with § 179 paragraph 2 sentence 2 AktG by a simple majority of the votes cast and a simple majority of the represented share capital, provided not mandatory otherwise by law.

The option to, in some cases, determine a larger majority than a simple majority has not been included in the company bylaws.

The Supervisory Board is authorised pursuant to § 10 paragraph 4 of the Statute, to make amendments that affect only the wording.

10.6 Board of Management Authorization, particularly regarding the Possibility of Issuing or Repurchasing Shares

10.6.1 Authorised Capital

By order of 21 January 2015, the Board increased the share capital by utilizing the authorised capital (previously TEUR 10,013) to 3,333,333 shares (TEUR 3,333). According to resolution of the Annual General Meeting of 15 May 2015, the Board may increase the company's share capital up to TEUR 28,346, by issuing new, name registered shares against cash contributions and/or contribution in kind. This authorization is valid as of 15 September 2015 to 14 May 2020. On 14 September 2015 an extraordinary general meeting (EGM) was held. The Management Board and the Supervisory Board proposed to increase the share capital against cash contributions by up to EUR 56,691,667.00 by issuing 56,691,667 new name registered shares with a share pro rata amount of the share capital of EUR 1.00. The Tele Columbus AG announced on 19 October 2015, the implementation of a rights issue in order to refinance the proceeds bridge financing and a portion of subordinated financing from the acquisition of the primacom group and to finance part of the purchase price for the acquisition of the pepcom group. The new shares of the rights issue are from the utilization of authorised capital and from the capital increase resolved by the Extraordinary General Meeting on 14 September 2015. Start of trading, including the total 70,864,584 new shares in the existing listing of Tele Columbus Share on the Frankfurt Stock Exchange took place on 6 November 2015. Gross proceeds of approximately TEUR 382,700 were achieved. The remaining authorised capital amounts to EUR 1,925,693.00. This represents approximately 1.5% of the current share capital.

10.6.2 Contingent Capital

The share capital may, according to the general meeting on 15 May 2015, be conditionally increased through the issue of up to 28,345,833 name registered future shares (Contingent Capital Chapter 2015/I). This authorization is valid until 10 January 2020.

10.7 Significant Agreements of the Company that are Subject to a Control Change following a Takeover Bid, and therefrom Following Effects

The following contracts between subsidiaries of Tele Columbus AG and third parties foresee the following consequences in the event of a change of control following a takeover bid:

On 2 January 2015, the Tele Columbus AG and some of its subsidiaries entered into a financing agreement with BNP Paribas Fortis SA/NV, J.P. Morgan Limited and Goldman Sachs Bank USA.

This financing agreement provides for the granting of a term loan totalling EUR 375,000,000.00 (Facility A), a further term loan of up to EUR 75,000,000.00 (Facility B) and a revolving working capital loan amounting to EUR 50,000,000.00 with a duration of six (Facility a) and five years (Facility B and the Revolving Facility); this agreement was amended and supplemented on a few points on 19 February 2015. On 16 October 2015, a supplementary agreement to this agreement was signed. Through this agreement another term loan of EUR 320 million has been added to the existing financing with a duration to 3 January 2021 (Incremental Facility). The agreement provides for an individual right of termination for the lender in the event of a change of control. A change of control occurs when a person or persons acting in concert (acting in concert) (a) shall acquire or purchase more than 50% of ordinary shares of the Company (directly or indirectly), (b) exercise or control more than 50% of the voting rights of those present at a general meeting to and/or (c) acquires or acquire the necessary power, to appoint or remove a majority of the members of the Supervisory Board of the company elected by the shareholders. The termination results in an immediate repayment of the lender and also eliminates their commitment to participate in future drawings under the credit. On 30 July 2015 an agreement for an additional term loan of 139 million with duration until 30 July 2022 was concluded with the same banks, which is subordinated to the loans mentioned above (Second Lien). This loan provides the same individual right of termination in the event of a change of control as the other loans. So a change of control results in an individual right of termination by the individual lender in all completed loans.

10.8 Company Compensation Agreements that are taken in the Event of a Takeover Bid with Members of the Management Board or Employees

Such agreements between the company and its current board members or employees have not been made.

11. COMPENSATION REPORT

The compensation report is part of the group management report for Tele Columbus AG. It explains the compensation structure for the Management Board and the Supervisory Board for Tele Columbus AG according to the statutory regulations and the recommendations of the German Corporate Governance Code. The compensation report also contains the relevant obligatory statements required concerning the executive bodies under German commercial law (Supplement Section 314 HGB; Management Report Section 315 HGB) and IFRS (IAS 24). In the notes to the annual financial statement, individual statements are also presented in summary as far as prescribed.

11.1 Compensation of the Management Board

11.1.1 Compensation System for the Management Board

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

The Members of the Management Board in the fiscal year 2014 were Ronny Verhelst (Chairman of the Board, Chief Executive Officer – CEO) and Frank Posnanski (Chief Financial Officer – CFO). The Management Board' compensation was determined in consideration of the size of Tele Columbus AG, its economic and financial situation, its success and its future prospects as well as the usual amount and structure of the Management Board' compensation for comparable companies and the internal salary structure. In doing so, the Supervisory Board also took into consideration the ratio of Management Board' compensation to the compensation for upper management and the staff in general – also in terms of temporal development. Further criteria include the respective tasks and services of the individual members of the Management Board. The structure and appropriateness of the compensation for the Management Board is regularly reviewed by the Supervisory Board.

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

11.1.2 Basic Compensation

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

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

11.1.3 Short-Term Variable Compensation Components

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

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

11.1.4 Long-Term Variable Compensation Components (LTIP)

Since 15 September 2014, the members of the Management Board participate in a long-term success-oriented compensation plan (Long-term Incentive Programme – LTIP). The LTIP is a component of the long-term variable compensation for the Management Board geared towards sustained, positive business development and creates a long-term incentive for the Management Board to commit themselves to the success of the company. To this end, the members of the Management Board receive a gross sum (LTI tranche) promised to them in every fiscal year, based on bonus percentages determined in the service contract and subject to and dependent upon the achievement of targets for success defined in advance. After three fiscal years (performance periods), the bases for assessment and the respective level of target achievement are defined and the gross sum (LTI) to be paid to the member of the Management Board according to this level is determined. The targets for success and the assessment bases are the average values of the annually calculated EBITDA values for the Group adjusted by Capex over- and under-spending during the payment period.

A performance period begins on the first day of the fiscal year for which the LTI tranche has been awarded, and ends upon expiry of the second fiscal year following the fiscal year for which the LTI tranche has been awarded. The performance period for the LTI tranche 2015 therefore began on 1 January 2015 and ends 31 December 2017. The entitlement to a potential LTI is established upon approval of the Group Consolidated Financial Statement for the last fiscal year of the performance period by the Supervisory Board. A potential LTI is to be calculated within one month of approval of the Group Consolidated Financial Statement and paid out to the member of the Management Board. The maximum variable long-term compensation for each member of the Management Board is limited to 150% of their basic annual compensation. If the average adjusted EBITDA drops below 85% of the average adjusted target EBITDA at the time of payment of the LTI, this compensation component will not be granted. Therefore, the minimum compensation for an LTI tranche for each member of the Management Board is EUR 0.00. The maximum achievable compensation for an LTI Tranche for Frank Posnanski is EUR 375,000.00 and for Ronny Verhelst, EUR 750,000.00.

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

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

The long-term share-based variable compensation is arranged in the form of a Matching Stock Programme (MSP). The MSP creates a long-term incentive for the Management Board to dedicate themselves to the success of the company. To this end, the members of the Management Board are allocated a number of options to be determined in advance by the Supervisory Board in every fiscal year, subject to and dependent upon a corresponding investment by the member of the Management Board in the company. After four fiscal years (lock-up period), the member of the Management Board can exercise this option subject to further prerequisites. This compensation component was introduced in the fiscal year 2015.

The number of shares to be held or acquired by the members of the Management Board (qualified shares) comes to 50,000 for the CEO and 25,000 for the CFO. The members of the Management Board are obliged to hold these qualified shares in a blocked security deposit account in their name from the end of the month in which the IPO was carried out for the duration of the participation in the MSP. During the term of the respective service contract, a certain number of options are allocated for the respective member of the Management Board for each of the five annual MSP tranches for each qualified share held in the blocked security deposit account on the respective effective date. For the first tranche of the MSP (2015 tranche) the number of options is 4.3 per qualified share, for 2016 it is 4.5. The Supervisory Board determines the number of options per qualified share for the future tranches at a given time. The 2015 tranche was allocated on the day of the stock exchange listing, 23 January 2015. Further tranches will be allocated respectively on 23 January in the following years, if the service contract is still in place at this time. The lock-up period for the first 2015 tranche ends on 22 January 2019; the lock-up period for each further MSP tranche is four years. It begins on the day of allocation of an MSP tranche and ends upon expiry of four calendar years. The options of a tranche can be exercised at the end of the lock-up period, given that the weighted average for the share price in the last 60 stock exchange trading days directly before execution of the respective option is above the respective exercise hurdle. The relevant exercise hurdle is determined by the Supervisory Board upon allocation of the respective tranche and comes to at least 130% of the exercise price. For the 2015 tranche, the exercise hurdle was set at 130% of the issue price of EUR 7.01.

The exercised options of a tranche are converted into a Euro sum, according to the difference between the closing share price before receipt of the exercise declaration and the exercise price of the respective tranche multiplied by the number of options exercised (gross options profit). The remaining net options profit after the deduction of statutory levies and personal taxes for the members of the Management Board is attributed to the respective member of the Management Board again in the form of shares. The member of the Management Board is obliged to not sell the shares acquired in this manner for a period of twelve months.

A management board member's gross options profit calculated after exercising the option is limited to a maximum of 400% of his annual basic salary at the time of payment of the respective MSP tranche. Thus, currently the maximum achievable compensation for an MSP Tranche is EUR 1,000,000.00 for Frank Posnanski and EUR 2,000,000.00 Ronny Verhelst. The minimum compensation for an MSP Tranche is EUR 0.00 for both members of the Management Board.

The options of a tranche issued for the fiscal year 2015 generally shall become vested on every anniversary of the allocation in the amount of 25% of the allocation. The options of a tranche issued for the fiscal year 2016 shall become vested in the amount of 1/48 with every month passed since the issuing. If a member of the Management Board resigns the service of the company before exercise or expiry of his options due to expiry of the agreed contract period, death, long-term disability, retirement or on the basis of effective extraordinary termination on the part of the member of the Management Board, he or his heirs can also exercise the vested options after the date of resignation. On the other hand, all options that have not yet become vested shall expire. If the service contract of a member of the Management Board ends for other reasons, all non-vested and vested options not exercised expire on the date of legal termination.

If a new member of the Management Board joins the company during the course of the fiscal year, the Supervisory Board decides whether and, if applicable, with which reduced tranche the member of the Management Board is going to participate in the MSP for the current fiscal year.

11.1.6 Further Commitments

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

For the fiscal year 2015 in special appreciation regarding the acquisition of the primacom and pepcom group as well as the implementation of the integration process, the members of the management board were granted an additional special compensation of EUR 150,000 for Ronny Verhelst and EUR 75,000 for Frank Posnanski.

The company maintains third party liability cover (D&O insurance) for the members of the board members of Tele Columbus AG. It is concluded or extended on an annual basis. The insurance policy covers the personal liability in the case of claims against members of the executive bodies for financial loss associated with employment functions. The policy for fiscal years 2015 includes a deductible for the members of the Management Board and the Supervisory Board which complies with the regulations under the Stock Corporation Act and the German Corporate Governance Code.

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

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

11.1.7 Benefits in the Case of Termination of a Service Contract

The service contracts of both members of the Management Board do not provide any settlement agreements in the case of premature contract termination without important reasons. However, in compliance with the German Corporate Governance Code, in case of a payment agreement for a premature contract termination without important reasons, they restrict such severance payments to a maximum of two years of compensation. For this purpose the calculation should be based on the total compensation for the past fiscal year and, where appropriate, the total compensation expected for the current fiscal year. If the remaining term of the Management Board Service Agreement is less than two years, the severance payment is to be calculated pro rata temporis. If the service contract is terminated for important reasons attributable to one of the members of the Management Board, no payment is made to the member of the Management Board. Commitments for services due to the premature termination of board activity in consequence of a change of control do not exist. The members of the Management Board are generally subject to post-contractual competition ban for a period of 18 months after termination of the service contract. During the term of the competition ban, the respective member of the Management Board receives annual compensation in the amount of 50% of his last fixed annual compensation. Other actual and hypothetical incomes for the member of the Management Board are credited against this compensation, as far as these exceed the sum of the last annual compensation by more than 10% taking the compensation into account.

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

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

11.1.8 Overview of the Total Emoluments for the Management Board

The following section contains obligatory statements required according to German commercial law (Supplement Section 285 and 314 HGB) and German Accounting Standard No. 17 (DRS 17). Additional statements are presented in the notes to the annual financial statement for the fiscal year 2015.

The entire compensation paid to the members the Management Board for the fiscal years 2015 came to a total of TEUR 2,201 (2014 including the compensation received for Managing Director activities at Tele Columbus GmbH and Tele Columbus Holding GmbH: TEUR 2,160). Of this, TEUR 750 (2014: TEUR 746) was attributable to fixed compensation components not based on performance, TEUR 128 (2014: EUR 130) to other emoluments not based on performance, TEUR 344 (2014: TEUR 495) to short-term performance-based compensation components, TEUR 294 (2014: TEUR 40) to long-term variable compensation components (LTIP) and TEUR 419 (2014: TEUR 0) to the long-term share-based variable compensation according to the MSP. A payment under the LTIP shall take place for the first time in 2017. The entire compensation paid to members of the Management Board also contained the additional special compensation of EUR 150,000 for Ronny Verhelst and EUR 75,000 for Frank Posnanski.

Not including the compensation received for Managing Director activities at Tele Columbus GmbH and Tele Columbus Holdings GmbH, the total compensation paid to the members of the Management Board for the reporting period from 15 September 2014 to 31 December 2014 amounted to TEUR 1,132. Of this, TEUR 231was attributable to fixed compensation components not based on performance, TEUR 34 to other emoluments not based on performance, EUR 77 to short-term performance-based compensation components and TEUR 40 to long-term variable compensation components (LTIP). The entire compensation paid to members of the Management Board also contained a one-time special compensation in the total amount of TEUR 750, payment of which was agreed in 2014 but of which the first half was actually paid in January 2015 with the second half to follow in January 2016. The company formed reserves in the full amount of the one-time special compensation in the fiscal year 2014.

Both members of the Management Board were also active in the parent company and/or subsidiaries to the company. These activities are compensated for by the compensation paid for the board activities at the company.

The individualised total compensation for the respective members of the Management Board – divided into the individual components – for the fiscal year 2015 is displayed in the following overview. The first table shows the target compensation for the fiscal year 2015. In the second table, the payments actually made in the fiscal year 2015 are specified.

Value of the benefits granted for the fiscal year 2015

Benefits granted	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
	2015	2015 (min)	2015 (max)	2015	2015 (min)	2015 (max)
Fixed compensation	500,000.00	500,000.00	500,000.00	250,000.00	250,000.00	250,000.00
Fringe benefits [1)]	259,616.39	259,616.39	259,616.39	93,582.19	93,582.19	93,582.19
Sum	*759,616.39*	*759,616.39*	*759,616.39*	*343,582.19*	*343,582.19*	*343,582.19*
One-year variable compensation [2)]	229,000.00	0.00	375,000.00	102,000.00	0.00	187,500.00
Variable remuneration calculated over a period of several years: LTIP (3 years) [3)]	195,920.00	0.00	500,000.00	97,960.00	0.00	250,000.00
Share-based payment (MSP) [4)]	279,500.00	0.00	2,000,000.00	139,750.00	0.00	1,000,000.00
Sum	*704,420.00*	*0.00*	*2,875,000.00*	*339,710.00*	*0.00*	*1,437,500.00*
Provision expense	0.00	0.00	0.00	0.00	0.00	0.00
Total sum	**1,464,036.39**	**759,616.39**	**3,634,616.39**	**683,292.19**	**343,582.19**	**1,781,082.19**

1) Fringe benefits include expenses or cash-value benefits such as the provision of a service vehicle, the conclusion and the payment of subsidies for various insurance and pension benefits, payment of living costs and the reimbursement of cost for tax consultancy services. Moreover, the fringe benefits include a one-time special compensation in the amount of EUR 150,000.00 for Ronny Verhelst and EUR 75,000.00 for Frank Posnanski. These will be paid out in the fiscal year 2016.In the fiscal year 2015, provisions in the full amount were formed accordingly.

2) The one-year variable compensation was paid out in the first quarter of 2016. In the fiscal year 2015, corresponding provisions were formed.

3) Currently forecasted and calculated proportional value for the fiscal year 2015 for the LTI tranche 2015. In the course of the LTI tranche 2015, no compensation was paid out; the corporation formed provisions in the amount of the indicated total calculated value in the fiscal year 2015.

4) The depicted value of the granted benefits is not comparable with the information in the notes, because the entire option value of the first tranche is considered.

Inflow for the fiscal year 2015

	Ronny Verhelst (CEO)	Frank Posnanski (CFO)
Inflow	2015	2015
Fixed compensation	500,000.00	250,000.00
Fringe benefits [1)]	3,359,616.39	1,643,582.19
Sum	*3,859,616.39*	*1,893,582.19*
One-year variable compensation [2)]	332,291.67	162,812.50
Variable remuneration calculated over a period of several years: LTIP (3 years)	0.00	0.00
Share-based payments (MSP)	0.00	0.00
Sum	*332,291.67*	*162,812.50*
Provision expense	0.00	0.00
Total sum	**4,191,908.06**	**2,056,394.69**

1) Fringe benefits were paid for expenses and cash-value benefits such as the provision of a service vehicle, payment of subsidies for various insurance and pension benefits, living cosst and cost for tax consultancy services. In addition, the fringe benefits contain the payment of an one time compensation in the amount of EUR 250,000 to Ronny Verhelst and EUR 125,000 to Frank Posnanski in January 2015 as well as the bonus for the IPO in the amount of EUR 3,000,000 for Ronny Verhelst and EUR 1,500,000 for Frank Posnanski, which was paid by Tele Columbus Holdings SA.

2) The one-year variable compensation was paid out in the first quarter of 2016. In the fiscal year 2015, corresponding provisions were formed. The depicted amounts contain the one-year compensation for the fiscal year 2014, which was paid out in 2015.

Over the long-term, the board members participate in the company success with the help of the Matching Stock Program. The granted options are as followed:

2015

	Matching Stock Program (MSP)					
	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
	Weighted-average excersice price	Fair value of the options when granted	Number of granted options in the fiscal year	Weighted-average excersice price	Fair value of the options when granted	Number of granted options in the fiscal year
Outstanding options at 1 January			0	0		0
Granted options during the year	EUR 7.01	TEUR 280	215,000	EUR 7.01	TEUR 140	107,500
Forefeited options during the year	0		0	0		0
Excercised options during the year	0		0	0		0
Expired options during the year	0		0	0		0
Outstanding options at 31 December	EUR 7.01		215,000	EUR 7.01		107,500
Excercisable options at 31 December	0		0	0		0

Value of the benefits granted for the fiscal year 2014

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

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

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

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

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

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

6) Currently forecasted and calculated proportionate value for the fiscal year 2014 for the LTI tranche 2014. Within the context of the LTI tranche 2014, no compensation was paid; the company formed provisions in the amount of the indicated total calculated value in the fiscal year 2014.

Inflow for the fiscal Year 2014

Inflow	Ronny Verhelst (CEO, Appointed 15 Sept. 2014)[1] 2015	Frank Posnanski CFO (Appointed 15 Sept. 2014)[2] 2015
Fixed compensation	500,000.00	245,833.30
Fringe benefits[3]	101,990.43	27,522.44
Sum	*601,990.43*	*273,355.74*
One-year variable compensation[4]	0.00	0.00
Variable remuneration calculated over a period of several years: LTIP (3 years)	0.00	0.00
Share-based payments (MSP)	0.00	0.00
Sum	*0.00*	*0.00*
Provision expense	0.00	0.00
Total sum	**601,990.43**	**273,355.74**

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

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

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

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

No compensation was paid to former members of the management board. The pension benefits granted in the fiscal year 2015 is TEUR 38 (2014: TEUR 38) for Ronny Verhelst and TEUR 7 (2014: TEUR 7) for Frank Posnanski.

In the fiscal year 2015 as well as the prior fiscal year, no advances were paid to Members of the Management Board and no loans existed.

11.2 Compensation of the Supervisory Board

11.2.1 Compensation System for the Supervisory Board

The compensation for the Supervisory Board is based on Section 18 of the Articles of Association for Tele Columbus AG. The members of the Supervisory Board receive an annual fixed compensation in the amount of TEUR 33 (2014: TEUR 33) and the Chairman of the Supervisory Board receives TEUR 75 (2014: TEUR 75) per annum. Membership and chairmanship of committees are compensated separately. Each member of the Audit Committee receives additional TEUR 4 (2014: TEUR 4), the Chairman of the Audit Committee receives TEUR 12 (2014: TEUR 12). The Chairman of the Executive Committee receives additional TEUR 5 (2014: TEUR 5). If a member of the Supervisory Board does not belong to the Supervisory Board or a committee for the entire fiscal year, a pro rata temporis abridgement of the compensation results. For participating in meetings of the Supervisory Board and its committees, the members of the Supervisory Board receive an attendance fee in the amount of TEUR 1 (2014: TEUR 1) per meeting day.

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

11.2.2 Overview of the Total Emoluments for the Supervisory Board

The Supervisory Board of Tele Columbus AG is composed of six members, who were elected by the Annual General Meeting on 10 September 2014. Two members of the Supervisory Board (André Krause and Catherine Mühlemann) were elected subject to the condition precedent, that the shares of Tele Columbus AG are admitted for trading on the Frankfurt Stock Exchange. Therefore for the fiscal year 2014, André Krause and Catherine Mühlemann did not receive any emoluments. The total emoluments for the members of the Supervisory Board in the fiscal year 2015 amounted to TEUR 442 (2014: (from 10 September to 31 December 2014): TEUR 59) (without reimbursement of income tax payable). Of this, TEUR 240 (2014: TEUR 50) is attributable to fixed compensation for the activity on the Supervisory Board. Compensation for committee activities amounted to TEUR 25 (2014: TEUR 0).

After the successful IPO of Tele Columbus AG, members of the Supervisory Board were granted by Tele Columbus Holdings S.A., Luxembourg, to receive a certain amount of shares of Tele Columbus AG at issue price, for their IPO related preparatory activities at the service of Tele Columbus Holding AG. Tele Columbus Holdings S.A. holds 100% of Tele Columbus Management S.à r.l., Luxembourg, which held 100% of Tele Columbus AG before the IPO and 10% after the IPO.

According to IFRS 2.43B(b) in conjunction with IFRS 2.3a this commitment is classified as a share-based compensation, which is accounted for as a share-based compensation settled by equity instruments in the consolidated financial statements of Tele Columbus AG. The determination of the compensation´s fair value took place on basis of the share price at the date of the IPO.

Due to this compensation an amount of TEUR 300 was classified as personnel expense and in equity (as offset by equity instruments).

The members of the Supervisory Board (with exception of Robin Bienenstock) waived the fixed compensation and attendance fees due to them for the fiscal year 2015 and 2014 after the balance sheet date with the exception of the expenses incurred within the context of the Supervisory Board activity.

In the fiscal year 2015 and 2014, no compensation or other benefits were paid or granted by the shareholders of the Tele Columbus Group to members of the Supervisory Board for personally provided services, especially consultation and mediation services. Moreover, members of the Supervisory Board were not granted advances or loans. The compensation for the members of the Supervisory Board for the fiscal years 2015 and 2014 are listed in the following tables:

Compensation for the members of the Supervisory Board for 2015

EUR	Fixed compensation	Compensation for Committee activity	Attendance fees	Total compensation
Franck Donck (chairman)	75,000.00	5,000.00	31,000.00	111,000.00
Christian Boeckhorst	33,000.00	4,000.00	32,000.00	69,000.00
Robin Bienenstock	33,000.00	4,000.00	31,000.00	68,000.00
Yves Leterme	33,000.00	0.00	27,000.00	60,000.00
André Krause	33,000.00	12,000.00	31,000.00	76,000.00
Catherine Mühlemann	33,000.00	0.00	25,000.00	58,000.00
Total	**240,000.00**	**25,000.00**	**177,000.00**	**442,000.00**

Share-based payments

EUR	Value	Price	Shares	Cash compen-sation	New Price	Price incl. Tax
Catherine Mühlemann	100,000	10.00	10,000	166,600	14.00	16.66
André Krause	100,000	10.00	10,000	166,600	14.00	16.66
Robin Bienenstock	100,000	10.00	10,000	166,600	14.00	16.66
Total	**300,000**			**499,800**		

Compensation for the members of the Supervisory Board for 2014

EUR	Fixed compensation	Compensation for Committee activity [3)]	Attendance fees	Total compensation
Frank Donck (chairman) [1)]	25,000.00	0.00	3,000.00	28,000.00
Christian Boeckhorst [1)]	11,000.00	0.00	3,000.00	14,000.00
Robin Bienenstock [2)]	2,750.00	0.00	0.00	2,750.00
Yves Leterme [1)]	11,000.00	0.00	3,000.00	14,000.00
Total	**49,750.00**	**0.00**	**9,000.00**	**58,750.00**

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

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

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

11.3 Information on Closely Related Persons according IAS 24

On 31 December 2015, the related persons below held the following number of shares via Tele Columbus New Management Participation GmbH & Co. KG, Berlin (TC MP KG) on a calculated basis:

2015

	Number of shares (calculated amount)	% of the total capital (calculated value)
Christian Boekhorst	0	0%
Yves Leterme	321,602	0.25%
Ronny Verhelst	1,122,087	0.88%
Frank Posnanski	795,541	0.62%

2014

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

TC MP KG was established by the contract on 21 February 2014 (changed on 7 March 2014) and was registered on 28 February 2014 in the Commercial Register of Charlottenburg District Court under HRA 49297 B. The general partner of TC MP KG is Tele Columbus MEP GmbH, of which 100% of the shares are held by the general partners of TC MP KG. General partners of TC MP KG are both board members, the Supervisory Board members Christian Boekhorst and Yves Leterme as well as further members of management at Tele Columbus AG.

The board members of TC MP KG are responsible for the management in their position as managing limited partners. TC MP KG is represented by its general partners.

Initially, TC MP KG held 16.75% of the total shares of Tele Columbus Holdings AG, the sole shareholder of Tele Columbus Management S.à r.l. On 3 April 2015 Tele Columbus Holdings SA as the sole shareholder decided to initialize the liquidation of its subsidiary Tele Columbus Management S.à r.l. In the course of the liquidation, the liquidator, Alter Domus Liquidation Services S.à r.l. decided an advance distribution of liquidation proceeds of EUR 122,350,000 to TC SA on 13 April 2015. On 17 August 2015 the liquidator decided a further advance distribution of liquidation proceeds in form of a transfer of all 5,669,167 shares held by Tele Columbus Management S.à r.l. to Tele Columbus Holdings SA.

On basis of a shareholder resolution on 28 April 2015 the liquidation was initialised for Tele Columbus Holdings SA as well. In the course of the liquidation, the liquidator, Alter Domus Liquidation Services S.à r.l. decided an advance distribution of liquidation proceeds of EUR 112,000,000 to the shareholders of Tele Columbus Holdings SA on 7 May 2015. The share of TC MP KG was EUR 18,806,485.82. The payment was carried out on 7 May 2015. On 17 August and 7 September 2015 the liquidator decided a further advance distribution of liquidation proceeds in form of a transfer of 5,539,926 shares of the corporation as well as cash from the disposal of 129,241 shares of the corporation to the shareholders of Tele Columbus Holdings SA. The share of TC MP KG was 951,938 shares. The transfer was carried out on 27 August 2015.The liquidation of Tele Columbus Holdings SA and Tele Columbus Management S.à r.l. has not been finished on 31 December 2015.

In the contract of 9/12 January 2015, TC MP KG made a commitment to the underwriting banks of the IPO to reinvest 50% of the liquidation proceeds in shares of Tele Columbus AG.

The investment of EUR 9,808,640.00 (52.16% of EUR 18,806,485.82) was carried out. In this context, TC MP KG acquired 980,864 shares of the corporation, which were transferred on 8 May 2015.

In the further course of the fiscal year some limited partners of TC MP KG withdrew their attributable shares of the corporation (in total 604,001 shares of the corporation) on 16 October 2015. Furthermore, the remaining cash was distributed to the limited partners after the fulfilment of the reinvestment obligation. In the course of the registered capital increase of the corporation on 4 November 2015, the TC MP KP acquired 910,429 shares of the corporation due to the exercise of subscription rights. The numbers of shares held by TC MP KG amounted to 2,239,230 on 31 December 2015.

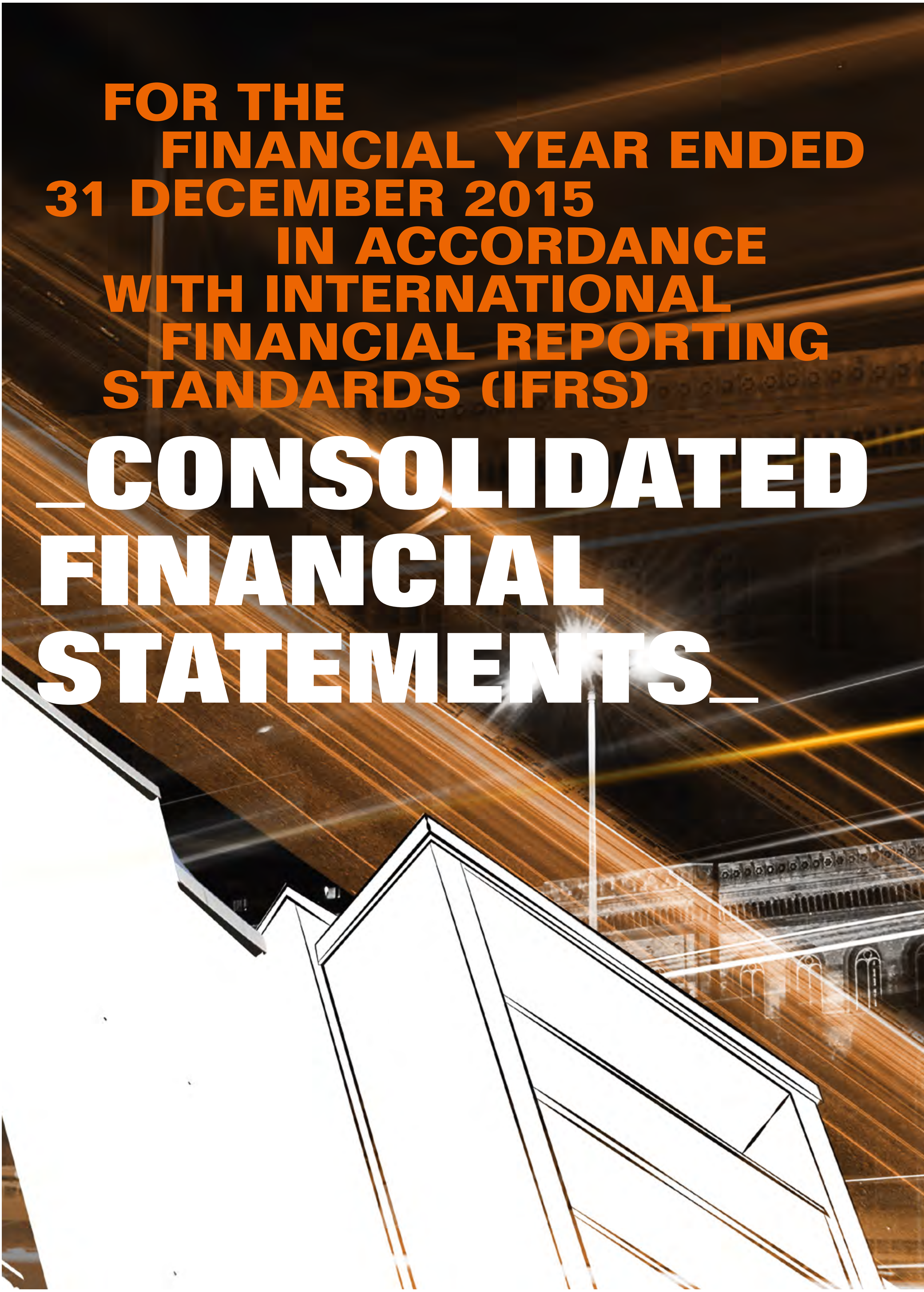
Berlin, 28 April 2016
Tele Columbus AG, Berlin

Ronny Verhelst
Chief Executive Officer

Frank Posnanski
Chief Financial Officer

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONSOLIDATED FINANCIAL STATEMENTS



I. CONSOLIDATED INCOME STATEMENT
AS AT 31 DECEMBER 2015

TEUR	Notes	2015	2014
Revenue	E.1	279,166	213,094
Own work capitalised	E.2	13,156	6,649
Other income	E.3	27,090	15,664
Total operating income		*319,412*	*235,407*
Cost of materials	E.4	–93,677	–76,050
Employee benefits	E.5	–53,226	–33,754
Other expenses	E.6	–99,720	–41,449
EBITDA		**72,789**	**84,154**
Depreciation and amortisation expenses	E.7	–75,797	–50,789
EBIT		**–3,008**	**33,365**
Profit/ loss from investments in associates	B.4	14	–12
Interest and similar income	E.8	1,085	112
Interest and similar expenses	E.8	–45,162	–47,296
Other finance income and expenses	E.9	–18,405	–54
Profit before tax		*–65,476*	*–13,885*
Income tax expense	E.10	–905	–8,009
Loss		**–66,381**	**–21,894**
Loss attributable to owners of Tele Columbus AG		–68,733	–24,121
Profit attributable to non-controlling interests		2,352	2,227
Basic earnings per share in EUR		–1.05	–1.20
Diluted earnings per share in EUR		–1.05	–1.20

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

II. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2015

TEUR	Notes	2015	2014
Loss		*–66,381*	*–21,894*
Other comprehensive income			
Expenses and income that will not be reclassified to profit or loss			
Remeasurement of the defined benefit obligation (after tax)	**E.16**	99	–769
Total comprehensive income		**–66,282**	**–22,663**
Attributable to:			
Owner of Tele Columbus Group		–68,634	–24,890
Non-controlling interests		2,352	2,227

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

III. CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

Assets

TEUR	Notes	31 Dec. 2015	31 Dec. 2014 adjusted
Non-current assets			
Property, plant and equipment	E.11	648,570	209,923
Intangible assets and goodwill	E.12	1,378,836	381,821
Interests in unconsolidated subsidiaries	B.5	18	8
Investments in associates and joint ventures	B.4	302	276
Receivables from related parties	F.2.2	164	–
Trade receivables	E.14	193	–
Other financial receivables	E.14	283	1,148
Deferred expenses	E.14	4,340	72
Deferred tax assets	E.10	99	–
		2,032,805	*593,248*
Current assets			
Inventories	E.13	10,121	3,342
Trade receivables	E.14	39,592	19,115
Receivables from related parties	F.2.2	3,579	3,129
Other financial receivables	E.14	8,855	14,162 1)
Other assets	E.14	5,251	3,582 1)
Current tax assets	E.10	3,907	457
Cash and cash equivalents	F.4	85,178	24,441
Deferred expenses	E.14	6,163	5,690
Assets held for sale	E.15	303	–
		162,949	*73,918*
Total assets		**2,195,754**	**667,166**

1) The disclosure of the underlying securities in other assets was amended and shown under the position of other financial receivables with relevant reclassifications of prior reporting period 2014 amounts. This was done to align with industry standards.

Equity and liabilities

TEUR	Notes	31 Dec. 2015	31 Dec. 2014[1] adjusted
Equity	**E.16**		
Share Capital		127,556	20,025
Capital reserve		620,838	8,324
Other components of equity		–208,952	–140,920
Non-controlling interests		6,240	5,255
		545,682	*–107,316*
Non-current liabilities			
Post-employment and other long-term employee benefits	**E.17**	10,331	10,615
Other provisions	**E.19**	20,111	11,883
Loans and borrowings	**E.20**	1,220,879	640,547
Trade payables	**E.21**	1,153	1,228[1]
Other liabilities	**E.23**	509	–
Other financial liabilities	**E.23**	77,558	30,311[1]
Deferred income/revenue	**E.22**	1,836	933
Deferred tax liabilities	**E.10**	106,021	–
Derivative financial instruments	**F.3.1**	13,011	–
		1,451,409	*695,517*
Current liabilities			
Other provisions	**E.19**	28,529	7,466
Loans and borrowings	**E.20**	49,909	2,626
Trade payables	**E.21**	75,203	37,196[1]
Payables to related parties	**F.2.2**	522	2,559
Other liabilities	**E.23**	21,224	12,565
Other financial liabilities	**E.23**	8,011	6,435[1]
Income tax liabilities	**E.10**	10,277	5,801
Deferred income/revenue	**E.22**	4,823	4,317
Derivative financial instruments	**F.3.1**	165	–
		198,663	*78,965*
Total equity and liabilities		**2,195,754**	**667,166**

1) The disclosure of financial lease liabilities was amended and shown under the position of other financial liabilities with relevant reclassifications of prior reporting period 2014 amounts. Furthermore, a loan of a former shareholder of a subsidiary was reclas-sified from trade payables to other financial liabilities. This was done to align with industry standards.

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

IV. CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2015

TEUR	Notes	2015	2014 adjusted
Cash flows from operating activities[1)]			
Net loss		*–66,381*	*–21,894*
Net financial results		62,482	47,238
Income taxes		905	8,009
Profit (+) /loss (–) from investments in associated companies		–14	12
Earnings before interest and taxes (EBIT)		*–3,008*	*33,365*
Amortisation and depreciation	**E.7**	75,797	50,789
Equity settled share-based payments		601	–
Loss (+)/gain (–) on sale of property, plant and equipment		–242	–1,480
Increase (–)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities [2)]		4,836	–14,362
Increase (+)/decrease (–) in provisions, trade and other payables not classified as investing or financing activities[3)]		–17,695	–12,618
Income tax paid		–10,700	–2,739
Cash flows from operating activities		**49,589**	**52,955**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,531	3,235
Acquisition of property, plant and equipment	**E.11**	–68,425	–35,923
Acquisition of intangible assets	**E.12**	–14,981	–7,086
Interest received		39	112
Dividends received		–	30
Acquisition of businesses, net of cash acquired		–641,746	–10,614
Net cash used in investing activities		**–723,582**	**–50,246**

1) For a better comparability and differing to the prior year disclosure the Tele Columbus Group presents the statement of cash flow starting with the net loss which is subsequently reconciliated to the EBIT.

2) This position comprises a decrease in inventories amounting to TEUR 1,387 (2014: TEUR –1,163), a decrease in trade receiv-ables and other assets amounting to TEUR 5,268 (2014: TEUR –9,654) and an increase in deferred income amounting to TEUR –1,819 (2014: TEUR –3,545).

3) Dieser Posten beinhaltet einen Anstieg der Rückstellungen in Höhe von TEUR 21,734 (2014: TEUR –903). einen Rückgang der Verbindlichkeiten aus Lieferungen und Leistungen sowie sonstige Verbindlichkeiten in Höhe von TEUR –34,576 (2014: TEUR –11,624) und einen Rückgang der Abgrenzungsposten in Höhe von TEUR –4,853 (2014: TEUR –91).

TEUR	Notes	2015	2014 adjusted
Cash flows from financing activities			
Changes in net assets due to adjustments related to the change in Group structure		–	–1,684
Changes in net assets (incl. adj. relating to offering and capital increase costs)		–29,389	–
Payment of financial lease liabilities		–6,296	–6,112
Dividends paid		–1,387	–3,065
Proceeds from loans, bonds or short-term or long-term borrowings from banks		1,394,033	78
Repayment of borrowings and short-term or long-term borrowings		–1,347,530	–2,886
Interest paid		–29,265	–17,126
Purchase of non-controlling interest		–	–18,369
Cash proceeds from issuing shares		749,335	–
Net cash from (used in) financing activities		**729,501**	**–49,164**
Cash and cash equivalents as at the end of the reporting period			
Net increase/decrease in cash and cash equivalents		55,508	–46,455
Cash and cash equivalents at the beginning of the reporting period		24,441	70,539
Cash and cash equivalents at the end of the reporting period		*79,949*	*24,084*
Plus release of restricted cash and cash equivalents in the financial year		5,229	357
Cash and cash equivalents at the end of the period		**85,178**	**24,441**

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

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

For the year ended 31 Dec. 2015

TEUR	Notes	Net assets attributable to Tele Columbus Group	Share capital
Balance at 1 Jan. 2015	**E.16**	**–**	**20,025**
Profit (+) / loss (–)			
Other comprehensive income			
Total comprehensive income		**–**	**–**
Dividends			
Change in non-controlling interests			
Changes in equity due to IPO and capital increase			107,531
Offering and capital increase costs deductible from equity			
Equity settled share-based payments			
Balance at 31 Dec. 2015	**E.16**	**–**	**127,556**

For the year ended 31 Dec. 2014

TEUR	Notes	Net assets attributable to Tele Columbus Group	Share capital
Balance at 1 Jan. 2014	**E.16**	**–68,225**	**–**
Profit(+)/loss (-)			
Other comprehensive income			
Total comprehensive income		**–**	**–**
Dividends			
Changes in non-controlling interests			
Changes in net assets due to adjustments relating to the change in group structure			
Introduction of the existing group structure		68,225	20,025
Balance at 31 Dec. 2014	**E.16**	**–**	**20,025**

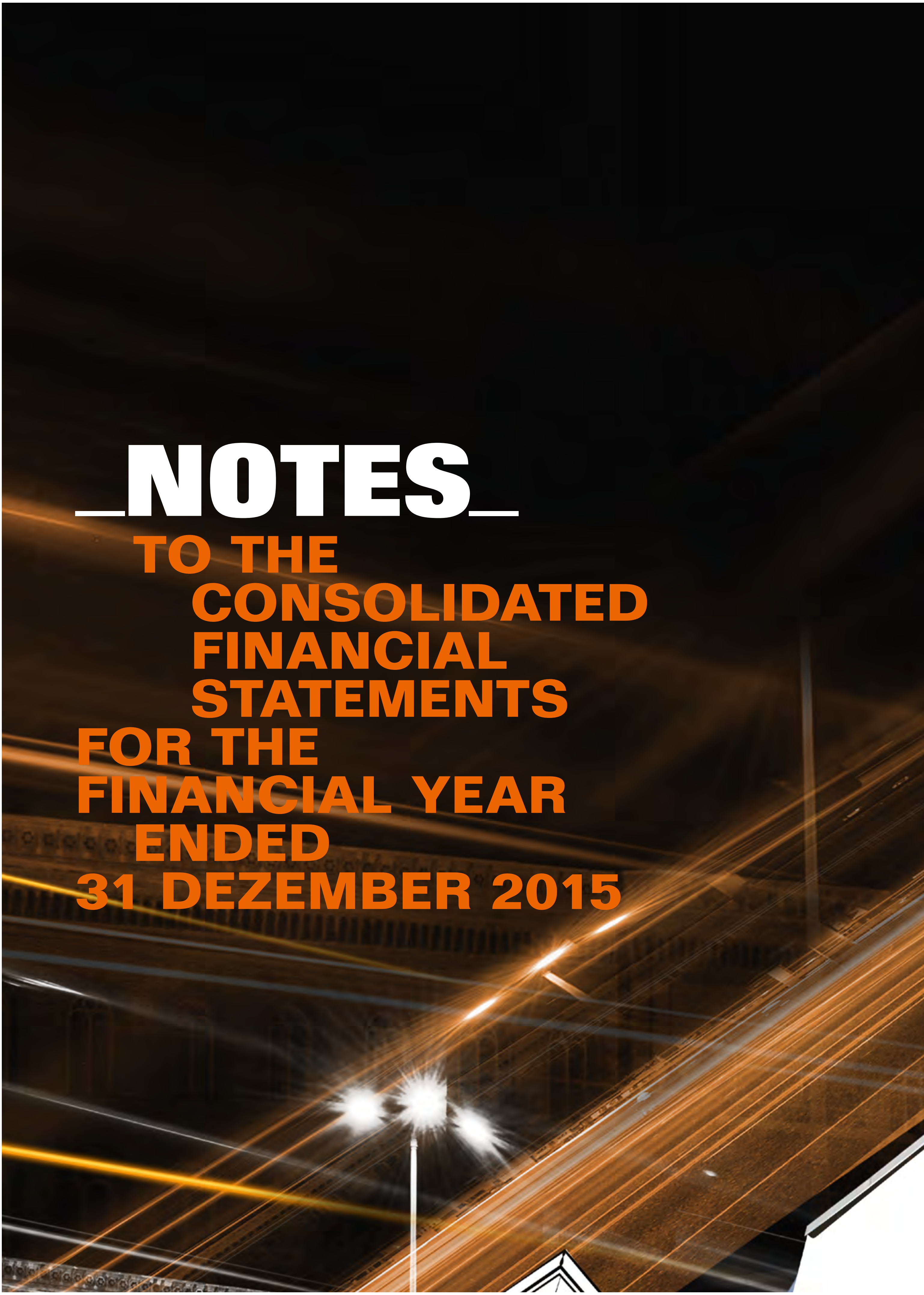
1) Including IPO costs in the amount of TEUR 15,105 and costs for the capital contribution in the amount of TEUR 14,185 deductible from equity.

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

Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to owners of the Tele Columbus Group	Non-controlling interests	Total equity
8,324	**–114,692**	**–24,121**	**–2,107**	**–112,571**	**5,255**	**–107,316**
		–68,733		–68,733	2,352	–66,381
			99	99		99
–	**–**	**–68,733**	**99**	**–68,634**	**2,352**	**–66,281**
				–	–1,387	–1,387
				–	20	20
641,804				749,335		749,335
–29,290 [1)]				–29,290		–29,290
	601			601		601
620,838	**–114,091**	**–92,854**	**–2,008**	**539,442**	**6,240**	**545,682**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DEZEMBER 2015



VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1 Introduction

The Tele Columbus AG based Goslarer Ufer 39, 10589 Berlin, is listed at 'Frankfurt Stock Exchange' since 23 January 2015 in the market segment Xetra Frankfurt (Prime Standard).

A.2 Description of business activities

The companies in the Tele Columbus Group are cable network operators primarily active in Eastern Germany. Approximately 37% (prior year 20%; change due to acquisitions) of the Group's holdings are in the remaining region of the Federal Republic of Germany. The Group's core business is operating and managing broadband cable equipment, in some cases using own satellite receiving equipment for providing residential apartment complexes of various housing companies and their tenants with television and radio signals, internet as well as telephony services. Operation of the equipment includes servicing, maintenance, customer care and collection. We refer to section 1.1 'Organizational structure of the Group' in the Group Management Report for a detailed presentation of the business activities. Besides operating in the cable network business the Tele Columbus Group operates in the B2B and construction service businesses. B2B includes products for the supply of carrier companies with broadband services and business customer networks, products for the supply of business customers with internet and telephony as well as network monitoring and the marketing of data centers. The construction service comprises e.g. the construction of fiber-optic networks and the connection of residential areas to the own backbone.

A.3 Basis of accounting

The consolidated financial statements of Tele Columbus Group as at 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The consolidated financial statements comprise the consolidated income statement, the consolidated statement of profit or loss and the other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements for financial year 2015 and the comparative period 2014.

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

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

The consolidated financial statements were prepared by Tele Columbus AG's Management Board in Berlin as at 28 April 2016 and approved by the Board of Supervisors as at 28 Apri 2016.

These financial statements are based on the going concern assumption.

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

Particular events of the reporting year 2015 of the Tele Columbus Group are described in the following introduction.

A.4 Initial public offering of Tele Columbus AG

At the annual general meeting held on 11 January 2015, it was decided to increase the Group's share capital in connection with the initial public offering (IPO) at the 'Deutsche Börse' by up to 37,500,000 registered no par value shares by means of a cash contribution (authorised capital 2014).

By resolution dated 20 January 2015, the Management Board additionally executed the capital increase by means of 33,333,334 shares plus 3,333,333 so-called 'green shoe' – i.e. a total of 36,666,667 shares – from authorised capital in 2014. The remaining authorised capital after the IPO consisted of 833,333 shares.

For the IPO on 23 January 2015, capital was thus increased by TEUR 366,667 (at an issue price of EUR 10 per share), which increases the Group's share capital by the same amount. According to the regulations of IAS 32.35, the share of transaction costs direct attributable to the capital increase was offset against the capital increase.

Share placement generated gross earnings of TEUR 366,667. A large proportion of these earnings was initially used to improve the Group's capital structure and to reduce its liabilities. The Group also invested in the its infrastructure, particularly the further expansion of the Group's cable networks and the connection of additional private households to the Group's own integrated network level 3, in order to be able to continuously enhance the Group's range of services as a reliable service provider for our partners and customers. Additionally this was the basis for the acquisitions of the primacom Group and the pepcom Group in 2015.

The directly attributable costs for the IPO in the amount of TEUR 15,105 were deducted from equity.

A.5 Capital Increase

On 19 October 2015, the Group announced its intent to increase its capital by granting subscription rights to repay an Equity Bridge Facility from the acquisition of primacom Group, and to finance part of the purchase price for acquisition of the pepcom Group (we refer to the explanatory notes in section B.2 'Changes in consolidated entities'), as well as a partial repayment of a Second Lien Tranche.

On 6 November 2015, after receiving shareholder's approval of a capital increase of up to 100% of the share capital on 14 September 2015, the Group successfully completed its rights offering with gross proceeds of TEUR 382,669 resulting in net proceeds of TEUR 368,483 through issuance of new share capital offered to the shareholders at a ratio of 4:5, out of Tele Columbus' existing Authorised Capital 2015/I and the approved share capital. Respectively, Tele Columbus' registered number of shares increased by 70,864,584 from 56,691,667 to 127,556,251.

Costs for the capital contribution in the amount of TEUR 14,185 were deducted from equity.

A.6 Changes to financing and loan agreements

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

On 2 January 2015, Tele Columbus AG signed a new loan agreement (IPO Financing Agreement, version 2, dated 19 February 2015).

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

This new loan (facility A) was used mainly to repay 'legacy liabilities' under the former Senior Facility Agreement ('SFA') and Mezzanine Facility Agreement ('MFA'). By also using the earnings from the IPO, all liabilities under legacy financing agreements were repaid. In this context also the former credit limit of TEUR 28,267 under the SFA was eliminated.

On 31 July 2015, two further loan agreements were signed, comprising a Second Lien Tranche of TEUR 139,000 and a short-term Equity Bridge Facility of TEUR 125,000. Furthermore, a refinancing of the Senior Tranche C from the financing agreement of the IPO in the amount of TEUR 435,000 was concluded. The terms of Senior Tranche C and the Equity Bridge are equivalents of Senior Tranche A. The Second Lien tranche carries interest of 7.5% plus EURIBOR. This tranche currently has a 1% EURIBOR floor, so that an overall profit margin of 8.5% is recognised even if the EURIBOR falls below 1%.

These tranches were used to finance the acquisition of primacom Group, the repayment of the primacom liabilities to banks, and to finance part of the purchase price for the acquisition of the pepcom Group.

On 6 November 2015, the Tele Columbus AG raised a TEUR 320,000 Senior Tranche Incremental. This loan will mature on 02 January 2021 and will be paid at an interest rate of 4.5% plus EURIBOR. The loan was recorded and paid out on 30 November 2015 and mainly used for the acquisition of the pepcom Group.

B. BASIS OF CONSOLIDATION

B.1 Consolidation policies

B.1.1 Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to or has rights to fluctuating returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is gained until the date when control ceases.

In the course of consolidation, all internal Group balances, income and expenses as well as all unrealised gains and losses from transactions within the reporting entity were eliminated in preparing the consolidated financial statements. Furthermore, capital was consolidated based on the existing parent/subsidiary relationships within Tele Columbus Group.

B.1.2 Non-controlling interests

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

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

For further information regarding preparation of the opening balance of the pepcom group on a preliminary basis, we refer to section B.2 'Changes in consolidated entities'.

B.1.3 Loss of control

When the Group loses control of a subsidiary, it derecognises assets and liabilities of the subsidiary and all related non-controlling interests and other equity components. Any gain or loss is recognised in profit or loss. Any retained interest in the former subsidiary is recognised at fair value on the date when control was lost.

B.1.4 Financial assets accounted for using the equity method

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

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

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

B.2 Changes in consolidated entities

B.2.1 Acquisition of primacom Group

On 31 July 2015 Tele Columbus AG acquired all shares of Primacom Holding GmbH, Leipzig (hereinafter referred to as 'primacom Group') the fourth-largest German cable network operator. Thus, Tele Columbus gained control over the subsidiaries (Primacom Holding GmbH, Leipzig; Primacom Berlin GmbH, Berlin; Telekabel Enterprise S.à r.l., Luxembourg; Wikom Deutsche Telekabel GmbH, Berlin; Martens Deutsche Telekabel GmbH, Hamburg; ACN Telekabel Holding GmbH, Frankfurt am Main; DTK Deutsche Telekabel Verwaltungs GmbH, Berlin; DTK Deutsche Telekabel Media GmbH, Berlin; MediaHome Verwaltungs GmbH, Berlin; DTK Deutsche Telekabel Halle GmbH, Berlin; DTK Deutsche Telekabel GmbH, Berlin; AKF Betreibungs- und Verwaltungsgesellschaft mbH, Berlin; KSP-Kabelservice Prenzlau GmbH, Prenzlau; IKS – ImmoKabelService GmbH, Berlin) of the company. The shares correspond to voting rights.

In September the companies DTK Deutsche Telekabel GmbH, Berlin; ACN Telekabel Holding GmbH, Frankfurt am Main; DTK Deutsche Telekabel Verwaltungs GmbH, Berlin; DTK Deutsche Telekabel Media GmbH, Berlin; MediaHome Verwaltungs GmbH, Berlin; DTK Deutsche Telekabel Halle GmbH, Berlin; AKF Betreibungs- und Verwaltungsgesellschaft mbH, Berlin; IKS – ImmoKabelService GmbH, Berlin, were merged to Primacom Berlin GmbH, Leipzig. The Telekabel Entreprise S.à r.l. Luxembourg was merged to Primacom Holding GmbH in December.

The price amounted to TEUR 355,069 and was paid in cash. An amount of TEUR 7,000 was paid to an escrow account recognised on the shareholders. Including a loan of primacom Group repaid in the course of the transaction the fair value of the total consideration transferred amounted to TEUR 716,944.

The opening balance and thus the first consolidation are prepared on a preliminary basis due to time constraints. Major issues not finalised include, but are not limited to, the clarification of leasing contracts, the recognition of provisions and other liabilities in the opening balance, calculation of client base according to IFRS 3.

Debt push down

The Tele Columbus AG and Primacom Holding GmbH closed an intercompany loan agreement as agreed in the share purchase agreement. The total loan amount of TEUR 361,875 corresponds to the repayment amount of the bank liabilities of the Primacom Holding GmbH including accrued and unpaid interests and breaking fees as of the closing date. As it was agreed in the course of the acquisition the debt push down is recognized in the opening balance.

The preliminary balance of primacom Group as of the first consolidation (1 August 2015) at fair value is as followed:

Assets

TEUR	1 Aug. 2015
Non-current assets	
Property, plant and equipment	170,958
Intangible assets	126,568
Investments in associates	15
Deferred expenses	24
	297,565
Current assets	
Total inventories	1,594
Trade receivables	8,269
Receivables from related parties	198
Other financial receivables	1,414
Other receivables	2,486
Current tax assets	27
Cash and cash equivalents	4,234
Deferred expenses	2,219
	20,441
Total assets	**318,006**

Equity and liabilities

TEUR	1 Aug. 2015
Net assets	–114,908
Non-current liabilities	
Post-employment and other long-term employee benefits	80
Other provisions	275
Payables to related parties	361,875
Trade payables	40
Deferred tax liabilities	38,599
	400,869
Current liabilities	
Other provisions	4,750
Loans and borrowings	1,322
Trade payables	13,246
Payables to related parties	2
Other financial liabilities	414
Other liabilities	5,598
Income tax liabilities	2,153
Deferred income/revenue	4,560
	32,045
Total equity and liabilities	**318,006**

Intangible assets include a preliminary calculated fair value of customer contracts in the amount of TEUR 112,894.

Acquired receivables are recorded at fair value. No material contingent considerations were identified as at the date of the opening balance. The nominal value of the trade receivables amounts to TEUR 9,530 and includes allowances of TEUR 1,261. Further fair values of receivables equal their nominal value.

Due to the acquisition a preliminary goodwill of TEUR 469,982 was recognized. The goodwill represents the value of synergy effects and the value of the acquired business model of primacom Group that were the reasons for the transactions. No goodwill is expected to be deductible from tax base.

According to a preliminary segment allocation of the preliminary, calculated at fair value of the customer contracts an amount of TEUR 67,736 is allocated to the segment TV and an amount of TEUR 45,158 is allocated to the segment Internet and Telephony.

Acquisition-related costs with an amount of TEUR 6,743 are recognized as other expenses.

Since the acquisition the primacom Group added revenues of TEUR 54,943 and a loss of TEUR 3,507 to the Group's results.

From 1 January 2015 to 31 December 2015 the primacom Group reported revenues of TEUR 129,598 and a loss of TEUR 18,953 according to IFRS. These amounts do not include all adjustments to Tele Columbus Group accounting policy as this cannot be prepared in due time.

B.2.2 Acquisition of pepcom Group

With closing on 30 November 2015, Tele Columbus AG acquired 100% of the shares of the cable network operator pepcom GmbH, Unterföhring, and thus gained control over the subsidiaries of the company. The agreed purchase price of TEUR 317,530 was paid in cash. The former shareholder loan of TEUR 196,557 was taken over by Tele Columbus AG.

Pepcom Holding is the holding company of five intermediate holding companies of which each holds participations in several operating entities. Pepcom Nord GmbH holds 100% in KKG Kabelkommunikation Güstrow GmbH and 100% in TKN Telekabel-Nord GmbH. Pepcom Mitteldeutschland GmbH holds 100% in each of the following entities: FAKS Frankfurter Antennen- und Kommunikationsservice GmbH, REKA Regionalservice Kabelfernsehen GmbH and Tele-System Harz GmbH. Pepcom West GmbH holds 100% in Kabelcom Rheinhessen GmbH and 90% in Kabelcom Rhein-Ruhr GmbH.

Pepcom Süd GmbH in turn directly or indirectly holds shares in the 10 following entities: 100% in NEFtv GmbH, 76% in Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft, 69.78% in Kabelfernsehen München Servicenter GmbH & Co KG ("KMS KG"). Further, pepcom Süd GmbH holds 100% in WTC Wohnen & TeleCommunication GmbH & Co. KG, 95.45% in Netzpool Berlin GmbH, 100% in WTC Wohnen & TeleCommunication Verwaltung GmbH, 100% in Cablevista GmbH, 100% in Cabletech Kabel- und Antennentechnik GmbH, 98.96% in Mediacom Kabelservices GmbH and 100% in Mediaport GmbH. Furthermore, pepcom GmbH holds 100% in Cabletechnics GmbH, 100% in pepcom Projektgesellschaft mbH and 100% in HL komm Telekommunikations GmbH. In total, pepcom GmbH has 14 fully-owned (direct or indirect) subsidiaries and indirectly holds majority participations in 10 further entities.

The opening balance and thus the first consolidation are prepared on a preliminary basis due to time constraints. Major issues not finalised include, but are not limited to the clarification of leasing contracts, recognition of provisions and other liabilities in the opening balance, calculation of client base according to IFRS 3, finalisation of verification of fair value of fixed assets including classification of fixed assets and determination of useful lives as well as the valuation of minorities.

The preliminary balance of pepcom Group as of the first consolidation (1 December 2015) is as follows:

Assets

TEUR	1 Dec. 2015
Non-current assets	
Property, plant and equipment	255,659
Intangible assets	170,926
	426,585
Current assets	
Inventories	5,389
Trade receivables	12,040
Receivables from related parties	255
Other financial receivables	356
Other receivables	4,831
Current tax assets	1,325
Cash and cash equivalents	49,540
Deferred expenses	683
	74,419
Total assets	**501,004**

Equity and liabilities

TEUR	1 Dec. 2015
Net assets	105,137
Non-current liabilities	
Post-employment and other long-term employee benefits	5
Other provisions	714
Loans and borrowings	2,049
Payables to related parties	196,557
Other financial liabilities	55,203
Deferred income/revenue	894
Deferred tax liabilities	69,568
	324,990
Current liabilities	
Other provisions	1,771
Loans and borrowings	43,066
Trade payables	8,595
Payables to related parties	49
Other financial liabilities	400
Other liabilities	8,791
Income tax liabilities	7,689
Deferred revenue	516
	70,877
Total equity and liabilities	**501,004**

Intangible assets include a preliminary calculated fair value of customer contracts in the amount of TEUR 166,385 on 1 December 2015.

Acquired receivables are recorded at fair value. The nominal value of the trade receivables amounts to TEUR 12,681 and includes allowances of TEUR 641. No material contingent considerations were identified as at the date of the opening balance. Further fair values of receivables equal their nominal value.

Due to the acquisition a preliminary goodwill of TEUR 212,407 was recognized.

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

Acquisition-related costs with an amount of TEUR 7,520 were recognised as other expenses.

Since the acquisition pepcom Group added revenues of TEUR 10,018 and a loss of TEUR 2,011 to the Group's results.

From 1 January 2015 to 31 December 2015 the pepcom Group reported according to IFRS for TEUR 118,723 revenue and TEUR 7,684 loss. These amounts do not include all adjustments to Tele Columbus Group accounting policy as this cannot be prepared in due time.

Further acquisitions

Additionally the following minor acquisitions were done since the beginning of the fiscal year. As these mergers have no significant impact for the group, the further notes are shown consolidated. For this matter we refer to section B.2.9 'Aggregate disclosure information on the immaterial acquisitions of the period'.

B.2.3 Acquisition of RFC Radio-, Fernseh- u. Computertechnik GmbH

By purchase agreement dated 22 January 2015 (with economic effect from 27 January 2015 – accordingly the date of first-time consolidation), Tele Columbus Multimedia GmbH, Berlin, purchased a 100% ownership in RFC Radio-, Fernseh- u. Computertechnik GmbH, Chemnitz (hereinafter referred to as 'RFC').

The company plans, builds and maintains wideband cable constructions with self-constructed receiving installations as well as pre-supplied signals. Additionally, it offers general construction services in the area of telecommunication and builds and operates door intercom systems. The acquisition extends the value added chain of Tele Columbus Group regarding the construction and maintenance work carried out by RFC and can thus increase synergy effects.

The purchase price according to the purchase agreement is TEUR 515, was offset against the outstanding receivable resulting from the sale of RFC in 2014.

B.2.4 Acquisition and merger of Wowisat GmbH

On 6 February 2015, an agreement was signed for taking over all shares in Wowisat GmbH, Düsseldorf (hereinafter referred to as 'Wowisat'), by Tele Columbus AG, Berlin. The contract was closed on 30 March 2015 – accordingly, this is the date of first-time consolidation.

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

The purchase price is TEUR 2,914 and was completely paid in cash.

According to the merger agreement dated 27 August 2015, Wowisat was retroactively merged with all rights and obligations to Tele Columbus Multimedia GmbH, Berlin and ceased to exist on 1 January 2015.

B.2.5 Acquisition of ownership interests in Teleco GmbH Cottbus Telekommunikation

By agreement dated 30 April 2015, Tele Columbus AG, Berlin acquired 100% ownership in Teleco GmbH Cottbus Telekommunikation, Cottbus (hereinafter referred to as 'Teleco') together with the 37% ownership in BGC Breitbandgesellschaft Cottbus mbH, Cottbus (hereinafter referred to as 'BGC') and its 25% ownership in Cable Plus GbR, Cottbus on 27 May 2015 (the date of first-time consolidation).

The specialization of Teleco is in the installation, operation and repair of cable networks (coaxial broadband networks, cable TV, voice and Internet services) together with the associated services. Additionally, the company installs electro acoustic equipment and wired data networks. The purpose of the acquisition is to extend the existing customer base of Tele Columbus Group.

The provisional purchase price is TEUR 5,740 and was completely paid in cash.

B.2.6 Acquisition of KABELMEDIA GmbH Marketing und Service

According to the purchase agreement dated 29 April 2015, Tele Columbus AG, Berlin purchased 100% ownership of KABELMEDIA GmbH Marketing und Service, Essen (hereinafter referred to as 'KABELMEDIA') on 1 May 2015 (the date of first-time consolidation).

KABELMEDIA specialises in marketing and operating broadband cable, satellite and antenna communications systems. With the acquisition of KABELMEDIA, Tele Columbus AG aims to expand its customer base by assuming the existing licensing agreements signed by KABELMEDIA.

The provisional purchase price is TEUR 1,674 and was completely paid in cash.

B.2.7 Acquisition of 'Mietho & Bär Kabelkom' Kabelkommunikations-Betriebs GmbH

By share purchase and transfer agreement dated 26 October 2015 (record date of the first consolidation 1 November 2015), Tele Columbus AG, Berlin acquired all shares in 'Mietho & Bär Kabelkom' Kabelkommunikations-Betriebs GmbH, Gablenz (hereinafter also referred to as 'M&B'). M&B, in turn, holds a 26% share in BGC Breitbandgesellschaft Cottbus mbH, Cottbus (hereinafter also referred to as 'BGC'). Due to acquisition of Teleco GmbH Cottbus Telekommunikation as well as Funk und Technik GmbH Forst in the third quarter, both of which hold ownership interests in BGC, Tele Columbus AG will recognise 100% ownership interests in BGC from the date of first-time consolidation. M&B also holds 100% ownership interests in ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH and a share of 25% in Cable Plus GbR.

The company focuses on the planning, financing, construction, maintenance and operation of multimedia cable TV networks, satellite-delivered master antenna television systems and customised antenna television systems for owners of multi-family residential buildings as well as individual customers.

As at the reporting date, TEUR 3,330 of the total provisional purchase price of TEUR 3,100 has been settled in cash.

B.2.8 Acquisition of Funk und Technik GmbH Forst

On 16 October 2015 (record date of the first consolidation 1 November 2015), Tele Columbus AG acquired 100% ownership interests in Funk und Technik GmbH Forst, Forst (hereinafter also referred as 'FuT'). FuT, in turn, holds a 37% share in BGC Breitbandgesellschaft Cottbus mbH (hereinafter also referred to as 'BGC'), based in Cottbus, FuT also holds an ownership interest of 25% in Cable Plus GbR, an operator of multimedia broadband cable networks that offers its customers broadband TV, internet and telephony services. FuT furthermore operates and maintains several satellite signal distribution systems in buildings located in areas which so far cannot be supplied with broadband connections.

As at the reporting date, TEUR 11,651 of the total provisional purchase price of TEUR 11,600 has been settled in cash.

B.2.9 Aggregate disclosure information on the immaterial acquisitions of the period

As at first-time consolidation, the newly acquired companies' net assets amounted to TEUR 4,048 (non-current assets TEUR 5,746, current assets TEUR 4,061 including cash TEUR 2,106 and intercompany receivables TEUR 503, non-current liabilities TEUR 1,025 and current liabilities TEUR 4,734). Additionally, goodwill in the amount of TEUR 21,777 was recognised as an asset. The goodwill largely reflects synergy effects and the value of the acquired business models. No significant customer bases and other not previously accounted intangible assets were booked.

The consolidated financial statements of Tele Columbus AG include revenue in the amount of TEUR 7,084 (thereof intercompany revenue in the amount of TEUR 4,214), EBITDA in the amount of TEUR 1,165 and a loss in the amount of TEUR 200 resulting from the acquired companies.

From 1 January until 31 December 2015 the newly acquired companies reported revenues amounting to TEUR 9,583, an EBITDA amounting to TEUR 2,078 and an annual result of TEUR 75.

Further information on changes in consolidated entities is represented below:

B.2.10 Formation of GlasCom Salzlandkreis GmbH

A new company, GlasCom Salzlandkreis GmbH (hereafter 'GlasCom'), based in Straßfurt-Brumby, was founded on 12 August 2015.

Business purpose of this company are the construction, operation and marketing of telecommunications networks and all related duties, products and services.

GlasCom's share capital amounts to TEUR 25. Of this share capital, MDCC Magdeburg¬-City-Com GmbH, Magdeburg (51.02% subsidiary of Tele Columbus Multimedia GmbH, Berlin) and a further shareholder each hold TEUR 12.5 of the ownership interest. The voting rights equal the capital share. Thus, Tele Columbus AG holds 50% of the interest in GlasCom (we also refer to the explanatory notes in section B.4 'Investments in associates and joint ventures').

MDCC Magdeburg-City-Com GmbH, Magdeburg and other external Company are both equally responsible for the associated profit and loss risk exposures.

B.2.11 Change in ownership interests for Deutsche Netzmarketing GmbH

As a result of the acquisition of all shares of Primacom Holding GmbH, Leipzig, on 31 July 2015, Tele Columbus AG has received additional 10.25% of the shares in Deutsche Netzmarketing GmbH, Cologne.

During the prior reporting periods, the former 12.82% interest in Deutsche Netzmarketing GmbH was reported pursuant to IAS 39 in the consolidated financial statements as 'Interests in unconsolidated subsidiaries' due to the lack of control or significant influence. The interest was classified as an available-for-sale financial asset and was recognised at cost due to non-determinable fair values.

We refer to the explanatory notes in B.5 'Investments in other entities'.

B.2.12 Adjustment to the purchase price of BIG Medienversorgung GmbH and Medienwerkstatt GmbH

Due to the audit of BIG Medienversorgung GmbH and Medienwerkstatt GmbH (hereinafter referred to as 'BIG Group') Financial Statements as at 31 December 2014, the purchase price was adjusted by TEUR 42.

To date, TEUR 10,704 of the total purchase price of TEUR 10,869 has been settled in cash. This also includes a loan to the company. There is also a variable purchase price component contingent on future EBITDA, as defined by Tele Columbus, for which no significant amount has been recognised.

Based on final financial statements figures for first-time consolidation as at 1 September 2014, the acquired net assets amount to TEUR 1,209 for both entities combined. This corresponds to goodwill of TEUR 9,660. This goodwill largely reflects synergy effects and the value of BIG's business model.

B.2.13 Accretion of BMB GmbH & Co. KG on Tele Columbus Multimedia GmbH

On 28 September 2015, Tele Columbus Multimedia GmbH, Berlin as a limited partner and BMB Geschäftsführung GmbH, Essen as general partner have held a shareholder meeting as sole shareholder of BMB GmbH & Co. KG, Essen.

According to the recommendation of the shareholder committee, it was unanimously decided that general partner BMB Geschäftsführung GmbH withdraws itself as partner from BMB GmbH & Co. KG without compensation to 30 September 2015. Due to the resignation of the general partner, BMB GmbH & Co. KG has grown to the limited partner Tele Columbus Multimedia GmbH.

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

B.3 Information on Consolidated Entities

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

Ownership in %

	2015	2014
ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH, Cottbus	100.00	n/a
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51.00	51.00
BIG Medienversorgung GmbH, Mönchengladbach	100.00	100.00
BMB Geschäftsführung GmbH, Essen	100.00	100.00
BMB GmbH & Co. KG, Essen [2)]	n/a	100.00
Cable Plus GmbH, Cottbus	100.00	100.00
Cabletech Kabel- und Antennentechnik GmbH, Unterföhring	100.00	n/a
Cabletechnics GmbH, Unterföhring	100.00	n/a
Cablevista GmbH, Unterföhring	100.00	n/a
FAKS Frankfurter Antennen- und Kommunikationsservice GmbH, Frankfurt (Oder)	100.00	n/a
Funk und Technik GmbH Forst, Forst	100.00	n/a
HL komm Telekommunikations GmbH, Leipzig	100.00	n/a
Kabelcom Rheinhessen GmbH, Nierstein	100.00	n/a
Kabelcom Rhein-Ruhr GmbH, Unterföhring	90.00	n/a
Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft, München	76.00	n/a
Kabelfernsehen München Servicenter GmbH & Co. KG, München	69.78	n/a
KABELMEDIA GmbH Marketing und Service, Essen	100.00	n/a
KKG Kabelkommunikation Güstrow GmbH, Güstrow	100.00	n/a
KSP-Kabelservice Prenzlau GmbH, Prenzlau	90.00	n/a
Martens Deutsche Telekabel GmbH, Hamburg	100.00	n/a
MDCC Magdeburg-City-Com GmbH, Magdeburg	51.02	51.02
Mediacom Kabelservice GmbH, Offenbach am Main	98.96	n/a
Mediaport GmbH, München	100.00	n/a
Medienwerkstatt GmbH, Mönchengladbach	100.00	100.00

Ownership in %

	2015	2014
Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH, Gablenz	100.00	n/a
NEFtv GmbH, Nürnberg	100.00	n/a
Netzpool Berlin GmbH, Berlin	95.45	n/a
pepcom GmbH, Unterföhring	100.00	n/a
pepcom Mitteldeutschland GmbH, Leipzig	100.00	n/a
pepcom Nord GmbH, Unterföhring	100.00	n/a
pepcom Projektgesellschaft mbH, Unterföhring	100.00	n/a
pepcom Süd GmbH, Unterföhring	100.00	n/a
pepcom West GmbH, Unterföhring	100.00	n/a
PrimaCom Berlin GmbH, Leipzig	100.00	n/a
PrimaCom Holding GmbH, Leipzig	100.00	n/a
REKA Regionalservice Kabelfernsehen GmbH, Kamenz	100.00	n/a
RFC Radio-, Fernseh- u. Computertechnik GmbH, Chemnitz	100.00	n/a
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin 1)	100.00	100.00
Tele Columbus Cottbus GmbH, Cottbus 1)	100.00	100.00
Tele Columbus Hessen GmbH, Berlin 1)	100.00	100.00
Tele Columbus Kabel Service GmbH, Berlin 1)	100.00	100.00
Tele Columbus Multimedia GmbH, Berlin 1)	100.00	100.00
Tele Columbus Netze Berlin GmbH, Berlin 1)	100.00	100.00
Tele Columbus Ost GmbH, Berlin 1)	100.00	100.00
Tele Columbus Sachsen-Anhalt GmbH, Köthen 1)	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Jena 1)	100.00	100.00
Tele Columbus Verwaltungs GmbH, Berlin 1)	100.00	100.00
Teleco GmbH Cottbus Telekommunikation, Cottbus	100.00	n/a
Tele-System Harz GmbH, Blankenburg	100.00	n/a
TKN Telekabel-Nord GmbH, Wittenberge	100.00	n/a
WTC Wohnen & TeleCommunication GmbH & Co. KG, Hamburg	100.00	n/a
WTC Wohnen & TeleCommunication Verwaltung GmbH, Hamburg	100.00	n/a

1) The company used the exemption of Section 264 (3)/Section 264b of the German Commercial Code (HGB) for its 2015 financial statements.

2) With the departure of the general partner, the entity was absorbed into the limited partner Tele Columbus Multimedia GmbH.

Regarding the list of shareholdings according to Sec. 313 (2) of the German Commercial Code (HGB) we refer to the annex of the consolidated financial statements 2015 of the Tele Columbus AG.

Tele Columbus AG holds 100% of the shares in BGC Breitbandgesellschaft Cottbus mbH as at the reporting date, equalling an amount of TEUR 90. The interest is classified as an asset held for sale and is recognised at cost due to non-determinable fair values. Hence BGC is not listed in the table above.

Tele Columbus AG holds 100% of the shares in Cable Plus GbR, Cottbus as at the reporting date. This company was founded without profit making purposes. The objective of the entity is based in the closing of licence agreements and the management of these. Hence Cable Plus GbR is not listed in the table above und is not a consolidated entity.

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

2015

TEUR	MDCC Magdeburg-City-Com GmbH, Magdeburg	BBcom Berlin-Brandenburgische Communikations-gesellschaft mbH, Berlin	Kabelfernsehen München Servi-center GmbH & Co. KG, München[2)]	Kabelfernsehen München Servicenter GmbH – Beteili-gungsgesellschaft, München
Non-controlling interest (%)	*48.98*	*49.00*	*30.22*	*24.00*
Non-current assets	10,812	89	52,741	327
Current assets	2,975	516	9,775	200
Non-current liabilities	–4,444	–	–178	–
Current liabilities	–4,318	–203	–11,401	–55
Net assets	*5,026*	*402*	*50,937*	*472*
Carrying amount of non-controlling interest	**2,911**	**207**	**14,327**	**516**
Revenue	24,343	1,445	4,292	–
Profit from continuing operations (EBITDA)	11,849	625	2,869	–1
Other comprehensive income	–8,123	–230	608	282
Total comprehensive income	**3,726**	**394**	**3,477**	**281**
Profit attributable to non-controlling interest (EBITDA)	5,804	306	867	0
Other comprehensive income attributable to non-controlling interest	–3,979	–113	184	68
Cash flows from operating activities[1)]	7,663	315	4,749	–178
Cash flows from investing activities[1)]	–2,733	–95	–904	–
Cash flows from financing activities[1)]	–4,306	–331	–130	104
thereof dividends to non-controlling interests	–1,225	–162	–	–
Net increase/decrease in cash and cash equivalents	**624**	**–111**	**3,716**	**–74**

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

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

KSP-Kabelservice Prenzlau GmbH, Prenzlau	Kabelcom Rhein-Ruhr GmbH, Unterföhring	Netzpool Berlin GmbH, Berlin	Mediacom Kabelservice GmbH, Offenbach am Main	Total
10.00	*10.00*	*4.55*	*1.04*	
163	0	1	32	
269	3	11	5	
–	–	–1	–	
–427	0	–2	–11	
5	*2*	*9*	*25*	*56,879*
3	**3**	**5**	**20**	**17,991**
–721	–	23	239	
–1	0	9	7	
0	0	6	–20	
–1	**0**	**15**	**–13**	**7,879**
0	0	0	0	6,977
0	0	0	0	–3,840
65	0	–26	–21	
3	0	0	–3	
–68	0	0	0	
–	–	–	–	
0	**0**	**–26**	**–24**	**4,105**

2014

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

Fußnoten 2 fehlt, auch in deutsch.

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

2) Definition XXX

B.4 Investments in associates and joint ventures

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

Associates

	Ownership in %	
	31 Dec. 2015	31 Dec. 2014
AproStyle AG, Dresden	25.10	25.10
TV Produktions- und Betriebsgesellschaft GmbH & Co. KG, Jena	48.00	48.00
TV Produktions- und Betriebsverwaltungs-GmbH, Jena	48.00	48.00

Joint Ventures

	Ownership in %	
	31 Dec. 2015	31 Dec. 2014
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	50.00	n/a
JVA Media GmbH, Magdeburg	50.00	50.00

The carrying amount of investments in associates of TEUR 302 (2014: TEUR 276) mainly results from ownership interests in AproStyle AG amounting to TEUR 277 (2014: TEUR 263).

The income relating to AproStyle AG, which are stated as equity-accounted investees, amounted to TEUR 14 in financial year 2015 (2014: TEUR –12).

The investments in TV Produktions- und Betriebsgesellschaft GmbH & Co. KG and TV Produktions- und Betriebsverwaltungs GmbH are not included in the consolidated financial statements due to their immateriality.

Due to full consolidation of its subsidiary MDCC Magdeburg-City-Com GmbH, Tele Columbus AG held 50% of the shares in GlasCom as well as 50% of the shares in JVA Media GmbH as at the reporting date. The ownership interests in JVA Media GmbH amounted to TEUR 12.5 (2014: TEUR 12.5) and TEUR 12.5 (2014: TEUR —) for GlasCom. The Group has a residual interest in the net assets of GlasCom and JVA Media GmbH. Accordingly, the Group has classified its interests as joint ventures. These joint ventures did not generate any material income or expense during the financial year.

No further significant changes in associates took place in the financial year 2015 or are relevant for the explanation of the comparative figures.

B.5 Investments in other entities

Resulting from full consolidation of the new by acquired subsidiary Primacom Holding GmbH, Tele Columbus AG held 23.07% (2014: 12.82%) of the shares in Deutsche Netzmarketing GmbH (according to the regulation of the statue) as at the reporting date. Due to lack of significant influence, the investment in Deutsche Netzmarketing GmbH is stated at cost of TEUR 23 (2014: TEUR 8) in the consolidated financial statements. A part of this investment in the amount of TEUR 5 is classified as assets held for sale and recognised at cost due to non-determinable fair values.

As a result of full consolidation of the newly acquired subsidiaries Teleco GmbH Cottbus Telekommunikation, Funk und Technik GmbH Forst and Mietho & Bär Kabelkom Kabelkommunikations-Betriebs GmbH, Tele Columbus AG held 100% of the shares in BGC Breitbandgesellschaft Cottbus mbH as at the reporting date, equalling an amount of TEUR 90. This interest is classified as assets held for sale and recognised at cost due to non-determinable fair values.

C. BASIS OF ACCOUNTING

C.1 Disclosure and measurement

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

D. ACCOUNTING POLICIES

D.1 Significant judgements and estimates

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

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

D.1.1 Significant judgements

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

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

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

D.1.2 Estimation uncertainties

An explanation of the most important forward-looking assumptions and other major sources of estimation uncertainty as at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is provided in the following notes. The carrying amounts are presented in the consolidated statement of financial position or in the additional explanatory notes to the relevant assets and liabilities.

- Acquisition of subsidiaries – preliminary determination of fair values:
  During the fiscal year the primacom Group and pepcom Group were acquired in the course of a share seal. In accordance with IFRS 3, the acquisition method was applied to determine the value of net assets of the acquired subsidiaries as of the acquisition date (fair value). Consequently the fair values of assets, liabilities, contingent liabilities, deferred taxes and a potential goodwill were taken into consideration. Approved valuation methods were applied in this context, which are partially based on assumptions of management or external experts and sources. This especially applies to all forecasts used to determine future cash flows relevant for the valuation and the Weighted Average Cost of Capital (WACC). Due to time constraints, the opening balance as well as the initial consolidation for both groups are preliminary. See sections B.2.1 'Acquisition of primacom Group' and B.2.2 'Acquisition of pepcom Group'.

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

- Provision for onerous contracts:
  Provisions for onerous contracts were recognised for a long-term signal delivery agreement. We refer to section E.19 'Other provisions' for further details. The signal delivery agreement expires on 30 June 2018 and provides for minimum payments. In the event of non-compliance with these minimum payments, the Group must make up the difference. Based on the expected subscriber volume and contractually agreed tiered pricing, Tele Columbus Group has calculated the anticipated extent of the obligation and compared it with the minimum payments. This calculation indicates a remaining net obligation.

- Impairment of non-financial assets:
The Group assesses at the end of each reporting period whether there is objective evidence that non-financial assets are impaired. According to IFRS, Goodwill is not amortised, instead impairment-tested annually. Further assessments are performed if there is objective evidence of impairment. For impairment testing of goodwill according to IAS 36 as at 31 December 2015, the recoverable amount was measured at fair value less costs to sell for each cash generating unit (identical with segments). Fair value was measured pursuant to IFRS 13 based on unobservable inputs (level 3 inputs). The annual impairment test on goodwill included the former goodwill as of 2014, the goodwill of the primacom acquisition, the goodwill of the pepcom acquisition and the goodwill of the minor acquisitions of 2015.

- The annual impairment test on goodwill was performed as at 30 November 2015 (2014: 31 December). This change was necessary to perform the required actions on time. This had no influence on the result of the impairment test and follows the requirements of IAS 36. The search for indications of impairments (so-called triggering events) has taken place on the 31 December 2015. No indications for impairments were found on the31 December 2015.

- We refer to our explanatory notes in section B.2 'Changes in consolidated entities' and section E.12 'Intangible assets and goodwill'.

- Recognition of deferred tax assets:
Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised and the necessary documentation requirements can be fulfilled. The calculation of deferred tax assets requires estimates by the Management Board about the timing and levels of future taxable income as well as future tax planning strategies. Based on the Group's current planning, deferred tax assets arising from temporary differences are recognised in the amount of deferred tax liabilities. Any major excess in deferred tax assets and all deferred tax assets on tax loss carry forwards were written down in 2015. Part of the deferred tax assets on tax loss carry forwards were not recognised as utilisation of the carry forwards is not anticipated. Some utilisation is expected. However, on the basis of the loss history there are higher requirements for documenting the probability for utilising carry forwards (e.g. detailed tax planning). It was not possible to fulfil these requirements in full as at the reporting date.

- Provision for restructuring:
In November 2015 the Management Board announced planned restructuring measures, such as the closure of the company's location in Hanover and the reorganisation of the Group. We refer to section E.19 'Other provisions'. For this matter the Tele Columbus Group prepared a detailed restructuring plan which provides information regarding the impacted business units and locations. It also addresses deployment sites, function, and approximate number of employees who will be subject to severance payments. Additionally, the plan addresses expected expenditures and the planned implementation date. In accordance with German law certain measures in the restructuring plan – such as severance packages – are still under negotiation with the workers' council as of reporting date and thus are not definite.

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

- Measurement of the Minority Interest in Kabelfernsehen München Servicenter GmbH & Co. KG:
  In connection with the owner's termination right of third party owners of the partnership Kabelfernsehen München Servicenter GmbH & Co. KG, Munich, the non-controlling interests are shown in the balance sheet according to the anticipated purchase method as long-term liabilities.

- Costs of acquiring new customers:
  Costs incurred due to new subscription-based contracts will be capitalized as intangible assets, if they
  - can directly be allocated to the conclusion of specific contracts and if they fulfil the criteria regarding the definition and recognition of intangible assets,
  - represent costs, that are incremental in connection with the conclusion of the contract (that is, they would not have incurred otherwise) and
  - are paid to a person other than the subscriber.
    Only costs for external employees fulfil this requirement.

D.2 Significant accounting policies

D.2.1 Intangible assets

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

Intangible assets with finite useful lives are amortised over their estimated useful life (between 3 and 15 years) using the straight line method from the time of their operational readiness.

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

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment test is performed based on the cash generating unit (CGU) to which goodwill is attributable.

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

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

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

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

D.2.2 Business combinations

For acquisitions, capital is consolidated by applying the purchase method pursuant to IFRS 3. In the course of the preparation of the opening balance, the identified assets and liabilities of the acquired subsidiaries are recognised and measured at fair value or in accordance with the respective IFRS regulations. Furthermore, identifiable intangible assets are capitalised and contingent liabilities are recognised in accordance with IFRS 3.23. The remaining difference corresponds to goodwill. Non-controlling interests in an acquired entity either at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets or at fair value. Tele Columbus Group has selected the first option.

D.2.3 Property, plant and equipment

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

The cost of acquisition comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are generally depreciated straight-line over a period of 3 to 15 years. The cable network infrastructure comprises technical facilities with estimated useful lives of between 8 and 15 years. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualifying asset that takes more than twelve months to get ready for its intended use. If they are not directly attributable, they are expensed in the period incurred.

Customer terminals in the form of modems and receivers are – insofar as not sold to the customer under a contract – recognised as part of the network infrastructure under technical equipment and depreciated over their estimated useful life of three years (modems) or two years (receivers), respectively. If returned before the anticipated end of the contract, the customer terminal is written down to EUR 1 and allocated to inventories.

Estimated useful lives are reassessed at each reporting date. Adjustments are made in accordance with the new basis for assessment.

If there are any indications of impairment and if the recoverable amount is lower than amortised cost, an impairment loss is recognised for property, plant and equipment. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment test is carried out at individual asset level, as a matter of principle.

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

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

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

D.2.4 Leases

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

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

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

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

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

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

D.2.5 Inventories

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

D.2.6 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. As defined in IAS 32 and IAS 39, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An impairment loss is recognised for financial assets carried at amortised cost when amortised cost exceeds the present value determined on the basis of the instrument's original effective interest rate.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as 'financial assets at fair value through profit or loss' or 'loans and receivables'. This category contains equity instruments of companies which are neither consolidated nor recognised using the equity method. After initial recognition, available-for-sale financial assets are measured at fair value pursuant to IAS 39.46, whereby unrealised gains and losses are recognised in other comprehensive income. Accumulated gains and losses on measurement at fair value previously recognised in other comprehensive income are recognised in profit or loss when the financial asset is derecognised. All available-for-sale financial assets are interests in unconsolidated subsidiaries. As these investments in subsidiaries do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost pursuant to IAS 39.46c.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments that consist of an interest rate swap and interest rate cap which were acquired in connection with the acquisition of primacom group and pepcom group. The calculation of fair values is based on market parameters or measurement models based on market parameters.

We refer to the explanatory notes in section D.1.2 'Estimation uncertainties' for the accounting treatment of non-controlling interests in partnerships.

Impairment of financial assets

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

Objective evidence of impairment of financial assets includes:

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

The carrying amount of the asset is reduced through use of an allowance account (provision for impairment). The impairment loss is recognised in profit or loss. Trade receivables with similar risk exposures are checked for non-recoverability on a portfolio basis. A portfolio combines receivables with similar risk exposures. Lump-sum specific loan loss provisions are determined based on the payables due dates of liabilities as well as experience with loan losses in the past.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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

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

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

D.2.7 Employee benefits

Employee benefits include benefits due in the short-term as well as benefits due after employment has been terminated, other long-term benefits and termination benefits.

Post-employment benefits are classified as either defined benefit plans or defined contribution plans, depending on the economic substance of the plan as derived from its principle terms and conditions.

Short-term employee benefits

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

Share-based payment arrangements

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans, under which the entity's obligation is to provide the agreed benefits to current and former employees.

Defined benefit plans are measured by using the projected unit credit method, which is based on various assumptions and expectations regarding future increases in salaries and pension payments as well as employee turnover and mortality. The obligations are measured by independent qualified actuaries once a year. The accumulated defined benefit obligations are recognised under personnel expenses, interest expenses and in other comprehensive income.

Provided so-called plan assets for defined benefit plans, which are used exclusively to secure retirement benefit obligations, such plan assets are measured at fair value and recognised on a net basis at the value of the pension provisions by using the projected unit credit method. Plan assets that are not netted are presented as other financial receivables.

Actuarial gains and losses resulting from changes in actuarial assumptions as well as the difference between standard and actual interest on plan assets are recognised in other comprehensive income rather than profit and loss.

Agreements for partial retirement benefits

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

Anniversary obligation

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

Termination benefits

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

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

D.2.8 Other provisions

According to IFRS, a provision is recognised when an entity of the Tele Columbus Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed to Tele Columbus Group, the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received. Where the effect of the time value of money is material, provisions relating to future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, to the extent applicable.

Provisions for onerous contracts

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

Provisions for restructuring

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

Other provisions

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

D.2.9 Deferred income / revenue

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

D.2.10 Recognition of revenue

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

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

Revenue

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

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

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

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

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

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

Interest income

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

Licence fee income

Licence fee income is deferred as specified in each agreement.

D.2.11 Impairment of non-financial assets

An intangible asset or an item of property, plant and equipment is impaired when the carrying amount of the applicable cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In the case of technical facilities, an individual building distribution system or satellite system is the cash generating unit. We refer to the explanatory notes in section D.1.2 'Estimation uncertainties'. Regarding the impairment of goodwill we refer to section E.12.3 'Result of impairment testing of goodwill'.

D.2.12 Fair value measurement according to IFRS 13

Tele Columbus Group measures its derivative financial instruments at fair value. Also, available-for-sale financial assets are generally measured at fair value, if it can be measured reliably. These financial assets are partially interests in unconsolidated subsidiaries which are recognised at cost due to non-determinable fair values (we refer to the explanatory notes in section B.4 'Investments in associates and joint ventures').

If there are indications of impairment, fair value is measured by using an appropriate valuation technique. Plan assets within the meaning of IAS 19 are also measured at fair value, however they do not fall within the scope of IFRS 13. In addition, the fair value of financial assets and liabilities measured at amortised cost is presented in section F.3.1 'Carrying amounts and net income from financial instruments'. Fair value is also determined in the course of impairment testing of goodwill. In this context, we refer to our explanatory notes in section D.1.2 Estimation uncertainties'.

The general responsibility for monitoring all significant fair value measurements, including level 3 inputs to measure fair value, lies directly with the finance and accounting department of the company preparing the statements, which reports directly to the Management Board. The finance department of Tele Columbus AG regularly reviews the most important inputs and valuation parameter. If information from third parties – such as foreign exchange quotations from exchange rate services – is used to determine fair value, the department assesses the evidence obtained from the third parties in terms of compliance of such measurements with IFRS requirements, including the fair value hierarchy level to which these measurements are assigned.

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

D.2.13 Income taxes

Current income tax assets and liabilities

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

Deferred taxes

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

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

The value of deferred tax assets and liabilities is based on future taxable income generated by the taxable entity (company or reporting entity), and is reviewed annually. If it is no longer probable that sufficient taxable income will be generated in future periods or from temporary differences to cover loss carry forwards or the basis of detailed fiscal plans is not sufficient, the recognition for the deferred tax assets is corrected to the appropriate level.

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

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

D.2.14 Assets held for sale

Assets held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction within the next 12 months or by a most probable sales transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs of disposal and classified as assets held for sale. Such assets are no longer depreciated. Impairment of such assets is recognised if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognised is reversed. The reversal of impairment losses is limited to the impairment losses previously recognised for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. In the reporting period the assets held for sale were solely recognised with the lower of acquisition and production costs.

D.3 Compliance with IFRS

Tele Columbus has adopted all IFRS and IFRIC interpretations in the consolidated financial statements for the year ended 31 December 2015, as adopted by the EU, that are effective for financial years beginning on or after 1 January 2015.

The following accounting standards and interpretations were adopted for the first time in these financial statements:

Standard/Interpretation		Effective as at	Publication of endorsement by the EU Commission
IFRIC 21	Levies: Accounting for levies imposed by governments	17 June 2014	14 June 2014
AIP 2011–2013	Annual Improvements Project, Improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40)	1 Jan. 2015	19 Dec. 2014

The adoption of these standards and interpretations did not have any material effect on the consolidated financial statement 31 December 2015.

The following table shows the main new or revised standards (IAS/IFRS) or interpretations (IFRIC) that are not yet mandatory for financial year 2015, and their effects on the Group. The adoption date refers to the effective date as specified in the EU endorsement – unless otherwise stated:

Standard/Interpretation		Effective as at	Publication of endorsement by the EU Commission
IAS 19 2)	Amendments to IAS 19, Employee Benefits	1 Feb. 2015	9 Jan. 2015
AIP 2010–2012 2)	Annual Improvements Project, Improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)	1 Feb. 2015	9 Jan. 2015
IFRS 11 2)	Changes to the accounting for acquisitions of interests in joint Operations	1 Jan. 2016	25 Nov. 2015
IAS 1 2)	Amendments to IAS 1: Disclosure initiative	1 Jan. 2016	19 Dec. 2015
IAS 16. IAS 38 2)	Amendments to clarify accepted depreciation and amortisation methods	1 Jan. 2016	3 Dec. 2015
AIP 2012–2014 2)	Annual Improvements Project 2012–2014 Cycle (IFRS 5, 7, IAS 19, 34)	1 Jan. 2016	16 Dec. 2015
IAS 7 3)	Amendments disclosure Initiative	1 Jan. 2017 1)	open
IAS 12 3)	Amendments Recognition of deferred tax assets for unrealized losses	1 Jan. 2017 1)	open
IFRS 9 3)	Financial Instruments	1 Jan. 2018 1)	open
IFRS 15 3)	Revenue from Contracts with Customers	1 Jan. 2018 1)	open
IFRS 16 3)	Leases	1 Jan. 2018 1)	open

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

2) No material impact on the consolidated financial statement.

3) The possible impacts on the consolidated financial statement are currently analysed.

A project will commence in the fiscal year 2016 to implement the IFRS 15 requirements and the consequential changes for the Tele Columbus Group. In this context, an impact analysis is carried out with a special focus on multi-component contracts. There is a possibility that the implementation of IFRS 15 will impact the amount and timing of future revenue recognition within the Group. Furthermore possible future adjustments to the IFRS 15, resulting from proposed clarifications by the IASB, have to be concluded before a final statement on the expected impact on the Group can be made. In addition, a separate transition project will be initiated for the adoption of IFRS 16. It is not expected that further IFRS changes will significantly impact the Group's financial statements.

E. EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

E.1 Revenue

TEUR	2015	2014
Analogue and digital, ongoing	137,085	130,533
Internet/telephony	78,452	50,387
Analogue and digital, one-time	16,943	1,086
Ancillary digital premium services	18,358	11,022
Other transmission fees	8,735	5,554
Leasing customer premise equipment	4,780	3,237
Installation intercom	4,421	4,128
Sky	2,198	2,133
Sales of receiver	2,096	2,142
Shopping channels	1,718	1,780
Other	4,379	1,092
	279,166	**213,094**

Tele Columbus Group's revenues mainly comprise of monthly subscription fees and to a lesser extent one-off installation and connection charges for basic analogue cable television as well as ancillary digital services. They also include fees for high-speed internet access and telephony charges. The increase in analogue and digital one-time revenues is attributable to the purchase of the primacom Group. Other revenues were mainly generated by network rents and network maintenance.

E.2 Own work capitalised

Own work capitalised in the amount of TEUR 13,156 in 2015 (2014: TEUR 6,649) mainly comprises expenses for work performed by our own employees in connection with expanding our own cable network. The increase is mainly due to new acquisitions described in section B.2 'Changes in consolidated entities'.

E.3 Other income

TEUR	2015	2014
Income from the derecognition of liabilities and reversal of provisions	11,368	3,031
Income from refundable IPO costs	4,395	2,446
Income from dunning fees	1,451	1,619
Income from marketing subsidies	1,350	1,263
Gains on disposal of non-current assets	1,183	1,945
Income from services	1,101	461
Income from sale	494	184
Income from connection and disconnection fees	414	535
Miscellaneous other income	5,333	4,180
	27,090	**15,664**

Income from derecognition of liabilities and reversal of provisions increased by TEUR 8,337 compared to 2014. This increase mainly results from the reversal of provisions for onerous contracts in connection with a new long-term signal delivery contract. We refer to the explanatory notes in section E.19 'Other provisions'. Other income also increased due to refundable IPO costs amounting to TEUR 4,395 (2014: TEUR 2,446).

E.4 Cost of materials

TEUR	2015	2014
Cost of raw materials and consumables	–2,086	–1,928
Cost of purchased services/goods	–91,591	–74,122
	–93,677	**–76,050**

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

The cost of purchased services mainly relates to fees for the reception of signals, maintenance costs, commissions, electricity and other services as well as changes in inventory of modems and receivers.

E.5 Employee benefits

TEUR	2015	2014
Wages and salaries	–44,151	–27,517
Social security, pension and other benefits	–7,092	–4,793
Other personnel expenses	–1,983	–1,444
	–53,226	**–33,754**

Employee benefits increased by TEUR 19,472 compared to the previous reporting period. This increase mainly results from the acquisition of new businesses as described in section B.2 'Changes in consolidated entities' and from newly recruited personnel to meet the increased requirements after the IPO. Regarding employee benefits, we refer to section E.17 'Post-employment and other long-term employee benefits'.

E.6 Other expenses

Other expenses were incurred in particular for the following:

TEUR	2015	2014
Legal and advisory fees	–32,445	–13,880
Restructuring	–22,482	–
Advertising	–9,854	–8,797
Call liability TC Beteiligungs GmbH	–5,799	–
Impairment of receivables	–5,457	–5,064
Occupancy costs	–4,998	–4,184
Incidental bank charges	–4,452	–798
IT costs	–3,358	–3,015
Communication costs	–1,849	–1,238
Vehicle expenses	–1,692	–1,019
Administrative expenses	–1,608	–16
Travel expenses	–975	–660
Losses on disposal of non-current assets	–941	–465
Miscellaneous other expenses	–3,809	–2,313
	–99,720	**–41,449**

Legal and advisory fees increased by TEUR 18,565 compared to the previous year. This increase mainly results from additional legal and advisory fees incurred in connection with the preparation for the IPO, acquisition of new businesses (we refer to the explanatory notes in section B.2 'Changes in consolidated entities') and capital increase procedure that cannot be deducted from the equity increase and acquisition related cost. Incidental bank charges mainly comprise IPO bank fees and loan fees for the current reporting period that were not recognized in equity with the capital increase. The increase in administrative expenses results mainly from market costs as well as expenses for members of the supervisory board.

The expenses and additional funding obligations are mainly resulted from due to Tele Columbus Beteiligungs GmbH result from a probable call liability due to the tax audit of the former Group Company. Tele Columbus is obliged to pay additional funding obligation for accrued amounts.

E.7 Depreciation and amortisation expenses

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

In financial year 2015, impairment losses of TEUR 725 (2014: TEUR 538) were recognised for property, plant and equipment. These are largely attributable to customer terminals, which were defective or were returned before the planned end of the contract.

E.8 Net interest income and expenses

TEUR	2015	2014
Interest income from third parties	1,085	82
Interest income from associates	–	30
Interest and similar income	**1,085**	**112**
Interest paid to third parties	–42,467	–45,782
Expenses resulting from compounding of loans under the effective interest rate method	–2,695	–1,459
Interest paid to associates	–	–55
Interest and similar expenses	*–45,162*	*–47,296*
	–44,077	**–47,184**

The interest paid to third parties mainly relates to liabilities to banks (loans and borrowings). For this matter and the compounding of loans using the effective interest rate method, please refer to the explanatory notes in section E.20 'Loans and borrowings'.

E.9 Other finance income and expenses

TEUR	2015	2014
Adjustment of the value of financial instruments	–18,405	–84
Other finance income/costs	–	30
	–18,405	**–54**

The increase in the adjustments to the value of financial instruments mainly results from remeasurement of embedded derivatives in loans (TEUR 14,359) and expense recognition from previously deferred transaction cost (TEUR 4,065) due to conversion of debt in the first quarter of 2015.

E.10 Income tax expense

TEUR (expense –, income +)	2015	2014
Deferred tax income/expense resulting from changes in temporary differences	300	–2,620
Deferred tax income/expense from recognition of deferred tax assets for loss and interest carry forwards	21,634	9,059
Deferred tax income/expense resulting from recognition changes for deferred tax assets	–19,667	–6,775
Current tax expense, current year	–4,360	–7,584
Current tax income/expense, prior years	1,189	–89
Total tax income/expense	**–905**	**–8,009**

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

TEUR	2015	2014
Earnings before tax (EBT)	–65,476	–13,885
Group's tax rate	30.94%	31.05%
Expected tax expense (–)/income (+)	**20,258**	**4,311**
Adjustments of temporary differences	–1,685	1,756
Effects of deferred tax assets and liabilities not qualifying for recognition	1,063	128
Adjustment for recognition changes	–19,667	–9,059
Trade tax additions/reductions	–1,397	–933
Non-deductible expenses	–378	–9
Corporation tax effects, external owners of the Company/effects of investments in companies	0	–3,435
Other consolidation effects	–507	–917
Taxes for prior years	1,189	–89
Other discrepancies	220	238
Reported income tax expense (+)/income (–)	**–905**	**–8,009**

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

The aggregate tax rate of 30.94% (2014: 31.05%) corresponds to the average tax rate for the consolidated entities. The increase compared to prior year is primarily attributable to differing trade tax multipliers due to the acquisitions of the primacom Group and the pepcom Group.

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

TEUR	31 Dec. 2015	31 Dec. 2014
Property, plant and equipment	1,094	1,334
Financial assets (without derivatives)	471	1,069
Intangible assets	5,908	5,116
Tax loss and interest carryforwards	39,811	9,082
Derivatives	4,559	0
Payables and provisions	15,892	18,041
Value of recognition changes for deferred tax assets	–50,178	–21,415
Offset	–17,458	–13,227
Deferred tax assets	**99**	–
Property, plant and equipment	–27,247	–9,391
Intangible assets	–83,091	–55
Receivables and other assets	–1,689	–1,569
Liabilities and provisions (without derivatives)	–11,386	–2,212
Derivatives	–66	–
Offset	17,458	13,227
Deferred tax liabilities	**–106,021**	–
Change	*–105,922*	–
thereof recognised in profit or loss	2,266	–337
thereof acquired by acquisitions of companies	–108,143	–
thereof recognised directly in equity	–45	337

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

Deferred tax assets for property, plant and equipment and intangible assets relate, in particular, to higher taxable values in supplementary statements of financial position from business combinations in prior years. Deferred tax assets for liabilities and provisions relate, in particular, to provisions for onerous contracts that are not tax deductible and from the recognition of lease liabilities.

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

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

Deferred tax assets were recognised in the amount of deferred tax liabilities. Deferred tax assets were recognized as far as they are recoverable based on deferred tax liabilities. Any remaining deferred tax assets were written down. This includes deferred tax assets for interest carry forwards of TEUR 33,584 (2014: TEUR 8,863), which are likely to be not usable and therefore written down due to the interest cap regulation in German tax law. Impairment losses were recognised in the previous year, as the entities consolidated in the combined financial statements could no longer use any of the loss carry forwards after restructuring. In addition to the described impairment losses on interest carried forward, an appropriate further impairment loss was recognised for the deferred tax assets, as the extensive documentary evidence regarding the impairment of deferred tax assets could not be provided in full in all areas to the required extent: deferred taxes from trade tax loss carryforwards of TEUR 3,065 (2014: TEUR 196) and corporate tax loss carry forwards of 3,162 (2014: TEUR 0).

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

TEUR	31 Dec. 2015	31 Dec. 2014
Temporary differences	34,283	39,137
Loss carry forwards	20,114	1,286
Corporate tax loss carry forwards	18,228	0
Interest carry forwards	107,973	28,546

The measurement basis for deferred taxes does not include 5% of the differences between the recognition of the pro rata equity of the subsidiaries and the lower corresponding item recognised in the financial statements for tax purposes (outside basis differences) of TEUR 6,984 (2014: TEUR 1,041). Realisation is not planned at the present time. On disposal, 5% of the proceeds would be subject to taxation.

E.11 Property, plant and equipment

The following tables show the movements in carrying amounts of property, plant and equipment and intangible assets in the year ended 31 December 2015, and the comparative period ended 31 December 2014.

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

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

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

Movements in intangible and fixed assets in financial year 2015

TEUR	Acquisition costs 1 Jan. 2015	Additions	Additions from changes in consolidated entities	Disposals	Transfer	31 Dec. 2015
I. Intangible assets						
1. Goodwill	521,892	–	703,679	–	–	1,225,571
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	33,062	1,277	6,884	22	824	42,024
3. Internally developed software	595	80	1,278	–	59	2,012
4. Customer base	108,284	11,433	289,517	45	–1	409,190
5. Advance payments	–	2,191	16	–	–96	2,111
	663,833	**14,981**	**1,001,374**	**67**	**786**	**1,680,906**
II. Property, plant and equipment						
1. Properties	2,825	–	255	–	–	3,080
2. Plant and equipment	669,301	54,398	394,859	38,182	23,633	1,104,008
3. Other equipment, operating and office equipment	21,273	1,986	14,090	1,419	–5,877	30,053
4. Assets under development and advance payments	1,155	14,611	21,370	474	–18,542	18,120
	694,554	*70,995*	*430,574*	*40,075*	*–786*	*1,155,262*
	1,358,387	**85,976**	**1,431,948**	**40,141**	**0**	**2,836,169**

Movements in intangible and fixed assets in financial year 2014

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

1) Thereof reclassification in the position “assets held for sale” in the amount of TEUR 208 (incl. depreciation in the amount of TEUR 26).

Accumulated depreciation and amortisation						Net carrying amounts	
1 Jan. 2015	Scheduled additions	Unscheduled additions	Disposals	Transfer	31 Dec. 2015	31 Dec. 2015	31 Dec. 2014
148,310	–	–	–	–	148,310	1,077,262	373,582
30,438	2,768	–	12	0	33,194	8,832	2,624
539	99	–	–	–	638	1,373	56
102,725	17,250	–	45	–	119,930	289,259	5,559
–	–	–	–	–	–	2,111	–
282,012	**20,117**	**–**	**57**	**0**	**302,072**	**1,378,836**	**381,821**
1,026	69	–	–	–	1,095	1,985	1,799
465,803	52,155	725	32,310	4,890	491,263	612,745	203,498
17,802	2,731	–	1,311	–4,890	14,332	15,722	3,471
–	–	–	–	–	–	18,120	1,155
484,631	*54,956*	*725*	*33,621*	*0*	*506,690*	*648,570*	*209,923*
766,643	**75,073**	**725**	**33,678**	**–**	**808,763**	**2,027,406**	**591,744**

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

E.12 Intangible assets and goodwill

The annual goodwill impairment test in accordance with IAS 36 was performed as at 30 November 2015. Other intangible assets which are not subject to regular amortization (indefinite useful life) do not exist. There were no indications of potential impairment. Thus, there was no necessity for additional impairment testing. The provisional goodwill resulting from the pepcom acquisition did not have an influence on this matter as well.

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

E.12.1 Cash generating units (CGUs)

Since the introduction of segment reporting in 2014 goodwill impairment is monitored on the basis of segments as cash generating units. Regarding the in 2015 newly acquired goodwill the allocation was attributed based on the proportionate share of fair value of the segments (without effects of the issues reported as "other" in the segment reporting).

The following table shows the allocation of goodwill to the CGUs and their development in 2015:

TEUR	1 Jan. 2015	Additions Primacom	Additions other acquisitions	Additions pepcom [1]	31 Dec. 2015
TV	218,676	176,915	7,711 [2]	79,956	483,258
Internet and Telephony	154,906	293,067	13,580	132,451	594,004
Total	**373,582**	**469,982**	**21,291**	**212,407**	**1,077,262**

1) As preliminary method of allocation for goodwill of pepcom Group the same ratio as for primacom Group was assumed.

2) Contains adjustments of goodwill from the acquisition of BIG in the amount of TEUR –487.

E.12.2 Impairment testing in detail

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

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

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

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

For the period after this detailed planning horizon a presumably sustainable free cash flow based on a conservative growth rate of 1% (2014: 0%) is assumed for the TV segment. This development is mainly due to the positive impact of investments in video on demand products and cross selling with internet products. The expected positive trend in the internet and telephony market segment allows for a conservative sustainable growth rate estimate of 1.5% (2014: 2%).

Capex rate after the detailed planning horizon that takes the specific investment plans of the Group into account is expected to be at 19% for the TV segment and 22% for the IP segment.

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

The discount interest rate (weighted average cost of capital) was calculated based on a risk-free rate of 1.4% (2014: 1.8%) and mean values of leading industry parameters: WACC after tax amounts to 5.48% (2014: 6.62%) for both segments, WACC before tax 7.33% (2014: 9,49%) for the TV-segment and 7.14% (2014: 8.57%) for the segment Internet and Telephony.

E.12.3 Result of impairment testing of goodwill

Goodwill was not impaired as at 31 December 2015, as defined by IAS 36.

Goodwill impairment calculation is based on assumptions. Therefore management assumed based on experience possible changes in key estimations that might lead to a possible impairment. The calculation was performed in line with IAS 36 under the assumption that these changes would not lead to other changes in parameters (ceteris paribus). In a normal course of business such changes correlate with other factors and trigger changes in the way the company is led by the management. Therefore the results are only very prudent indicators to sensitivity of the impairment to changes.

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

2015

TEUR	TV
Assumption: increase in interest rate by 3%	
possible impairment of goodwill	–221,707
threshold value	0.01%
Assumption: decrease in long-term EBITDA of 15%	
possible impairment of goodwill	–82,341
threshold value	–8.0%
Assumption: no long-term growth	
possible impairment of goodwill	–25,322
threshold value	0.25%

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

The segment Internet and Telephony is not sensible to such assumptions.

E.12.4 Other intangible assets

As at 31 December 2015, intangible assets at a carrying amount of TEUR 1,378,836 (2014: TEUR 381,821) comprise goodwill of TEUR 1,077,262 (2014: TEUR 373,582) and other intangible assets of TEUR 301,575 (2014: TEUR 8,239). This relates mainly to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets and software licences. Due to the acquisition of the primacom Group and the pepcom Group additions of TEUR 289,517 relate to the fair value of identified customer contracts. As these are intangible assets with a finite useful life, they are only impairment-tested if there is any indication of impairment (triggering events). We refer to the applicable movements in non-current assets in section E.11 'Property, plant and equipment'.

E.13 Inventories

TEUR	31 Dec. 2015	31 Dec. 2014
Modems and receivers	3,974	2,647
Raw materials	4,984	287
Unfinished services	775	127
Other inventories	388	281
Inventories	**10,121**	**3,342**

The increase in inventories to TEUR 10,121 (2014: TEUR 3,342) is primarily attributable to the new acquisitions described in B.2 'Changes in consolidated entities'.

Inventories comprise digital receivers, modems, network materials, and spare parts for repairs.

Depending on their intended use, customer terminals which are reported as inventories are recognised either as an investment or expense upon start-up of operation. The Group reclassifies customer terminals to property, plant and equipment once they have been delivered to customers for use. Costs for maintenance, the replacement of customer terminals and to a small extend unfinished services are also recognised as an expense. The Group recognises customer terminals as an expense, if they are acquired by the customer.

In financial year 2015, impairment losses totalled TEUR 311 (2014: income from the reversal of impairment losses of TEUR 198). Impairment losses and income from the reversal of impairment losses are recognised under costs of materials.

E.14 Trade and other receivables, other financial receivables and deferred expenses

TEUR	31 Dec. 2015	31 Dec. 2014
Trade receivables – gross	53,195	28,078
Impairment losses	–13,409	–8,963
Trade receivables – net	**39,785**	**19,115**

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

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

With regard to trade receivables pledged at their carrying amounts as security for liabilities as of 31 December 2015, we refer to the explanatory notes in section E.20 'Loans and borrowings'.

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

TEUR	2015	2014
1 Jan.	8,963	24,084
Additions	9,255	4,918
Utilisation / reversals	–4,808	–20,039
31 Dec.	**13,409**	**8,963**

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

The increase in impairments in the amount of TEUR 4,446 is primarily attributable to the new acquisitions described in B.2 'Changes in consolidated entities'.

Other financial receivables of TEUR 9,138 (2014: TEUR 15,310) primarily consist of cash deposits for the debit limit, restricted cash and claims from employer pension liability insurances.

Other receivables of TEUR 5,251 (2014: TEUR 3,582) mainly consist of input taxes and prepayments. This balance sheet position also includes interest cap of TEUR 1,0. We refer to the explanatory notes under section F.3.1 Carrying amounts and net income from financial instruments.

Deferred expenses in the amount of TEUR 10,503 (2014: TEUR 5,762) primarily consist of payments in connection with financing, insurance and warranties. As at 31 December 2014, TEUR 4,150 was shown as deferred expenses, which were capitalised as transaction costs for the impending IPO and offset against the capital reserves at the time of the IPO.

E.15 Assets held for sale

Current assets recognized in the consolidated balance sheet include TEUR 303 (2014: TEUR 0) assets held for sale. Assets held for sale consist of TEUR 95 investments in other entities (see also B.5 'Investments in other entities') and TEUR 208 networks and other fixed assets.

E.16 Equity

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

Authorised capital

Per resolution of 21 January 2015, the Management Board raised the share capital by 3,333,333 shares (TEUR 3,333) by using the authorised capital (previously TEUR 10,013). By decision as of 15 May 2015, the general meeting authorised the Management Board to increase the share capital to TEUR 28,346 by issuing new no-par-value shares through cash or asset contribution. This authorisation applies from the 15 September 2015 until 14 May 2020.

On 14 September 2015 an extraordinary general meeting took place, where the Management Board and the Supervisory Board proposed to increase the share capital through cash contribution by EUR 56,691,667.00 by issuing 56,691,667 new no-par-value shares with an pro-rata amount of EUR 1.00 per share on the share capital. On 19 October 2015, Tele Columbus AG announced the issuing of new shares in connection with a capital increase in order to repay from the proceeds a bridging loan and part of a subordinated loan from the acquisition of primacom group as well as to finance part of the purchasing price of the pepcom group acquisition. The new shares for the capital increase origin from the use of authorized capital and the resolution to increase capital from the extraordinary general meeting on 14 September 2015. The trading including the overall 70,864,584 new shares in the existing listing of Tele Columbus shares at the Frankfurt Stock Exchange started on 6 November 2015.

The gross issuing proceeds amounted to EUR 382.7 million from the issuing of new shares in connection with a capital increase. The remaining authorized capital totals EUR 1,925,693. This equals approx. 1.5% of the current capital stock (authorized capital 2015/I).

Conditional capital

The share capital of the company was conditionally raised per resolution of the Annual General Meeting from 15 May 2015 by the issue of up to 28,345,833 new no-par value registered shares by up to EUR 28,345,833 (Conditional capital 2015/I). The authorisation ends with 10 January 2020.

The changes in equity as at the reporting period are mainly related to the IPO on 23 January 2015 and the capital increase on 6 November 2015.

Initial public offering of Tele Columbus AG

Tele Columbus AG has been listed in Prime Standard of the Frankfurt Stock Exchange since 23 January 2015 and the SDAX. In total 51,022,500 shares were tradable and traded at an initial price of EUR 10.70 and an issue price of EUR 10.00 per share.

The share capital of Tele Columbus AG in the amount of TEUR 20,025 consisting of 20,025,000 no-par-value registered shares was increased on 20 January 2015 for the preparation of the IPO by TEUR 36,667 (36,666,667 no-par-value registered shares) to TEUR 56,692 composed of 56,691,667 no-par-value registered shares. The capital increase was carried out by means of an ordinary capital increase as at 20 January 2015 (33,333,334 shares) and by utilising the Authorised Capital (3,333,333 shares) as described above. The share capital was fully paid up. The capital reserve of TEUR 8,324 was increased in the context of the IPO by TEUR 330,000. After the deduction of the IPO costs related to the IPO of TEUR 15,105, the capital reserve amounted TEUR 323,219.

Capital Increase

On 19 October 2015, the Group announced its intent to increase its capital by granting subscription rights to repay an Equity Bridge facility and partially repay subordinated loans from the acquisition of primacom Group, and to finance part of the purchase price for acquisition of the pepcom Group (we refer to the explanatory notes in section B.2 'Changes in consolidated entities').

On 6 November 2015, after receiving shareholder's approval of a capital increase of up to 100% of the share capital at an extraordinary general meeting on 14 September 2015, the Group successfully completed its rights offering with gross proceeds of TEUR 382,669 resulting in net proceeds of TEUR 368,483 through issuance of new share capital offered to the shareholders at a ratio of 4:5, out of Tele Columbus' existing Authorised Capital 2015/I and the approved share capital.

Respectively, Tele Columbus AG's issued number of shares increased by 70,864,584 from 56,691,667 to 127,556,251

- by issuing 26,420,140 new ordinary registered shares with no par value from a capital increase against contribution in cash (with subscription rights for the shareholders of Tele Columbus AG) resolved by the management board of the Company on 19 October 2015 with approval of the supervisory board on 18 October 2015 by utilizing the Authorized Capital 2015/I as resolved by an extraordinary shareholders' meeting on 15 May 2015, and

- by issuing 44,444,444 new ordinary registered shares with no par value from a capital increase against contribution in cash (with subscription rights for the shareholders of Tele Columbus AG) resolved by the management board of the Company on 19 October 2015 with approval of the supervisory board on 18 October 2015, in accordance with an resolution of the extraordinary shareholders' meeting on 14 September 2015 to increase the share capital of Tele Columbus AG.

Costs for the capital contribution in the amount of TEUR 14,185 were deducted from equity. After the deduction of the capital increase costs the capital reserve amounts to TEUR 620,838 as at 31 December 2015.

An amount of TEUR 601 from share-based payments was recognised in equity. In the course of the stock programmes 472,317 stock options were granted in the reporting period. For further information, see section E.18 'Share-based payments'.

The revaluation reserve consists of the following components:

31 Dec. 2015

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

31 Dec. 2014

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

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

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

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

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

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

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

The date of payment is dependent on contractual arrangements. The point in time when payments commence is not pre-determined insofar as the person entitled to benefits has the possibility of influencing commencement within certain margins. The period assumed for benefit payments is set by the 2005 G guideline tables of Dr. Klaus Heubeck, Cologne. The development of salaries and wages assumed does not have any significant influence on the amount of provisions or payments, as the majority of persons entitled to benefits have already started receiving them.

Long-term employee benefits comprise provisions for employee benefits, provisions for partial retirement, and provisions for jubilee or other long-service benefits.

TEUR	31 Dec. 2015	31 Dec. 2014
Post-employment benefits (DBO)	9,492	9,757
Partial retirement, jubilee or other long-service benefits	839	858
	10,331	**10,615**

Post-employment benefits and partial retirement, jubilee or other long-service benefits falling due in the subsequent financial year amount to TEUR 515 (2014: TEUR 578).

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

TEUR	31 Dec. 2015	31 Dec. 2014
Present value of defined benefit obligations (DBO)	12,298	11,979
Plan assets	–2,806	–2,222
Post-employment benefits (DBO)	**9,492**	**9,757**

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

TEUR	31 Dec. 2015	31 Dec. 2014
Present value of defined benefit obligations (DBO) – capital-backed plans	4,357	3,680
Present value of defined benefit obligations (DBO) – non-capital-backed plans	7,941	8,299
	12,298	**11,979**

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

TEUR	2015	2014
Present value of defined benefit obligations as at 1 Jan.	11,979	11,144
Addition from changes in consolidated entities	686	-
Current service cost	10	9
Interest paid	330	309
Actuarial gains due to experience adjustments	–105	160
Actuarial losses due to financial adjustments	–6	965
Benefits paid	–597	–608
Present value of defined benefit obligations as at 31 Dec.	**12,298**	**11,979**

The present value is calculated based on a weighted average duration of 14 years (2014: 14 years). The duration is the weighted average remaining term for which pension benefits are paid to eligible persons.

The following table shows the movements in plan assets:

TEUR	2015	2014
Plan assets at 1 Jan.	2,222	2,198
Addition from changes in consolidated entities	165	-
Interest on plan assets	42	72
Return on plan assets excluding standard interest income	32	20
Employer contributions	451	13
Benefits paid	–106	–81
Plan assets at 31 Dec.	**2,806**	**2,222**

Plan assets consist of employer pension liability insurance, the management and capital investment of which are the insurers' sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in shares and real estate. There is no particular concentration of risk in individual plan asset classes. Employer contributions are not expected in the following year (2014: TEUR 13). Plan asset payments expected in the following year amount to TEUR 515 (2014: TEUR 590).

The following expenses were incurred for post-employment benefits:

TEUR	2015	2014
Current service cost	–10	–9
Net interest paid	–288	–237
	–298	**–246**

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

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

%	2015	2014
Interest rate	2.1–4.0	2.1–3.5
Anticipated increase in salaries and wages	0.0–3.0	0.0
Future pension increase	0.0–2.0	1.0–2.0
Attrition	0.0–5.0	0.0

All other assumptions remaining equal, a potential change in one of the significant actuarial assumptions that could have been reasonably expected by the reporting date, would have changed the defined benefit obligation as follows:

Sensitivity analysis [1]

	2015 Defined benefit obligation		2014 Defined benefit obligation	
TEUR	Increase	Decrease	Increase	Decrease
Discount rate (1.00% change)	–9,557	12,439	–9,698	12,711
Future pension increase (0.25% change)	11,103	–10,646	11,146	–10,687

1) The sensitivity was determined regardless of the so-called plan assets.

Attrition and the expected increase in salaries and wages are considered insignificant actuarial assumptions in respect to sensitivity. The anticipated rate of attrition and increase in salaries and wages do not have a significant effect due to the low share of active employees.

The 2005 G guideline tables of Dr. Klaus Heubeck, Cologne, continued to be applied as the basis of calculation.

In 2015, the expenses for defined contribution plans amounted to TEUR 3,079 (2014: TEUR 2,074).

The pension provisions are countered by employee pension liability insurance claims of TEUR 1,605 (2014: TEUR 1,845). They do not qualify as plan assets within the meaning of IAS 19 and are thus are recognised as other financial receivables.

E.18 Share-based payments

To align the interests of the shareholders of Tele Columbus AG on a long-term and sustained basis, two share-based payment programs became effective as of 23 January 2015: the Matching Stock Program (MSP) for the Management Board and the Phantom Options Program (POP) for selected managers.

Description of the share-based payment programmes

MSP and POP grant – depending on the development of the share price and other vesting conditions – the option of receiving shares in Tele Columbus AG.

The MSP requires an own investment in shares of the Tele Columbus AG (so-called MSP shares). In 2015, each acquired MSP-share entitled to receive 4.3 virtual shares (so-called MSP Phantom Stocks) per allocated tranche. The number of subscription rights (MSP phantom stocks) is determined by the Supervisory Board.

The MSP shares are deposited in a blocked securities account for the entire duration of the program. There are no further restrictions on disposal. Thus, the shares have full rights to participate in dividends and subscription rights. Although, the MSP Phantom Stocks are subject to restriction on disposal. The program is repeated each year so that there are yearly tranches. Each tranche of the allocated MSP Phantom Stocks is subject to a vesting period of four years. The vesting period for the first MSP-Tranche 2015 began 23 January 2015 and ends 22 January 2019. Depending on the exercise conditions being met, it can be converted into taxable compensation. This money must be used to acquire shares in Tele Columbus AG. The purchase of shares takes place at market price at exercise date and is subject to an exercise period of two years, which begins with the end of the vesting period. After the expiry of the exercise period, not exercised options shall be forfeited without substitution. The exercise conditions of each allocated tranche depend on the price trend during the vesting period. This is determined from the basis price, defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the grant date (2015 as an exception, after the initial price), and the exercise price, defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the exercise date) (expiry of the vesting period). If a dividend payment or another subscription right relates to the MSP Phantom Stocks, this amount is deducted from the respective basis price.

The Phantom Options Program for selected managers does not require an own investment in shares of the Tele Columbus AG in advance. Each participant is allocated a certain number of Phantom Options (so called POP-Tranche) from the Management Board after approval of the Supervisory Board. Further conditions of this program are similar to MSP.

Measurement of fair values

The grant-date fair values of the subscription rights issued have been determined by independent expert opinion using the binomial options pricing model (Cox-Ross-Rubinstein).

To neutralize the effect of the 2015 capital increase for the participants of both programs, the number of granted subscription rights and the exercise price have been adjusted during the year. In this context, for the 2015 tranches, the number of granted options were multiplied by the factor 1.4268 and the exercise price adjusted from EUR 10.00 to EUR 7.01.

The inputs used in the measurement of the fair values of the equity-settled share-based payment plans incorporate the following assumptions.

	2015	
	Matching Stock Program (MSP)	Phantom Options Program (POP)
Fair Value (adjusted to capital increase)	EUR 1.30	EUR 1.45
Share price at valuation date	EUR 7.01	EUR 7.01
Exercise price	EUR 7.01	EUR 7.01
Expected volatility	25%	25%
Expected life	5 years	5 years
Expected dividends	-	-
Hurdle	130%	130%
Cap	EUR 9.34	EUR 30.13
Risk-free interest rate (based on German Government Bonds)	–0.1%	–0.1%

The expected volatility of the share price of the Tele Columbus AG is based on the average expected volatility of eleven peer group companies.

Reconciliation of outstanding share options

The weighted-average exercise prices and number of share subscription rights for both programmes are as follows:

	Matching Stock Program (MSP)		Phantom Options Program (POP)	
	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options
Outstanding options at 1 Jan.	–	–	–	–
Granted options during the year	EUR 7.01	322,500	EUR 7.01	149,817
Forfeited options during the year	–	–	–	–
Exercised options during the year	–	–	–	–
Expired options during the year	–	–	–	–
Outstanding options at 31 Dec.	EUR 7.01	322,500	EUR 7.01	149,817
Exercisable options at 31 Dec.	–	–	–	–

The outstanding subscription rights at 31 December had a weighted-average contractual life of 5 years.

Due to the group of MSP and POP an amount of TEUR 301 was recognised as personnel expense and in equity (as to be settled in equity instruments).

Compensation System for the Supervisory Board

After the successful IPO of Tele Columbus AG, members of the Supervisory Board were granted by Tele Columbus Holdings S.A., Luxembourg, to receive a certain amount of shares of Tele Columbus AG at issue price, for their IPO related preparatory activities at the service of Tele Columbus Holding AG. Tele Columbus Holdings S.A. holds 100% of Tele Columbus Management S.à r.l., Luxembourg, which held 100% of Tele Columbus AG before the IPO and 10% after the IPO.

According to IFRS 2.43B(b) in conjunction with IFRS 2.3a this commitment is classified as a share-based compensation, which is accounted for as a share-based compensation settled by equity instruments in the consolidated financial statements of Tele Columbus AG. The determination of the compensation´s fair value took place on basis of the share price at the date of the IPO.

Due to this compensation an amount of TEUR 300 was classified as personnel expense and in equity (as offset by equity instruments).

2015

Name	EUR	Price EUR	Shares	Cash compensation EUR	New Price EUR	Price incl. tax EUR
Catherine Mühlemann	100,000	10.00	10,000	166,600	14.00	16.66
André Krause	100,000	10.00	10,000	166,600	14.00	16.66
Robin Bienenstock	100,000	10.00	10,000	166,600	14.00	16.66
Total	**300,000**			**499,800**		

E.19 Other provisions

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

TEUR	1 Jan. 2015	Additions from changes in consolidated entities	Utilisation	Reversal	Additions	Discounting/unwinding of discount	31 Dec. 2015
Restructuring	–	–	–	–	22,482	–614	21,869
Onerous contracts	17,731	1,524	8,988	4,375	7,932	144	13,968
Tax audit	–	–	–	–	5,799	–	5,799
Litigation provisions	521	3,735	36	–	177	–	4,397
Termination benefits	200	1,741	1,300	13	1,058	–	1,687
Retention requirements	55	452	1	8	3	1	503
Warranty provision	–	175	–	12	–	–	163
Asset retirement obligations	612	–	–	612	–	–	–
Other provisions	229	79	205	28	179	–	254
	19,349	**7,706**	**10,530**	**5,048**	**37,631**	**–469**	**48,640**

Non-current provisions amounted to TEUR 20,111 (2014: TEUR 11,833).

Provisions for the restructuring measures announced in November 2015 as the closure of the company's location in Hanover as well as the reorganization of the Group were recognized in 2015 amounting to TEUR 21,869 (2014: TEUR —) and mainly consist of provisions for redundancy payments and other personnel expenses as well as consultancy fees, which compulsory incur in the course of the restructuring and in connection with ongoing activities of the company. The restructuring is expected to be completed by December 2017.

Provisions for onerous contracts were significantly recognized in connection with a long-term signal delivery contract for TEUR 13,768 (2014: TEUR 17,731).

A tax audit provision of TEUR 5,799 (2014: TEUR —) was recognized in connection with expected additional charges resulting from the ongoing tax audit of the former group subsidiary Tele Columbus Beteiligungs GmbH, for which, Tele Columbus is obliged to pay additional funding obligations.

Litigation provisions comprise mainly additions from changes in consolidated entities of TEUR 3,735 in respect to disputed claims of a former business partner against Primacom Berlin GmbH.

Current provisions are expected to be used within one year. It is considered likely that provisions will actually be used in the amount made as at the reporting date.

E.20 Loans and borrowings

TEUR	31 Dec. 2015	31 Dec. 2014
Liabilities to banks (loans and borrowings) – nominal values	1,218,184	637,424
Accrued interest	2,695	3,123
Non-current loans and borrowings	*1,220,879*	*640,547*
Liabilities to banks (loans and borrowings) – nominal values	44,398	2,257
Accrued interest	5,511	369
Current loans and borrowings	*49,909*	*2,626*
	1,270,788	**643,173**

On 26 January 2015 loans in the amount of TEUR 638,969 were repaid and new loans agreed at the same time for TEUR 375,000. According to the IPO Financing Agreement dated 2 January 2015, the credit volume of TEUR 500,000 is divided into facility A (term loan) in the amount of TEUR 375,000 and two unutilised credit lines in the amount of TEUR 75,000 for capital investments (facility B) and TEUR 50,000 for general expenditures (facility C). Facility A will mature on 2 January 2021 and facilities B and C on 2 January 2020. The current interbank spread is 4.50% (effective interest rate 4.98%) plus EURIBOR for facility A and 3.75% (effective interest rate 5.25%) for facilities B and C. Currently facilities A, B and C are subject to 0% EURIBOR-Floor. The loan commitment fee for facilities B and C is calculated at 35% of the applicable margin for the two credit lines and is due on a quarterly basis. This new financing (facility A) was used mainly to repay 'legacy liabilities'. By also using the proceeds from the IPO, all liabilities under legacy financing agreements were thus repaid. This has also eliminated the credit limit of TEUR 28,267 under the SFA.

On 31 July 2015 two further loan contracts were signed, which comprise of a Second Lien Tranche of TEUR 139,000 and a short-term Equity Bridge of TEUR 125,000 as well as a refinancing of Senior Tranche C from the IPO Financing Agreement of TEUR 435,000. The conditions of the Tranche C is adequate to Senior A Tranche. The Second Lien loan will be paid at 7.50% (effective interest rate 8.02%) plus EURIBOR interest. Currently this Tranche is subject to 1% EURIBOR-Floor, so that with a EURIBOR less than 1% a total margin of 8.50% will be paid. These Tranches were used to finance the acquisition of Primacom Group and the redemption of Primacom Group's bank liabilities.

On 9 November 2015 the Equity Bridge financing amounting to TEUR 125,000 as well as a partial repayment of the Second Lien Tranche in the amount of TEUR 21,500 were repaid from the earnings of the capital increase.

For the acquisition of the pepcom Group, a Senior Incremental facility in the amount of TEUR 320,000 has been raised and paid out on 30 November 2015. This loan will mature on 2 January 2021 and will be paid at an interest rate 4.5% (effective interest rate 5.21%) plus EURIBOR, which currently accounts for 0%.

For the Senior Tranche A, C and Incremental the Group can choose between the 1-month, 3-month and 6-month EURIBOR. As at reporting date the 1-month EURIBOR is selected. For the Second Lien Tranche A and the Senior Revolving Facility the Group can choose between the 3-month and 6-month EURIBOR. As at reporting date the 3-month EURIBOR is selected.

The described floors regarding the EURIBOR and repayment options are embedded derivatives (hybrids) und are subject to the separation in presentation and valuation according to IAS 39.11. For further information please refer to section F.3.1 'Carrying amounts and net income from financial instruments'.

As at the reporting dates, the balances (including outstanding interest) for the Tranche A and C as well as the Senior Tranche Incremental, the Second Lien Tranche and the Senior Revolving facilities (facilities B and C) were as follows:

TEUR	31 Dec. 2015	31 Dec. 2014
Senior Tranche A loan (matures on 2 Jan. 2021, final maturity)	370,987	–
Senior Tranche C loan (matures on 2 Jan. 2021, final maturity)	423,907	–
Senior Tranche Incremental matures on 2 Jan. 2021, final maturity)	311,783	–
Second Lien Tranche A (matures on 30 July 2022, final maturity)	111,964	–
Senior Revolving Facility (matures on 2 Jan. 2020)	278	–
Senior Tranche A loan (as at 31 Dec. 2014: matured on 30 June 2017)	–	542,504
Second Lien Tranche A loan (as at 31 Dec. 2014: matured on 31 Dec. 2017)	–	37,627
Mezzanine Tranche A loan (as at 31 Dec. 2014: matured on 30 June 2018)	–	35,630
Super Senior Tranche 2 (as at 31 Dec. 2014: matured on 30 June 2017)	–	16,160
Super Senior Revolving Facility (as at 31 Dec. 2014: matured on 30 June 2017)	–	209
	1,218,919	**632,130**

Additionally, loans in the amount of TEUR 43,198 are recorded for the pepcom Group. Thereof, a loan amounting to TEUR 27,990 is provided by Deutsche Bank to Kabelfernsehen München Servicenter GmbH & Co. KG and a loan amounting to TEUR 12,533 is provided by Deutsche Bank Luxemburg to HL komm. The remaining amount of TEUR 2,675 is provided by other lenders to WTC Wohnen & TeleCommunication GmbH & Co. KG and Tele-System Harz GmbH.

A remaining loan balance of TEUR 8,671 as at the reporting date (2014: TEUR 11,043) is composed of loans to Tele Columbus AG provided by the following lenders: Stadtsparkasse Magdeburg TEUR 3,647 (2014: TEUR 4,611), Stadtsparkasse Gelsenkirchen TEUR 3,240 (2014: TEUR 4,381), Volksbank Magdeburg TEUR 450 (2014: TEUR 525) and other lenders TEUR 1,334 (2014: TEUR 1,526).

According to the Share and Interest Pledge Agreement dated 29/30 July 2015 and 23 September 2015, Tele Columbus Group has changed the previously assigned and pledged types of collateral and primarily pledged ownership interests in affiliated companies and associates to secure the liabilities to banks. Additionally the Tele Columbus Group pledged trade receivables to secure liabilities.

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

TEUR	31 Dec. 2015	31 Dec. 2014
Property, plant and equipment	–	175,024
Shares in affiliated companies	1,479,043	284
Trade receivables	14,042	16,865
Cash and cash equivalents	–	17,748
	1,493,085	**209,921**

Additionally directly enforceable guarantees to a maximum amount of TEUR 21,000 were issued.

E.21 Trade payables

Trade payables amounting to TEUR 76,356 (2014: TEUR 38,424) mainly comprise different types of provisions like provisions for outstanding invoices, payments in connection with the signal delivery contracts, discounts to customers, security retainers as well as legal and advisory fees.

The increase of trade payables is mainly due to the changes in consolidated entities as described in section B.2 'Changes in consolidated entities' as well as an increase in legal and advisory fees in connection with these acquisitions.

E.22 Deferred income / revenue

Deferred revenue in the amount of TEUR 6,659 (2014: TEUR 5,250) primarily consists of deferred revenue from customers for prepaid annual fees, and deferred purchases of hardware paid for with customers' monthly fees.

E.23 Other financial liabilities and other liabilities

Other financial liabilities in the amount of TEUR 85,569 (2014: TEUR 36,746) primarily relate to finance lease liabilities for the use of infrastructure facilities of TEUR 28,583 (2014: TEUR 35,694) as well as minority interest in KMS Group of TEUR 54,583 (2014: TEUR —), which is accounted for as long-term liability in the Group's financial statements since the owner has the right to dispose all of its interest to the Group at any point in time.

Other liabilities of TEUR 21,733 (2014: TEUR 12,565) mainly include customers with credit balances, accruals for employee bonuses, for the audit of financial statements, severance payments and other accruals. The increase in other liabilities is mainly due to the changes in consolidated entities as described in section B.2 'Changes in consolidated entities'.

F. OTHER EXPLANATORY NOTES

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

F.1.1 Contingent assets and liabilities

There were no other contingent assets or liabilities as at 31 December 2015 or 31 December 2014, except of avals, which are represented in section F.1.3 'Avals'.

F.1.2 Purchase commitments

Purchase commitments relating to capital and operating expenditures as at the reporting date amounted to TEUR 16,200 in 2014 (2014: TEUR 8,386).

F.1.3 Avals

Avals in the amount of TEUR 2,330 (2014: TEUR 1,144) consist mainly of rental and licenser guarantees as at the reporting date, obtained primarily through the acquisition of primacom Group. From this amount avals of TEUR 740 (2014: TEUR -) are not capitalized according to IFRS.

F.1.4 Finance leases

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

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Plant and equipment	1–12 years	To some extent	No	To some extent
Fixtures and fittings	3–5 years	No	No	No

Prior year differences in the presentation result from changes in consolidated entities.

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

TEUR	2015	2014
Future minimum lease payments	32,002	40,439
Finance costs	–3,419	–4,745
	28,583	**35,694**

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

TEUR	2015	2014
Less than one year	7,537	7,696
Between one and five years	22,233	27,688
More than five years	2,232	5,055
	32,002	**40,439**

The maturities of liabilities under finance leases are as follows:

TEUR	2015	2014
Less than one year	6,324	6,180
Between one and five years	20,345	24,675
More than five years	1,914	4,839
	28,583	**35,694**

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

TEUR	2015	2014
Plant equipment	26,414	32,054
Fixtures and fittings	1,108	682
	27,522	**32,736**

With regard to the repayment of finance lease liabilities, we refer to the information provided in the section IV 'Consolidated statement of cash flows'.

F.1.5 Operate leases and other financial obligations

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

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Buildings	1–15 years	To some extent	No	No
Plant and equipment	1–16 years	To some extent	No	No
Fixtures and fittings	1–10 years	No	No	No

Prior year differences in the presentation result from changes in consolidated entities.

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

TEUR	2015	2014
Less than one year	21,793	5,680
Between one and five years	40,049	11,269
More than five years	12,215	133
	74,057	**17,082**

In financial year 2015, there were expenses from operate leases of TEUR 12,016 (2014: TEUR 2,818).

Future minimum lease payments are based on contractual agreements with regard to future lease payments, for which no liabilities are recognised in the consolidated statement of financial position. Contractually agreed adjustments (e.g. for inflation) are included in the amounts described above.

In total, the minimum lease payments under operate and finance leases amounted to TEUR 106,059 in 2015 and TEUR 57,521 in 2014.

F.2 Related party disclosures

F.2.1 Legal relationships

Up to the date of the IPO, the sole owner of Tele Columbus AG was Tele Columbus Management S.à r.l., Luxembourg, whose parent is Tele Columbus Holdings S.A., Luxembourg. The latter was the ultimate controlling party of Tele Columbus AG. Regardless of the change in shares and thus of control with the IPO, the companies are still considered related parties due to close staff and legal links: In principle, direct or indirect subsidiaries of Tele Columbus Holdings S.A., and associates of the Tele Columbus Holdings S.A. Group, are considered related parties as defined by IAS 24.

This also includes the former Group companies NeBeG Media Netzbetreiber-Pool GmbH, Berlin, Tele Columbus Netze GmbH, Berlin and Tele Columbus Beteiligungs GmbH, Berlin, until 27 January 2015.

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

The members of the Supervisory Board are considered as related parties of Tele Columbus Group as well.

The so called management in key positions are considered as related parties in the sense of IAS 24 as well and are: Stefan Beberweil, Diana-Camilla Matz, Ludwig Modra and Jean-Pascal Roux (from March 2016).

F.2.2 Intra-group receivables and payables

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

The following overview shows intra-group receivables and payables, provided that the positions are not subjected to the consolidation (refer to section B 'Basis of consolidation'):

TEUR	31 Dec. 2015	31 Dec. 2014
Receivables from related entities, current	3,579	3,129
Receivables from related entities, non-current	164	–
Payables to related entities, current	141	2,559
Payables to related persons, current	381	–
Provisions due to related entities, current	5,799	–

Furthermore, as at 31 December 2015, current receivables from related parties, mainly consist of receivables from Deutsche Netzmarketing GmbH. As at 31 December 2014, current receivables from related parties consisted of receivables from RFC Radio-, Fernseh- u. Computertechnik GmbH and receivables from Tele Columbus Beteiligungs GmbH.

Non-current receivables from related parties represent receivables from BGC Breitbandgesellschaft Cottbus mbH as at 31 December 2015.

Current payables to related parties represent primarily payables to Aprostyle AG as at 31 December 2015. As at 31 December 2014, current payables to related parties mainly refer to payables to Tele Columbus Beteiligungs GmbH, RFC Radio-, Fernseh- u. Computertechnik GmbH and MDCC Magdeburg.

Current payables to related persons represent the remuneration of the Management Board. For further details, we refer to the explanatory notes in section F.2.4 'Disclosures on management'.

The provisions to related companies concern expected additional debit due to the current audit of a formerly legal entity Tele Columbus Beteiligungs-GmbH, for which a reserve liability exists.

F.2.3 Expenses and income from related-party transactions

TEUR	2015	2014
Sales of goods and services		
Associates	3,790	3,173
Acquisition of goods and services		
Associates	3,073	4,025
Other		
Associates		
Income from recharged expenses	3	36
Rental net income (+)/expenses (–)	–892	–
Other income (+)/expenses (–)	2	110

Transactions with related parties for reimbursing expenses amounted to TEUR 104 and re-imbursement of IPO costs amounted to TEUR 4,395 (Tele Columbus Management S.à r.l.) during the current reporting period.

For further related party transactions, we refer to the explanatory notes in section F.2.4 'Disclosures on management'.

F.2.4 Disclosures on management

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

Name	Financial year 2015 and 2014	Member of management since/until
Ronny Verhelst	Chief Executive Officer	Since 1 April 2011, since 15 Sept. 2014 Chief Executive Officer
Frank Posnanski	Chief Financial Officer	Since 1 Sept. 2011, since 15 Sept. 2014 Chief Financial Officer
Stefan Beberweil	Chief Commercial Officer	Since 1 Nov. 2015 member of Key Management
Diana-Camilla Matz	Chief Customer Sales Officer	Since 1 Nov. 2015 member of Key Management
Ludwig Modra	Chief Technology Officer	Since 1 Nov. 2015 member of Key Management

Remuneration of key management personnel

In the current year, members of the Management Board received a total remuneration in the amount of TEUR 1,922 (2014: TEUR 2,130). The total remuneration includes pension benefits granted in the financial year of TEUR 44 (2014: TEUR 44) and the fair value of the share options granted amounting to TEUR 419 (2014: TEUR —).

Individualized disclosures regarding the compensation of the Management Board are presented in the Compensation Report. Further details on share-based payments can also be found in section E.18 'Share-based payments'.

There were no other material transactions, such as rendering services or granting loans, between Tele Columbus Group entities and members of management/Management Board members of Tele Columbus Group and/or Tele Columbus Management S.à r.l., Luxembourg, or Tele Columbus Holdings S.A., Luxembourg, and their close family members. The managing director (Carsten Boekhorst) of the parent company, Tele Columbus Management S.à r.l., is a member of the Supervisory Board of Tele Columbus AG. Several managing directors of the parent company Tele Columbus Holdings S.A. – Frank Donck, Carsten Boekhorst and Yves Leterme – are members of the supervisory board of TC AG. There were no other business relationships with the managing directors of Tele Columbus Management S.à r.l. and/or Tele Columbus Holdings S.A.

In the current year, supervisory board members are entitled to remuneration of TEUR 442 (2014: TEUR 59); the members of the supervisory board have waived fixed remuneration and attendance fees in the prior year amounting to TEUR 56. The members of management in key positions of Tele Columbus AG are entitled to remuneration of TEUR 855.

We refer to the remuneration report for detailed and personalised information on remuneration. Appropriate provisions have been established for the remuneration components not paid in 2015.

Management Participation Program (MPP)

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

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

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

F.2.5 Disclosures on Supervisory Board

Regarding the remuneration of the Supervisory Board in connection with the IPO we refer to section E.18 'Share-based payments'.

F.3 Financial instruments and risk management

F.3.1 Carrying amounts and net income from financial instruments

The following table shows the carrying amounts of financial instruments presented under specific items of the statement of financial position in accordance with the classification of IAS 39:

By category of financial asset/liability

TEUR	Note	Measurement category	31 Dec. 2015	31 Dec. 2014 adjusted
Financial assets				
Derivative Financial Assets	F.3.1	At Fair Value through profit or loss	1	–
Investments	E.15/ B.5	Available-for-sale financial assets	113	8
Receivables from related parties	F.2.2	Loans and receivables	3,743	3,129
Trade receivables	E.14	Loans and receivables	39,785	19,115
Other financial receivables	E.14	Loans and receivables	9,138	15,310 [2]
Cash and cash equivalents	F.4	Loans and receivables	85,178	24,441
Financial liabilities				
Derivative Financial Liabilities	F.3.1	At Fair Value through profit or loss	13,176	–
Loans and borrowings	E.20	Financial liabilities measured at amortised cost	1,270,788	643,173
Payables to related parties	F.2.2	Financial liabilities measured at amortised cost	522	2,559
Trade payables	E.21	Financial liabilities measured at amortised cost	76,356	38,424 [2]
Other financial liabilities	E.23	Financial liabilities measured at amortised cost	56,987	1,052 [2]
Lease liabilities	F.1.4	No classification [1]	28,583	35,694

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

2) Compared to the prior year reclassifications were made. This was done to align with industry standards.

Financial Instruments by category under IAS 39

TEUR	31 Dec. 2015	31 Dec. 2014
Financial assets and liabilities at fair value through profit or loss	13,175	–
Available-for-sale financial assets	113	8
Loans and receivables	137,844	52,495
Financial liabilities measured at amortised cost	1,404,653	685,208

The three-tiered fair value hierarchy under IFRS 13 classifies financial assets and liabilities measured at fair value based on the data used for fair value measurement. The fair value hierarchy levels as applied to the assets and liabilities of Tele Columbus Group are as follows:

- Level 1 inputs: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. In financial year 2015, there were no reclassifications between different levels of the fair value hierarchy.

There is no quoted price available on the active market for interests classified as Available-for-Sale financial instrument. These assets are recognised at acquisition cost since no significant improvement of the presentation of the financial statement is expected from the determination of fair values (Level 3).

Current financial instruments, such as trade receivables and payables and related party receivables and payables, are recognised at their carrying amount, which due to the short maturities of these instruments represents a reasonable approximation of fair value. The carrying amounts of other financial receivables and other financial liabilities with short maturities are equal to fair value.

Instruments with long maturities are recognised at their present value in the statement of financial position. It is assumed that the present values of non-current receivables and payables to related parties and of other non-current financial receivables and payables are generally equal to their fair values.

The present values of loans and borrowings are not equal to their fair values, as the interest rates applicable to these liabilities are not adjusted to the prevailing money market rates until a later date. In the case of lease liabilities as well, present value is not equal to fair value, as interest rates are not adjusted for current money market rates on a regular basis.

The fair value of loans and borrowings amounts to TEUR 1,240,756 (31 December 2014: TEUR 753,724). The fair value of lease liabilities is TEUR 29,397 (31 December 2014: TEUR 37,025).

The carrying amount of derivative financial assets and liabilities recognized at fair value through profit or loss consist of the interest rate swap and interest rate cap of Tele Columbus Group which are determined by the fair value of the instruments based on input factors and parameters that are directly or indirectly observable on active markets (Level 2).

	Reference Amount TEUR	Fair Value TEUR	Fixed Rate	Duration
Interest Cap	180,000	1	0.75%	24 April 2017
Interest Swap	10,080	–165	0.84%	31 Dec. 2017

The interest rate cap and the interest rate swap, which is classified as held for trading according to IAS 39 hedge the risk of increased interest payments of variable-rate instruments (payer swaps). Regarding the hedging of interest risks in connection with loan liabilities we refer additionally to section F.9 'Events after the Balance Sheet Date'.

The bank loan agreements contain embedded derivatives incl. interest floor and repayment option (compound instruments). Even though these financial instruments are not intended to serve as a derivate for the Tele Columbus Group, the embedded derivatives are separated from the host contract according to IAS 39. The embedded derivatives are classified separately at fair value through profit or loss and are directly linked to the loan agreements. The instruments are bound to their underlying loan contract. The model for the valuation of the separated derivatives determines the market value of the whole contractive loan spilt up in basic contract and embedded derivative. The following table shows the development of their fair value in the reporting period:

	Facility A Senior Tranche	Facility C Senior Tranche	Incremental Facility	Facility A Second Lien Tranche	Total
Nominal Value as at taking of loan	375,000	435,000	320,000	139,000 [1)]	139,000
Fair Value of embedded derivatives as at first evaluation	3,106	1,549	519	–3,501	–3,501
Change in other financial income	–6,172	–5,326	–3,147	–38	–38
Fair Value of embedded derivatives as at 31 Dec. 2015	–3,066	–3,778	–2,629	–3,539	–3,539

1) From the earnings of the capital increase an amount of TEUR 21,500 was used to partially repay the Second Lien Tranche on 9 November 2015.

An increase (decrease) of the credit risk by 100 basis points would reduce (raise) the fair value of embedded derivatives as of 31 December 2015 by TEUR 3,731 (2014: TEUR 31,122). An increase (2014: decrease) of the interest level by 50 basis points would reduce (2014: raise) the fair value of embedded derivatives as of 31 December 2015 by TEUR 4,592 (31 December 2014: TEUR 9,386).

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

Financial year 2015

TEUR	Gains/losses through profit (+) or loss (–)			
	Interest	Impairment	Gain (+)/loss (–) from recognition at fair value	Net income (loss)
Disclosed in the income statement	Interest income (+)/ loss (–)	Other expenses	Other finance income/costs	
Financial assets at fair value through profit or loss	–74	–	–14,340	–14,414
Loans and receivables	1,085	–5,457	–	–4,373
Financial liabilities measured at amortised cost	–43,525	–	–4,065	–47,590
No classification [1]	–1,563	–	–	–1,563
Total	**–44,077**	**–5,457**	**–18,405**	**–67,940**

1) Leasing liabilities not classified considering IAS 39.2 (b). Accounting follows the regulations according to IAS 17.

Financial year 2014

TEUR	Gains/losses through profit (+) or loss (–)			
	Interest	Impairment	Gain (+)/loss (–) from recognition at fair value	Net income (loss)
Disclosed in the income statement	Interest income (+)/ loss (–)	Other expenses	Other finance income/costs	
Loans and receivables	112	–5,064	–	–4,952
Financial liabilities measured at amortised cost	–45,586	–	–84	–45,670
No classification [1]	–1,710	–	–	–1,710
Total	**–47,184**	**–5,064**	**–84**	**–52,332**

1) Leasing liabilities not classified considering IAS 39.2 (b). Accounting follows the regulations according to IAS 17.

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

The gain from recognition at fair value attributable to the interest swap amounts to TEUR 19 in the fiscal year. The interest cap lead to a loss from recognition at fair value amounting to TEUR 74.

F.3.2 Risk management of financial instruments

Different financial risks arise from the operating activities of Tele Columbus Group, in particular liquidity risks, risks from changes in interest rates, and risks from defaults on receivables. The risk management of Tele Columbus is designed to identify potential risks and to mitigate their negative impact on the Group's financial performance. To this end, Tele Columbus uses financial instruments and credit lines.

Risk management is largely handled by Treasury in accordance with the principle of segregation of duties, and continuous monitoring. Financial risks are identified, assessed and hedged in collaboration with the responsible operating units. Tele Columbus is subject written rules for certain areas, such as interest risk, credit risk, the use of derivatives and other financial instruments, and the use of excess liquidity, which are set out primarily in facility agreements. The management is informed at regular intervals.

Non-derivative financial instruments are used in relation to operating activities, investing and financing activities. They include:

Activities	Significant financial instruments
Operating activities	Trade receivables
Investing activities	Non-current receivables
Financing activities	Cash and cash equivalents Bonds and loans

F.3.2.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations with existing liquidity reserves within the time frame required. Liquidity risks may also arise from cash used in operating or investing activities. Furthermore, liquidity risks may arise from financing activities. This would be the case, if cash outflows were required in the short term to settle liabilities, however cash from operating activities is insufficient to cover expenses, and no other liquid assets are available in sufficient quantity for such repayment.

Liquidity projections for a specific planning horizon and within the Tele Columbus Group available but as at reporting date unused credit lines amounting to TEUR 75,000 for investing purposes and TEUR 50,000 for general expenses with a term until 02 January 2020 in each case are designed to ensure a continuous supply of liquidity for operating business activities. As at 31 December 2015 cash amounted to TEUR 85,178. As at 31 December 2015, Tele Columbus Group's unused credit lines amounted to TEUR 125,000 (2014: TEUR 28,267).

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

TEUR	31 Dec. 2015	31 Dec. 2014
Less than one year	49,909	4,685
Between one and five years	1,108,915	643,480
More than five years	111,963	313
	1,270,787	**648,478**

Strong increase in loan liabilities compared to 2014 due to Group refinancing activities in 2015 were driven by acquisitions of the primacom Group and pepcom Group. As both entities contribute significant level of EBITDA to future Group's performance additional risk of loan increase is reasonable. In addition the Group used the opportunity of refinancing to extend debt maturities from 2017 to 2021 respectively 2022.

Various covenants are applicable in relation to financing agreements, which in the event of non-compliance, afford the lender the opportunity to call in these loans. Compliance with these covenants as well as exposure to capital risk are continuously monitored by Tele Columbus' Management Board (as a corporation, Tele Columbus is exposed to capital risk). As at the two reporting dates, liquidity risk in the event of non-compliance with these covenants amounted to TEUR 1,253,011 (2015) and TEUR 632,131 (2014). The risk of non-compliance with these covenants and associated financial regulations could have a negative impact on the Group's credit availability and going concern assumption.

To meet the existing conditions and financial commitments, strategic measures are introduced in order to secure the long-term liquidity of the Tele Columbus Group. The management focusses on the expansion of group-wide cash pooling, so that the new acquired businesses can be successfully integrated in the Group structure. Furthermore, in the course of financing the Group the aim is a gradual repayment of debt from operating activities of the new Group. However, the management reserves the right to carry out refinancing of the current financial structure due to the maturity of loans (see section E.20 'Loans and borrowings') during a time period of 4-6 years.

With regard to lease liabilities, we refer to the explanatory notes in section F.1.4 'Finance leases'.

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

F.3.2.2 Interest risk

Non-current financial instruments bearing variable interest, for which the interest rate is linked to a market interest rate, such as EURIBOR, are exposed to risks arising from future cash flows. In the case of fixed interest financial instruments, on the other hand, there is a risk with regard to measurement. Fixed and floating rate liabilities and the corresponding hedge instruments are explained in section E.20 'Loans and borrowings'. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest.

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

TEUR	2015	2014
1% EURIBOR rise	–9,937	–6,342
1% EURIBOR drop	331	6,342

This calculation is based on floating-rate liabilities as at the reporting date and under consideration of derivative financial instruments (interest cap, interest swaps and floors) multiplied by the adjusted interest rate in each case. As currently 1, 3 and 6- month EURIBOR rates are already below zero the Group's benefit of TEUR 331 from a further 1% reduction of EURIBOR rates relates to loan agreements without interest floors for the EURIBOR.

As Tele Columbus Group uses derivative financial instruments in small extent to hedge the risk of fluctuations in interest rates it could only limitedly participate from the low EURIBOR interest rates.

Major loan borrower of the floating-rate liabilities is Tele Columbus AG, which does not use derivate financial instruments to hedge the risk of increasing interest rates for its loans as at reporting date. In February 2016 and to hedge these risks, the Tele Columbus AG closed two interest cap agreements (with an interest rate of the 3-month EURIBOR plus 0.75%) over a nominal amount of TEUR 1,100,000 (TEUR 550,000 each) with a term until December 2020. We refer to section F.9 'Events after the Balance Sheet Date' for this context.

Non-current fixed interest liabilities are measured at amortised cost. The fair value of non-current liabilities can differ significantly from their carrying amount, as the fair value of such liabilities changes in accordance with the trend in interest rates and market conditions in general.

F.3.2.3 Credit risk (default risk)

There are credit risks with regard to trade receivables, other receivables and cash and cash equivalents. Trade receivables are due from other companies and retail customers. Credit risk is based on the default risk of the contracting party concerned.

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

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

Impairment losses are recognised for overdue receivables at varying percentages depending on dunning level. The percentages take account of the management's judgement as to their recoverability. This, in turn, is based largely on past experience. Impairment losses were recognised only for trade receivables in the various reporting periods. Therefore, Tele Columbus assumes that all unimpaired receivables are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. Wholesale customers are sent reminders on an individual basis. The responsible departments decide whether a reminder is to be sent by considering the special agreements made with these customers. If a customer then does not settle the outstanding payments, the case is referred to a debt collection agency, and in the case of commercial customers, solicitors are involved and/or services to that customer are discontinued.

Trade receivables are written down to the expected recoverable amount in accordance with the procedure for determining lump-sum specific loan loss provisions. For other current financial liabilities, credit risk is assessed on a case by case basis. In the case of other non-current financial liabilities, expected payments are discounted based on the original effective interest rate. The maximum credit risk as at reporting date amounts to TEUR 43,528 (2014: TEUR 22,244).

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

F.4 Explanatory notes to consolidated statement of cash flows

Cash and cash equivalents only comprise cash and bank deposits.

With regard to unused credit lines, we refer to the explanatory notes in section F.3.2.1 'Liquidity risk'.

With regard to the amount of the collateralised cash and cash equivalents for loans, we refer to our explanatory notes in section E.20 'Loans and borrowings'.

F.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to shareholders (owners of the company) and the average number of shares outstanding. The employee share option programs MSP and POP, referring to section E.18 'Share-based payments', were included in the calculation of diluted earnings per share. The employee share options do not have a recognizable dilutive effect on earnings per share.

Determination of the earnings per share

TEUR	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Earnings attributable to shareholders in TEUR	–68,733	–24,121
Weighted average of ordinary shares outstanding	65,183,111	20,025,000
Basic earnings per share in EUR	–1.05	–1.20
Diluted earnings per share in EUR	–1.05	–1.20

The calculation of the weighted average of ordinary shares outstanding includes the increase of share capital due to the IPO in January 2015 and the capital increase in November 2015.

Determination of weighted average of ordinary shares outstanding

Number of shares	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Issued shares as at 1 Jan.	20,025,000	–
Effect IPO	34,450,550	–
Effect capital increase	10,707,561	–
Issued shares as at 31 Dec.	–	20,025,000 [1)]
Weighted average of ordinary shares outstanding	65,183,111	20,025,000

1) The change of legal form to a stock corporation (AG) took effect on 12 September 2014. The number of shares that were issued as at 31 December 2014 was used for the determination of earnings per share.

F.6 Segment reporting

Description of the segments

The Group reports its operating activities into two product segments: TV business and Internet and telephony business. For these segments, the Group's Management Board reviews internal management reports on a quarterly basis.

Relationships within individual segments are eliminated.

Segment „TV"

In the Group's TV segment, the Group offers basic CATV services to their customers, comprising approximately 105 digital TV (free-TV) channels (including approximately 40 channels in HD quality) and more than 70 digital radio channels. In addition to the Group's basic CATV services, the Group offers Premium TV packages, which may comprise up to approximately 60 German and international digital premium TV channels, including up to approximately 15 channels in HD quality.

Segment „Internet and Telephony"

In the Internet and Telephony segment, the Group offers to their customers broadband Internet access and fixed-line and mobile telephony services either as a stand-alone product or as bundled products.

Revenue is composed of proceeds from the conclusion of new contracts and installation services as well as monthly contractual and services fees.

Reconciliation

Business activities and items not directly related to the Group's reportable segments are reported under 'Other'.

Expenses and income not allocated to operating segments are largely attributable to the central functions of management, the legal department, personnel department, finance, purchasing and IT. Revenues in the amount of TEUR 9,773 (2014: TEUR 4,328) not allocated to operating segments mainly relate to other revenues of a subsidiary in relation to a third party. In determining the normalised EBITDA for individual segments, own work capitalized of TEUR 4,186 (2014: TEUR 0), direct costs of TEUR 768 (2014: TEUR 0), personnel expenses of TEUR 20,598 (2014: TEUR 11,241), other income of TEUR 6,547 (2014: TEUR 3,003) and other expenses of TEUR 17,840 (2014: TEUR 11,206) attributable to central functions were not taken into account.

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

In addition, non-recurring items (for a definition we refer to the explanatory notes under 'Segment reporting') were partially reported in the reconciliation as they also cannot be allocated to both segments.

The accounting policies regarding segment reporting, except for the elimination of non-recurring items, are in line with the accounting policies applied to the consolidated financial statements in accordance with IFRS, as adopted by the EU. This applies insofar the accounting policies and definition of segments remains unchanged.

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

Segment reporting

Explanatory note on the standards used for the segments

For the Tele Columbus Group Management Board, 'Normalised EBITDA' [1] is the key financial performance indicator reported separately for each operating segment in the context of monthly reporting. 'Normalised EBITDA' is the earnings before the financial result (earnings from investments in 'at equity-accounted' companies, interest income, interest expense and other financial results), income taxes as well as amortisation and impairment losses on intangible assets and goodwill. Furthermore, it does not include any so-called 'non-recurring items'. These are defined by the Management Board as non-recurring, rare or extraordinary expenditures or income if the event is not likely to re-occur over the next two financial years or did not even occur over the past two financial years. As these expenses or income do not originate primarily from operating activities or relate to restructuring, they cannot therefore be used to assess operating profit/loss.

Non-recurring expenses in 2015 relate mainly to advisory fees incurred in connection with the IPO, various M&A projects and integration costs, severance payments and other one-time personnel costs, expenses from the recognition of tax audit provisions, as well as expenses relating to the provisions regarding onerous contracts in connection with a long-term signal delivery contract.

Non-recurring income in 2015 is composed mainly of income from refundable IPO costs, income from the sale of assets, income from the reversal of provisions regarding onerous contracts and a reversal of a loan impairment.

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

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

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

Information related to each reportable segment is set out in the following table:

31 Dec. 2015

TEUR	TV	Internet & Telephony	Other	Group total
Revenue	190,142	79,251	9,773	279,166
Normalised EBITDA	107,094	52,486	–18,699	140,881
Non-recurring expenses/income	–7,769	–3,049	–57,274	–68,092
EBITDA	**99,325**	**49,437**	**–75,973**	**72,789**

31 Dec. 2014

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

The reconciliation of the total of the reportable segments' measures of profit or loss to the Group profit before tax and discontinued operations is set out in the table below:

TEUR	31 Dec. 2015	31 Dec. 2014
EBITDA of Segments	148,761	110,414
Depreciation and amortisation	–75,796	–50,789
Profit/loss from investments in associates	14	–12
Other financial result	–62,483	–47,238
Other	–75,973	–26,260
Group Profit before Tax	**–65,476**	**–13,885**

Other segment disclosures

Secondary segmenting based on geographical criteria is not performed, as all revenue is generated exclusively in Germany.

Revenue is generated by a plurality of customers such that no significant portion is attributable to one or a few external customers.

F.7 Disclosures pursuant to the German Commercial Code [HGB]

Employees

In the reporting year, the Group employed an average of 962 staff (2014: 497), of which 913 were employees (2014: 479), 25 managerial staff (2014: 15) and 24 trainees (2014: 3). Due to our acquisitions of Primacom Holding GmbH and pepcom GmbH the number of employees in our business increased during the year.

The employees of the acquired companies have been taken into account since first-time consolidation. Primacom Group employed a total of 471 staff as at 31 December 2015. The pepcom Group employed a total of 419 staff as at 31 December 2015.

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

Compliance statement to the German Corporate Governance Code according to § 161 AktG

The Management Board and the Supervisory Board adopted the current annual declaration of compliance pursuant to § 161 AktG (German Stock Corporation Act). This declaration printed in the annual report 2015 of Tele Columbus AG and additionally available on the company's website under: https://ir.telecolumbus.com/websites/telecolumbus/German/6010/entsprechens-erklaerung.html.

F.8 Auditors' fees

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

TEUR	31 Dec. 2015	31 Dec. 2014
Audit on financial statements	1,519	791
Other assurance services	1,148	892
Tax advisory services	410	448
Other services	3,147	3,165
	6,224	**5,296**

F.9 Events after the Balance Sheet Date

In February 2016 Tele Columbus AG bought two interest rate caps (interest rate of 3 months EURIBOR plus 0.75%) with a nominal amount of TEUR 1,100,000 (TEUR 550,000 each) running until December 2020. The transaction cost amounted to TEUR 8,845 and were paid cash. For the remaining option premium amount of TEUR 4,427 exists a liability maturing 31 March 2018. These financial instruments cover the major interest risks of Tele Columbus AG resulting from interest bearing liabilities but do not qualify for hedge accounting under IFRS.

External loans of the KMS KG and the HL komm Telekommunikations GmbH amounting to TEUR 40,570 with Deutsche Bank Luxembourg S.A. were prematurely repaid 29 January 2016 and 22 January 2016, respectively. The financing of the individual companies was ensured via intra-group financing.

Since 9 March 2016, United Internet holds a share of 25.11% (previously 9,80%) of Tele Columbus AG.

No further significant events occurred after the end of the fiscal year 2015.

Declaration by the Group's legal representatives

We hereby confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of its consolidated financial performance and its consolidated cash flows in accordance with applicable accounting policies, and that the group management report gives a true and fair view of the Group's business development including its performance and financial position, and also describes significant opportunities and risks relating to the Group's anticipated development.

Berlin, 28 April 2016

Management Board

Chief Executive Officer	Chief Financial Officer
– Ronny Verhelst –	– Frank Posnanski –

Auditors' Report

We have audited the consolidated financial statements prepared by Tele Columbus AG, Berlin – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, statement of changes in consolidated equity, consolidated cash flow statement and notes to the consolidated financial statements – together with the consolidated group management report for the Tele Columbus AG for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the consolidated group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB ['Handelsgesetzbuch': 'German Commercial Code'] are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the consolidated group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [IDW – Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the consolidated group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the consolidated group management report are examined primarily on a test basis within the framework of the audit The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and consolidated group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The consolidated group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 28 April 2016.

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Knut Tonne	Tim Tönnies
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

GLOSSARY

ARPU: Average Revenue per User

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

CATV: Cable television

Coaxial cable: Broadband cable

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

Convergence: Convergence of various telecommunications services

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

3D-TV: (Three dimensional) television

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

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

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

EBITDA: Earnings before interest, taxes, depreciation and amortization

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

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

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

HDTV: High Definition Television

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

IAS: International Accounting Standard; accounting standard of the International Accounting Standards Board (IASB)

IPO: Initial Public Offering (first public share offer), stock market listing

M&A: Mergers & Acquisitions (M&A activities); collective term for fusions, company acquisitions or similar transactions

NE3: Network Level 3; term for regional distribution networks on public ground

NE4: Network Level 4; the "last mile" to customers (signal transmission within properties and buildings)

Pay-TV: Digital television service that can be ordered in addition to existing cable and satellite television

PIK: Payment-in-Kind; in the case of a PIK loan, the borrower does not pay interest or redemption payments to the lender until the maturity date of the loan

PVR: Personal Video Recorder; a device with an integrated hard disk for recording digital television signals

Receiver: Reception device

RGU: Revenue Generating Unit; a key indicator normally used in the cable sector, that provides information on the number of services sold and goes beyond the simple number of customers

SA: Société anonyme; a legal form used in Luxembourg comparable to a German "Aktiengesellschaft" (AG) or joint stock corporation

S.à r.l.: Société à responsabilité limitée; a legal form used in Luxembourg comparable to a German "Gesellschaft mit beschränkter Haftung" (GmbH) or limited liability company

Spin-Off: Spin-off or separation of a department or another organisational unit from the existing company by founding a company

TEUR: Thousand euro

Terrestrial Television: Television transmission from earthbound transmitters to households with antennae

Time-Shift Television: A function on some devices for recording and playing back a film simultaneously

VDSL: Very high data rate Digital Subscriber Line (see also DSL)

Video on Demand: Service for retrieving videos per Internet

FINANCIAL CALENDAR

Appointment for	Date
Publication of the figures for the first quarter	13 May 2016
Annual General Meeting	10 June 2016
Publication of the figures for the second quarter and for the first half of the year	15 Aug. 2016
Publication of the figures for the third quarter and for the nine months	14 Nov. 2016

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READY TOGETHER FOR THE MULTIMEDIA FUTURE

Tele Columbus combines strong brands under one roof – and combines the best of all worlds for its customers. Whether it's TV, Internet, telephone or additional housing industry services – our individually tailored concepts are securing the future for multimedia real estate coverage.


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