Tele Columbus AG

Half-Year Financial Report as of 30 June 2018

Condensed Consolidated Interim Financial Statements

as of 30 June 2018

according to International Financial Reporting Standards to be applied in the European Union

pursuant to Section 37w of the German Securities Trading Act (WpHG)

for

Tele Columbus AG

TELE COLUMBUS AG, BERLIN

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT ACCORDING TO SEC. 37W OF THE GERMAN SECURITIES TRADING ACT (WPHG) AS OF 30 JUNE 2018

INTERIM GROUP MANAGEMENT REPORT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TELE COLUMBUS AG, BERLIN
INTERIM GROUP MANAGEMENT REPORT
AS OF 30 JUNE 2018

Introduction

As of 30 June 2018, Tele Columbus AG, headquartered at Kaiserin-Augusta-Allee 108, 10553 Berlin, Germany (Commercial Register Berlin-Charlottenburg HRB 161349 B), embodies its consolidated subsidiaries, ultimately representing the Tele Columbus group (hereinafter referred to as The Companies of Tele Columbus AG). Tele Columbus AG acts as group holding company and is the supreme administration and holding company of the Companies of Tele Columbus AG, which is thus responsible for managing the entire group. Consequently, Tele Columbus AG is responsible for the strategic development of the Companies of Tele Columbus AG as well as the provision of services and financing for affiliated companies.

1. Group Fundamentals

1.1 Business model of the group

1.1.1 General information

As of 30 June 2018, Tele Columbus AG holds 60 direct and indirect operating subsidiaries. These are fully consolidated in the Condensed Consolidated Interim Financial Statements and include four associates and one joint venture, which are recognised at equity. The number of fully consolidated subsidiaries has not changed compared with the Consolidated Financial Statements as of 31 December 2017.

Reference is made to Section B ‘Changes in Consolidated Entities’ of the Notes to the Condensed Consolidated Interim Financial Statements.

The Companies of Tele Columbus AG primarily operate cable networks on Network Levels 3 and 4. Network Level 3 - also called NE3, Level 3 or L3 - is a cable network that transports signals from regional distribution networks to the transmission point outside the customer's residential unit. Network Level 4 - also called NE4, Level 4 or L4 - is a cable network within a residential complex that distributes signals from the transmission point outside of the residential complex to the junction box within the customer's residential unit. As integrated network operators for both Network Levels, the Companies of Tele Columbus AG specialise in providing high-quality and integrated end-user services from a single source. Network services are purchased at locations where the Companies of Tele Columbus AG companies do not have access to their own network. In addition to operating cable networks, the Companies of Tele Columbus AG are also active in B2B and construction services. B2B includes products for supplying carrier companies with bandwidth services and business customer networking, products for supplying business customers with internet and telephony, as well as network monitoring and marketing of data centres. Construction services include the construction of fibre-optic city networks or the connection of residential areas to the company's own backbone.

The Companies of Tele Columbus AG's customers are offered numerous services in television and telecommunications, in particular a basic range of cable television channels (CATV), premium television packages (premium TV), Internet and telephone services (fixed network and mobile voice and data services), and with Advance TV: an Entertainment Platform.

The main locations of the Companies of Tele Columbus AG are in Berlin and Leipzig. The Companies of Tele Columbus AG have further locations in Chemnitz, Magdeburg, Ratingen, Munich-Unterföhring, and Frankfurt (Oder).

The business model has not changed since 31 December 2017.

1.1.2 Business segments

The products and services of the Companies of Tele Columbus AG are divided into the two operating segments: 'TV' and 'Internet and Telephony'.

The 'TV' segment generated revenues of KEUR 135,689 (first half of 2017: KEUR 139,209), approximately accounting for 56.5 % of total revenues in the first half of 2018 (first half of 2017: 56.7 %).

The ‘Internet and Telephony’ segment generated revenues of KEUR 77,182 in the first half of 2018 (first half of 2017: KEUR 77,133), accounting for 32.2 % of total revenues in the first half of 2018 (first half of 2017: 31.4 %).

Revenues not directly attributable to the two reported segments amounted to KEUR 27,153 (first half of 2017: KEUR 29,040).

1.2 Objectives and strategies

Tele Columbus AG's mid-term goals and strategies have not changed at this time - despite the partial adjustment of the business forecast for 2018 - compared to the annual Consolidated Financial Statements as of 31 December 2017. Reference is made in this respect to the comments in the 2017 Group Management Report. The Board of Management will announce a new growth plan at the beginning of 2019.

Regarding the development of key financial and non-financial figures, reference is made to Section 2.2 ‘Business development’.

2. Economic Report

2.1 Macroeconomic and industry conditions

Spring projection 2018

The federal government of Germany (Bundesregierung), which forecasts macroeconomic developments for Germany three times a year under the leadership of the Federal Ministry of Economics and Energy, expects real gross domestic product to rise by 2.3 % in 2018 and 2.1 % in 2019 as described in its spring projection for 2018.

Within the same projection, household consumption is expected to increase by 1.7 % in 2018 and 1.8 % in 2019 and domestic demand is expected to rise by 2.3 % in 2018 and 2.2 % in 2019.

The general trend in consumption also has an impact on consumer behaviour in relation to the products offered by the Companies of Tele Columbus AG.

Sector-specific conditions

Regarding the industry-related framework conditions of the Companies of Tele Columbus AG, reference is made in the 2017 Group Management Report. There were no significant changes compared with the assessment made in that report during the first half of 2018.

2.2 Business development

During the first half of 2018, the Companies of Tele Columbus AG focused on the ongoing integration and stabilisation of the business.

Significant progress was made in integrating the three companies: Tele Columbus, Primacom, and Pepcom. The customer data migration was successfully finalised at the end of June 2018. Now that this milestone has been reached, all customer data is managed on one CRM platform, enabling the Companies of Tele Columbus AG to ensure more efficient customer service, optimised business processes, and faster digitisation.

As a result of the afore-mentioned progress, the new Board of Management has decided to align the definitions of the Key Performance Indicators (KPIs) used by the individual subsidiaries in the past and, therefore create a uniform group-wide basis for KPI-reporting. Starting in the third quarter of 2018, uniform guidelines for KPIs will apply in all companies.

The ongoing consolidation of the various accounting systems into one common ERP - system will also be completed as planned in the third quarter of 2018.

Despite the current phase of integration, business is generally stable. Revenue revenues slightly decreased by 2.2 % to KEUR 240,024 compared to the previous year.

The sum of Revenue Generating Units (RGUs) remained nearly stable for all services during the reporting period at 3.8 million (31 December 2017: 3.9 million).

RGUs for cable television services declined slightly approximately to 2.31 million during the reporting period (31 December 2017: 2.37 million), premium television services also declined slightly approximately to 0.42 million (31 December 2017: 0.43 million). The decline in cable television services is mainly due to the expiry of licensing agreements and relates in particular to agreements for which the connected households were not connected to their own NE3. The average number of RGUs per customer declined slightly during the first half of 2018 from 1.66 as of 31 December 2017 to 1.65 as of 30 June 2018.

RGUs for Internet services fell by approximately 1 % to approximately 571,000 in the first half of 2018 compared with 31 December 2017. RGUs for telephone services recorded a decline of 2.8 % to 539,000.

Average revenue per customer per month from all services - monthly average revenue per user (ARPU) or average ARPU - amounted to EUR 16.92 in the first half of 2018 (quarterly ARPU) and was thus 5.1 % lower than in the first half of the previous year, which was EUR 17.82 (31 December 2017: EUR 17.41; quarterly ARPU as of 31 December 2017: EUR 17.93). The monthly ARPU for bundled internet and telephone services in the reporting period was EUR 24.15 (31 December 2017: EUR 24.26; 30 June 2017: EUR 24.11) and for mixed TV services EUR 9.46 (31 December 2017: EUR 9.31; 30 June 2017: EUR 9.31).

The number of connected residential units with bidirectional cable connections and which are connected to their own Network Level 3 fell by about 5,000 to around 2,322,000 compared to 31 December 2017. As of 30 June 2017 this value was 2,309,000.

As of 30 June 2018, the proportion of residential units connected to the company's own signal feed system and which have a bidirectional cable connection remained unchanged at 65 % compared to 31 December 2017. As of 30 June 2017, it was 64 %.

The number of residential units connected to the cable networks of the Companies of Tele Columbus AG was 3.6 million as of 30 June 2018, which is stable compared to 31 December 2017 and 30 June 2017.

The customer base of the Companies of Tele Columbus AG declined slightly to 2.33 million subscribers compared to 31 December 2017 (2.37 million). Compared to 30 June 2017, it fell slightly by 0.06 million.

Due to the aforementioned focus on completing the integration of all companies of the group, the growth strategy could only be pursued with less intensity than in the previous year. In addition, the marketing hiatus for the Advance TV Entertainment Platform, which is expected to be marketed again at the beginning of October 2018, has existed and continues to exist.

2.3 Performance

2.3.1 Financial performance

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Revenue	240,024	245,382
Own work capitalised	9,412	6,502
Other income	9,884	8,473
Total operating income	**259,320**	**260,357**
Cost of materials	-83,135	-78,760
Employee benefits	-42,437	-40,894
Other expenses	-41,034	-33,887
EBITDA	***92,714***	**106,816**
Non recurring expenses (+) / income (-)	25,267	16,705
Normalised EBITDA	**117,981**	**123,521**
EBITDA	***92,714***	**106,816**
Net financial income and expenses	-42,843	-32,267
Depreciation and amortisation	-73,155	-81,818
Income taxes	-6,756	-1,038
Net loss	**-30,040**	**-8,307**

Revenue amounting to KEUR 240,024 for the first half of 2018 decreased by 2.2 % compared to 31 December 2017. The change is mainly due to reduced low-margin revenue in the construction business and slightly lower television services revenue. This decline was partially compensated by the business solutions B2B unit, whose revenue rose by 9.3 % to KEUR 19,980 compared to the previous year.

In the first half of 2018, own work capitalised increased from KEUR 6,502 to KEUR 9,412 compared to the previous year. The increase is mainly due to higher investments, which rose by 65.5 %.

Other income increased from KEUR 8,473 to KEUR 9,884, mainly due to higher income from the sale of fixed assets.

Total operating performance, defined as the sum of revenue, other income, and own work capitalised, fell slightly by 0.4 % to KEUR 259,320 during the reporting period.

Cost of materials increased by KEUR 4,375 to KEUR 83,135 during the first half of 2018 compared to the same period of the previous year. This was mainly due to higher costs in regards to network leasing and third-party lines.

The slight increase in personnel expenses by KEUR 1,543 to KEUR 42,437 is mainly due to provisions for severance payments.

Other expenses in the first half of 2018 amounted to KEUR 41,034. The increase of KEUR 7,147 is mainly due to higher litigation and consulting costs (KEUR 3,902) stemming from the migration of the pepcom companies as well as further customer service projects. Higher migration-related IT costs (KEUR 2,480) also contributed to the increase in other expenses.

EBITDA in the first half of 2018 amounted to KEUR 92,714 and decreased by KEUR 14,102 compared to the previous year. The decrease is due to the factors described above.

Normalised EBITDA decreased from KEUR 123,521 to KEUR 117,981 year-on-year. During the reporting period, the operating margin (defined as the ratio of normalised EBITDA to revenue) decreased slightly to 49.2% (first half of 2017: 50.3%). Non-recurring income and expenses amounted to KEUR 25,267 in the first half of 2018 (first half of 2017: KEUR 16,705). The increase in non-recurring expenses results primarily from costs incurred in the integration of the pepcom companies as well as the harmonisation of the product portfolio within the entire group in the 2018 reporting period.

The negative financial result increased to KEUR 42,843 (first half of 2017: KEUR 32,267). The increase results from the partial repayment of Facility A and the Capex Facility, for which previously deferred transaction costs in the amount of KEUR 18,338 were expensed on a one-time basis.

Depreciation and amortisation decreased to KEUR 73,155 (first half of 2017: KEUR 81,818). The decline compared to the previous comparative period is mainly due to the impairment of the old Tele Columbus AG brand which was impaired by KEUR 4,754 during the previous year.

Expenses relating to tax amounting to KEUR 6,756 (first half of 2017: KEUR 1,038) include taxes of KEUR 3,768 (first half of 2017: KEUR 4,319) as well as deferred tax from valuation differences of KEUR 2,988 (first half of 2017: KEUR 3,281 deferred tax income).

The first half of 2018 concluded with a net loss of KEUR 30,040 (first half of 2017: loss of KEUR 8,307).

2.3.2 Financial performance by segment

The operational business is divided into two segments. The following table provides an overview of revenue in the first half of 2018 and the first half of 2017:

Revenue by segment in KEUR	**1 Jan to 30 Jun 2018**	**1. Jan to 30 Jun 2017**
Revenue TV Segment	135,689	139,209
Revenue Internet and Telephony Segment	77,182	77,133
Total revenue (excluding the ‘Other’ segment)	**212,871**	**216,342**

Compared to the previous year, revenue from the ‘TV’ segment decreased by 2.5 % to KEUR 135,689. This decrease, amounting to KEUR 3,520, compared to the previous year, mainly results from the decline in cable television RGUs as well as from contract conversions from individual to collective contracts.

Revenue in the ‘Internet and Telephony’ segment remained similar to the previous year at KEUR 77,182.

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30. Jun 2017
Normalised EBITDA		
TV Segment	77,246	79,279
Internet and Telephony Segment	58,651	56,562
Non-recurring expenses (-) / income (+)		
TV Segment	584	-1,268
Internet and Telephony Segment	-58	-149
EBITDA		
TV Segment	77,830	78,011
Internet and Telephony Segment	58,593	56,413

2.3.3 Financial position and liquidity

Cashflow
Half-year comparison 30 June 2018 compared to 30 June 2017

The positive operating cash flow amounting to KEUR 81,967 (first half of 2017: KEUR 65,133) was offset by the negative cash flow from investing activities amounting to KEUR -72,963 (first half of 2017: KEUR -57,039) as well as the negative cash flow from financing activities amounting to KEUR -14.337 (first half of 2017: KEUR -12,378). This resulted in a decrease of cash and cash equivalents amounting to KEUR 3,445 as of 30 June 2018 (after consideration of released cash and cash equivalents: KEUR 1,888) compared to 31 December 2017.

While interest payments for bank liabilities amounting to KEUR 42,198 were incurred in the first half of the previous year, payments for interest rates fell during the first half of 2018 to KEUR 33,773. This was due to the interest rate adjustments made in the previous year. The interest for Senior Facility A was paid in January and May. Due to the unscheduled repayment of Senior Facility A, the interest payment was already due in May.

The Companies of Tele Columbus AG have concluded various leasing contracts for infrastructure facilities in order to supply their customers. These contracts were classified as finance leases in accordance with IAS 17. During the first half of the 2018 financial year, finance leases resulted in payments of KEUR 10,048 (first half of 2017: KEUR 5,345).

During the first half of 2018, the Companies of Tele Columbus AG invested mainly in their own network, the connection of newly acquired properties, and the upgrading of existing customers. Approximately 21 % of total investments were used for expenses in connection with end-user acquisition. A smaller share was invested in merger and acquisition (M&A) activities, i.e. the acquisition of existing networks and customer contracts.

The investment commitments entered into during the first half of 2018, which will lead to cash outflows of around KEUR 50,439 in subsequent reporting periods, are to be financed using the existing cash reserves as well as operating cash flow.

The interest payments to be made on liabilities to banks were disputed from cash. The revolving credit line in the amount of KEUR 50,000 was partially utilised for general operating purposes as of 30 June 2018 (KEUR 46,911).

During the first half of 2018, the Companies of Tele Columbus AG were always in a position to meet their payment obligations.

Corporate management reviews the liquidity situation at least once per month and, if necessary, initiates appropriate measures to prevent any liquidity bottlenecks in good time (please refer to the explanations in Section 5 ‘Risk Report’ of the 2017 Group Management Report).

Capital structure

As of 30 June 2018 compared to 31 December 2017

Capital structure - Interest-bearing liabilities to banks and from Senior Secured Notes

Lender	Borrower	Total in KEUR as of 30 June 2018	Share	Total in KEUR as of 31 Dec 2017	Share
Facility A	TC AG	689,802	49.6 %	1,284,124	95.8 %
Senior Secured Notes	TC AG	648,207	46.6 %	-	-
Revolving Facility	TC AG	45,907	3.3 %	19,223	1.4 %
Multiple	pepcom	961	0.1 %	1,317	0.1 %
Capex Facility	TC AG	-	-	25,026	1.9 %
Interest Rate Caps	TC AG	-	-	4,368	0.3 %
Other		6,055	0.4 %	7,020	0.5 %
Total		**1,390,932**	**100.0 %**	**1,341,078**	**100.0 %**

The Revolving Facility amounting to KEUR 50,000 was partially utilised during the reporting period in accordance with the Senior Facilities Agreement.

On 4 May 2018, Tele Columbus AG issued Senior Secured Notes totalling 650 million Euros, maturity ending in May 2025, and a coupon rate of 3.875 % p.a.

The issue proceeds of the Senior Secured Notes, together with available cash, were used to partially repay Facility A, fully repay the Capex Facility, and cover transaction costs.

The conditions of the Senior Loan existing before the repayment remain in place, as does the revolving credit line of KEUR 50,000.

For more information regarding transaction costs and liabilities in connection with embedded derivatives as outlined in the terms of the loan agreements, please refer to the explanations in Section D.16 ‘ Liabilities to banks and from Senior Secured Notes’ in the Condensed Consolidated Interim Financial Statements.

To secure the financing of the entire group, shares in subsidiaries were pledged.

2.3.4 Financial position

As of 30 June 2018 compared to 31 December 2017

Property, plant, and equipment increased by KEUR 29,604 compared to 31 December 2017 to KEUR 639,473. This largely results from a significant increase in construction in progress and prepayments made by KEUR 42,656 to KEUR 133,045 due to investment projects initiated and investments in technical equipment amounting to KEUR 35,609. This increase was offset by the scheduled depreciation of technical equipment in the amount of KEUR 45,072.

Regarding intangible assets and goodwill, a decrease of KEUR 5,835 to KEUR 1,384,118 was recognised compared to 31 December 2017. This was mainly a result of the scheduled amortisation of customer bases in the amount of KEUR 22,937. An opposite effect arose from the increase in advance payments of KEUR 12,853, which mainly relate to the new ERP / BSS system.

The derivative financial instruments amounting to KEUR 8,059 (2017: KEUR 1,521) include two interest rate caps of KEUR 517 acquired in February 2016 as well as embedded derivatives within the Senior Secured Notes (Call) amounting to KEUR 7,542, which were issued within the context of the Senior Secured Notes and which have a positive fair value.

Current trade receivables increased by KEUR 14,418 to KEUR 69,146 compared to 31 December 2017. The increase mainly results from receivables for construction work in connection with network upgrading at Network Level 4 amounting to KEUR 7,985.

Regarding the development of cash and cash equivalents, reference is made to Section 2.3.3 'Financial position and liquidity'.

Current deferred expenses amounting to KEUR 4,927 (2017: KEUR 2,917) mainly consist of pre-payments relating to maintenance contracts, insurance policies, and rents. The increase compared to 31 December 2017 is mainly due to pre-payments related to newly concluded sponsorship and personnel service contracts.

Assets held for sale declined by KEUR 352 to KEUR 255. The decrease is mainly due to the sale of fixed assets relating to the increase in the majority interest of Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich, in 2017.

The consolidated equity of the Companies of Tele Columbus AG amounted to KEUR 486,686 as of 30 June 2018 (2017: KEUR 517,187). The change essentially results from the net loss of the first half of 2018 as well as dividends paid out to minority shareholders amounting to KEUR 1,568.

As of 30 June 2018, debt and interest-bearing loans, borrowings, and Senior Secured Notes amount to KEUR 1,390,932 (2017: KEUR 1,341,078). This corresponds to 63.9 % (2017: 62.9 %) of the balance sheet. For more detailed explanations, please refer to the descriptions of the capital structure in Section 2.3.3 'Financial position and liquidity' and Section D.16 ' Liabilities to banks and from Senior Secured Notes' in the Condensed Consolidated Interim Financial Statements.

The decrease in other provisions is mainly attributable to the utilisation of the restructuring provision. Please refer to Section D.15 ' Other provisions' of the Condensed Consolidated Interim Financial Statements for more information.

Non-current other financial liabilities mainly include leasing liabilities for the use of infrastructure facilities in the amount of KEUR 52,333 (2017: KEUR 35,725).

Non-current derivative financial instruments result from embedded derivatives that have a negative fair value at the reporting date.

Non-current and current deferred income increased from KEUR 14,900 to KEUR 23,915. This was primarily due to the deferred revenue from customers for prepaid fees as well as construction service fees in connection with network upgrading.

3. Subsequent Events Report

Please refer to the information in the Notes to the Condensed Consolidated Interim Financial Statements for events of particular significance that occurred after the end of the reporting period.

4. Forecast Report

Within the Forecast Report in the 2017 Group Management Report, the Board of Management expected revenue growth in the mid-single-digit percentage range and an increase in normalised EBITDA of 280 million euros to 290 million euros for the 2018 financial year. Capital expenditure (CAPEX) was forecast to approximately be 30 % of revenue for 2018.

On 15 May 2018, Tele Columbus AG published an ad-hoc release in which the forecast for the 2018 financial year was partially adjusted. The basis for adjusting the forecast were the final figures for the first quarter of 2018, as well as improved visibility of business developments, and a temporarily increased cost base resulting from investments in the network, customer service, and customer acquisition. After the assessment done by the Board of Management, it was concluded that these effects cannot be offset in the short term by stronger growth. The intensification of marketing activities was postponed in light of the ongoing integration, which had a negative impact on customer service. Accordingly, the revenue growth forecast has been adjusted to a low to mid-single-digit percentage range. Normalised EBIDTA for the 2018 financial year was forecast to be between 265 million euros to 280 million euros. Investments were advised to be 27- 30 % of revenue. The mid-term plan from the 2017 Group Management Report was not adjusted.

Tele Columbus AG published another ad hoc release on 28 August 2018 including a corrected forecast for the 2018 financial year.

The migration of the customer data of the pepcom companies was successfully completed at the end of June 2018. In recent weeks, Tele Columbus AG has pushed ahead with merging the group-wide accounting platforms into one ERP system. This will be completed in early September 2018.

Because of the finalisation of the integration project and the intensified marketing activities starting in October 2018, the Board of Management expects a higher cost-base of recurring costs and thus a decline in normalised EBIDTA and a later, nascent revenue growth.

Based on the revenues of 240 million euros and the normalised EBITDA of 118 million euros incurred in the first half of 2018, the Board of Management of Tele Columbus AG has decided to adjust its forecast for the 2018 financial year as follows:

- A stable base of connected households
- Stable revenue compared to the previous year
- Normalised EBITDA of at least 235 million euros
- CAPEX of up to 150 million euros

The normalised EBITDA goal includes a strong increase in marketing expenses in the second half of 2018. In addition, the Board of Management expects significantly lower, non-recurring costs in the second half of 2018 compared to the previous year, which will lead to a largely stable development of reported EBITDA.

The Board of Management will announce a new mid-term outlook at the beginning of 2019.

5. Risk Report

Regarding the risk report of the Companies of Tele Columbus AG, reference is made to Section 5 'Risk Report' of the 2017 Group Management Report.

There were no significant changes in the reporting period regarding the risks listed in the 2017 Group Management Report.

Of importance and which therefore is to be added to this section, is an observed (latent) risk regarding the competitive situation within the German cable-network-provider market due to the planned merger of Vodafone Deutschland and Unitymedia. In particular, the risk of sustained competitive disadvantages for smaller and regional suppliers has been observed.

6. Opportunities Report

The Companies of Tele Columbus AG have a number of opportunities for the future which are a result, in particular, of the competitive strengths of the Companies of Tele Columbus AG. Reference is made regarding this in Section 6 ‘Opportunities Report’ of the 2017 Group Management Report.

Of importance and which therefore is also to be added to this section based on the risks outlined above, is the notion that the above-mentioned merger between Vodafone Germany and Unitymedia could create opportunities for the Companies of Tele Columbus AG if the merger is to be subject to conditions such as the sale of regional networks. This could result in economic and strategic benefits for the group as a whole.

TELE COLUMBUS AG, BERLIN
CONDENSED CONSOLIDATED INTERIM FINANCANCIAL STATEMENTS AS OF 30 JUNE 2018

I. Consolidated Income Statement

KEUR	Reference	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Revenue	D.1	240,024	245,382
Own work capitalised	D.2	9,412	6,502
Other income	D.3	9,884	8,473
Total operating income		*259,320*	*260,357*
Cost of materials	D.4	-83,135	-78,760
Employee benefits	D.5	-42,437	-40,894
Other expenses	D.6	-41,034	-33,887
EBITDA		**92,714**	**106,816**
Depreciation and amortisation	D.7	-73,155	-81,818
EBIT		**19,559**	**24,998**
Interest income and similar income	D.8	203	416
Interest expense and similar expense	D.8	-45,164	-29,183
Other financial income (+) / loss (-)	D.9	2,118	-3,500
Profit (+) / Loss (-) before tax		*-23,284*	*-7,269*
Income taxes	D.10	-6,756	-1,038
Net loss		**-30,040**	**-8,307**
attributable to shareholders of Tele Columbus AG		-31,259	-9,284
attributable to non-controlling interests		1,219	977
Basic earnings per share in EUR	E.5	-0.25	-0.07
Diluted earnings per share in EUR	E.5	-0.25	-0.07

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

II. Consolidated Statement of Comprehensive Income

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Net loss	*-30,040*	*-8,307*
Other comprehensive income		
Expenses an income that will not be reclassified to profit or loss		
Remeasurement of gains (+) / losses (-) on defined benefit plans (after deferred of taxes)	710	-385
Total comprehensive income	**-29,330**	**-8,692**
of which attributable to:		
Shareholders of Tele Columbus AG	-30,549	-9,669
Non-controlling interests	1,219	977

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

III. Consolidated Statement of Financial Position

Assets

KEUR	Reference	30 June 2018	31 December 2017
Non-current assets			
Property, plant and equipment	D.11	639,473	609,869
Intangible assets and goodwill	D.12	1,384,118	1,389,953
Investments accounted for using the equity method		416	416
Trade receivables	D.13	63	80
Other financial receivables	D.13	896	1,605
Accruals and deferrals	D.13	3,421	3,246
Deferred tax assets		1,293	2,010
Derivative financial instruments	E.3.1	8,059	1,521
		2,037,739	**2,008,700**
Current assets			
Inventories	D.13	13,458	10,928
Trade receivables	D.13	69,146	54,728
Receivables due to related parties		2	12
Other financial receivables	D.13	2,090	2,020
Other assets	D.13	16,370	17,485
Current tax assets		3,836	4,022
Cash and cash equivalents	E.4	28,322	31,767
Accruals and deferrals	D.13	4,927	2,917
Assets held for sale	D.13	255	607
		138,406	**124,486**
Total assets		**2,176,145**	**2,133,186**

Equity and liabilities

KEUR	Reference	30 June 2018	31 December 2017
Equity	**D.14**		
Share capital		127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		-269,308	-239,165
Equity attributable to shareholders of the Tele Columbus AG		*479,086*	*509,229*
Non-controlling interest		7,600	7,958
		486,686	**517,187**
Non-current liabilities			
Pensions and other long-term employee benefits		9,441	9,833
Other provisions	**D.15**	462	463
Liabilities to banks and from Senior Secured Notes	**D.16**	1,335,379	1,297,685
Trade payables	**D.17**	657	827
Other financial liabilities	**D.17**	54,164	37,615
Deferred revenue [1]		7,641	5,285
Deferred tax liabilities		47,148	44,876
Derivative financial instruments	**E.3.1**	448	3,091
		1,455,340	**1,399,675**
Current-liabilities			
Other provisions	**D.15**	12,462	18,626
Liabilities to banks and from Senior Secured Notes	**D.16**	55,553	43,393
Trade payables	**D.17**	90,535	94,371
Payables due to related parties		369	861
Other liabilities	**D.17**	27,558	27,846
Other financial liabilities	**D.17**	18,840	11,925
Income tax liabilities		12,528	15,572
Deferred revenue[1]		16,274	3,730
		234,119	**216,324**
Total equity and liabilities		**2,176,145**	**2,133,186**

[1] Contract liabilities are included in deferred revenue (IFRS 15)

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

IV. Consolidated Statement of Cash Flows

KEUR	Reference	1 Jan to 30 Jun 2018	1. Jan to 30 Jun 2017
Cash flow from operating activities			
Net loss		*-30,040*	*-8,307*
Net financial income or expense		42,843	32,267
Income taxes		6,756	1,038
Earnings before interest and taxes (EBIT)		*19,559*	*24,998*
Depreciation and amortisation	**D.7**	73,155	81,818
Equity settled share-based payments		407	-
Loss (+) / gain (-) on sale of property, plant and equipment		-2,201	-493
Increase (-) / decrease (+) in:			
Inventories		-2,530	-6,231
Trade receivables and other assets not classified as investing or financing activities		-20,162	-4,490
Accruals and deferrals		-2,184	1,127
Increase (+) / decrease (-) in:			
Trade payables and other liabilities not classified as investing or financing activities	**D.17**	9,867	-19,348
Provisions	**D.15**	-5,847	-12,931
Deferred revenue		14,900	4,607
Income tax paid		-2,997	-3,924
Cash flow from operating activities		**81,967**	**65,133**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		3,250	1,216
Acquisition of property, plant and equipment	**D.11**	-54,093	-40,162
Acquisition of intangible assets	**D.12**	-22,157	-11,955
Interest received		37	13
Acquisition of subsidiaries, net of cash acquired		-	-6,151
Cash flow from investing activities		**-72,963**	**-57,039**

KEUR	Reference	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Cash flow from financing activities			
Payment of financial lease liabilities		-10,048	-5,345
Dividends paid		-1,568	-1,862
Proceeds from loans, Senior Secured Notes, and short or long-term borrowings from banks		676,000	44,500
Repayment of borrowings[1)]		-637,935	-7,473
Interest paid		-33,773	-42,198
Acquisition of non-controlling interests		-7,013	-
Cash flow from financing activities		**-14,337**	**-12,378**
Cash and cash equivalents for the period			
Net increase (+) / decrease (-) in cash and cash equivalents		-5,333	-4,284
Cash and cash equivalents at the beginning of the period		31,767	55,223
Cash and cash equivalents at the end of the period		*26,434*	*50,939*
Increase (+) / decrease (-) from release of restricted cash and cash equivalents during the period		1,888	-5,259
Unrestricted cash and cash equivalents at the end of the period		**28,322**	**45,680**

1) This item includes incurred transaction costs in the amount of KEUR 9,819 (2017: KEUR 5,470) as well as the interest rate caps option premium paid out in the amount of KEUR 4,427 (period of comparison 2017: KEUR -).

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

V. Consolidated Statement of Changes in Equity

For the first half-year 2018

KEUR	Reference	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
Balance at 1 January 2018	**D.14**	**127,556**	**620,838**	**-113,130**	**-123,877**	**-2,159**	**509,229**	**7,958**	**517,187**
Profit (+) / loss (-)					-31,259		-31,259	1,219	-30,040
Other comprehensive income						710	710		710
Total comprehensive income		**-**	**-**	**-**	**-31,259**	**710**	**-30,549**	**1,219**	**-29,330**
Dividends							-	-1,568	-1,568
Changes in non-controlling interests							-	-9	-9
Equity settled share-based payments				407			407		407
Balance at 30 June 2018	**D.14**	**127,556**	**620,838**	**-112,723**	**-155,136**	**-1,449**	**479,087**	**7,600**	**486,687**

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

For the first half of 2017

KEUR	Reference	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
Balance at 1 January 2017	**D.14**	**127,556**	**620,838**	**-113,647**	**-105,075**	**-2,049**	**527,624**	**7,558**	**535,182**
Profit (+) / loss (-)					-9,284		-9,284	977	-8,307
Other comprehensive income						-385	-385		-385
Total comprehensive income		**-**	**-**	**-**	**-9,284**	**-385**	**-9,669**	**977**	**-8,692**
Dividends							-	-1,862	-1,862
Balance at 30 June 2017	**D.14**	**127,556**	**620,838**	**-113,647**	**-114,359**	**-2,434**	**517,955**	**6,673**	**524,628**

The following notes are an integral component of the Condensed Consolidated Interim Financial Statements.

VI. Condensed Notes to the Condensed Consolidated Interim Financial Statements

A. General Information

Introduction

Tele Columbus AG, headquartered at Kaiserin-Augusta-Allee 108, Berlin 10553, has been listed on the Frankfurt Stock Exchange in the Xetra Frankfurt (Prime Standard) market segment since 23 January 2015.

Description of business activities

Tele Columbus AG is the parent company of the group. The Companies of Tele Columbus AG are cable network operators that are primarily active in the eastern states of the Federal Republic of Germany. As in the previous year, about 38 % of the companies are located in the areas outside of the eastern states. The operation and management of broadband cable networks constitutes the companies' basic operational activities. These activities also include the use of the companies' own satellite reception systems to supply residential housing facilities, housing companies, and housing tenants with television, radio, internet, and telephone signals. The latter also comprises service activities, equipment maintenance, customer service, and debt collection. A more detailed presentation of the business activities of the Companies of Tele Columbus AG is provided in Section 1.1 'Business Model of the Group' in the 2017 Annual Report. The Companies of Tele Columbus AG are also active in B2B and construction services. B2B encompasses products for supplying carrier companies with bandwidth services, as well as business-customer-networking products for supplying business customers with internet and telephone, and network monitoring and marketing of datacentres. The activities within the construction services sector include the construction of glass fibre city networks as well as the connecting of residential areas to the group's own backbone.

Basis of Accounting

The Condensed Consolidated Interim Financial Statements of Tele Columbus AG as of 30 June 2018 present the net assets, financial position, and results of operations of Tele Columbus AG and its consolidated subsidiaries. Profits and losses for the period from 1 January 2018 to 30 June 2018 and respectively of the comparison period from 1 January 2017 to 30 June 2017 are presented. For the net asset and financial position as of the balance sheet date on 30 June 2018, the date of comparison is 31 December 2017.

The Condensed Consolidated Interim Financial Statements of the Companies of the Tele Columbus AG as of 30 June 2018 were prepared in accordance with the requirements of International Accounting Standard (IAS) 34 on a condensed basis compared to year-end reporting as of 31 December 2017. These Condensed Consolidated Interim Financial Statements must therefore be considered in the context of the Consolidated Financial Statements as of 31 December 2017. The International Financial Reporting Standards (IFRS) were applied as applicable in the European Union.

The Condensed Consolidated Interim Financial Statements include the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash

Flows, the Consolidated Statement of Changes in Equity, and the Condensed Notes to the Financial Statements.

The functional currency for the financial statements is euro. Unless otherwise stated, all figures are presented in thousands of euros (KEUR). As the figures in this report are disclosed in thousands of euros, there may be rounding differences in accordance with commercial practice. In some instances, such rounded figures and percentages might not add up to 100%. Subtotals in tables may also therefore differ slightly from unrounded figures stated elsewhere in the Condensed Consolidated Interim Financial Statements.

With regard to the financial data set out in the Condensed Consolidated Interim Financial Statements, a dash (-) indicates that the relevant item is not applicable and a zero (0) indicates that the relevant number has been rounded to or equals zero.

The Condensed Consolidated Interim Financial Statements are based on the going concern assumption.

The Condensed Consolidated Interim Financial Statements for the first half of 2018 as of 30 June 2018 were neither reviewed by an auditor nor audited by an auditor, as this is not required by law.

The Condensed Consolidated Interim Financial Statements were prepared by the Board of Management of Tele Columbus AG in Berlin on 4 September 2018.

B. Changes in Consolidated Entities

There were no significant changes in the scope of consolidation in the Condensed Consolidated Interim Financial Statements compared to 31 December 2017.

Change of the shareholding quota in Netzpool Berlin GmbH, Berlin

As contractually stated on 7 March 2018, WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring, acquired 4.55 % of the shares in Netzpool Berlin GmbH, Berlin. The company does not own any real estate and is also not a shareholder of any company that holds real estate. The subsidiary is therefore now 100 % included within the Companies of Tele Columbus AG.

The purchase price for the company share amounts to KEUR 12 and was paid fully in cash.

B.1 Investments in associates, joint ventures, and other companies

Sale of JVA Media GmbH

As of 1 March 2018, MDCC Magdeburg City-Com GmbH, Magdeburg legally sold its 50 % share in JVA Media GmbH, Magdeburg in the amount of KEUR 12.5. The revenue price amounted to KEUR 600 and was paid fully in cash.

As of 31 December 2017, JVA Media GmbH was classified as an asset held for sale and recorded at its carrying amount.

During the reporting period under review, there were no other significant changes is associates, joint ventures, or any other affiliated companies. If there were changes, none were relevant for the explanation of the figures being compared.

C. Basis of Accounting

C.1 Significant estimate uncertainties

The preparation of the Condensed Consolidated Interim Financial Statements in accordance with IFRS requires assessments, estimates, and assumptions that have a direct effect on the application of accounting and valuation methods. Consequently, the reported amounts of assets and liabilities, the disclosure of contingent receivables and liabilities at the reporting date, and the reported revenue and expenses during the reporting period are affected. Although the Board of Management has formulated the estimates to the best of their knowledge as well as taken the most recent results into consideration, the actual results may differ.

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

Compared to the Consolidated Financial Statements as of 31 December 2017, there were no significant changes in the significant discretionary decisions and assumptions made by the Board of Management as well as in the estimation uncertainties.

C.2 Significant accounting and valuation methods

The same significant accounting policies and valuation methods outlined in the Consolidated Financial Statements as of 31 December 2017 generally apply to the Condensed Consolidated Interim Financial Statements as of 30 June 2018.

There are no material changes due to newly applicable IFRS 15, IFRS 9, or other accounting and valuation methods.

IFRS 15 Revenue from Contracts with Customers

The Companies of Tele Columbus AG are obligated to apply IFRS 15 *Revenue from Contracts with Customers* as of 1 January 2018.

IFRS 15 specifies a comprehensive framework for determining whether, in what amount, and the timing of the recognition of revenue revenue. It replaces the existing guidelines on the recognition of revenue revenue, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and IFRIC 13 *Customer Loyalty Programmes*.

In transitioning to IFRS 15, the Companies of Tele Columbus AG apply the retrospective method in a modified manner for the Condensed Consolidated Interim Financial Statements. Consequently, the Companies of Tele Columbus AG do not apply the stipulations of IFRS 15 to each presented comparative period. Instead, changes to the Consolidated Statement of Financial Position and the Consolidated Income Statement that occur as a result of applying IFRS 15 for the first time are clarified in the current period. The Companies of Tele Columbus AG only apply IFRS 15 to contracts that were concluded after 31 December 2017 or had not yet been concluded at that point in time.

Revenue from installation fees for end-users have hitherto been recognised in terms of timing. Prospectively, installation fees will be categorised as non-refundable, upfront fees. According to IFRS 15, the revenue from such fees will be deferred and recognised as revenue revenue over the minimum contract term, resulting in a deferral of revenue of KEUR 368 in subsequent periods.

The standalone selling price approach introduced with IFRS 15 leads to allocation adjustments between product segments over which revenue shares are spread within the context of product packages. The impact of the emerging deferral of revenue is as follows:

- An increase in revenue revenue in Digital Additional Services of KEUR 698 and in Analogue of KEUR 354.
- A reduction of revenue revenue in Internet / Telephony by KEUR 1,178 and in revenue from Receiver Rental of KEUR 241

IFRS 9 Financial Instruments

The new standard, IFRS 9, came into effect on 1 January 2018 for the accounting of financial instruments, replacing IAS 39. IFRS 9 consists of three phases: classification and measurement, impairment, as well as hedging relationships. In regards to classification and measurement, the application of IFRS 9 has not led to any material changes in the accounting procedures of the Companies of Tele Columbus AG compared to those under IAS 39. As the Companies of Tele Columbus AG do not apply hedge accounting, the changes in regards to hedge accounting have likewise not led to any adjustments in the accounting processes compared to those under IAS 39.

Classification and measurement

Issued loans and trade receivables are generally retained in order to generate contractual payment streams, which stem from running interest and loan re-payments. These financial assets are therefore measured based on amortised cost. Similarly, liabilities that include repayments and current interest payments are measured based on amortised cost.

Derivative financial instruments are recognised at fair value through profit or loss. Derivative financial instruments that have to be separated into liabilities are separated and also measured at fair value through profit or loss.

Impairment of financial assets

In the area of impairment, the ‘expected credit loss model’ from IFRS 9 replaces the previous ‘incurred loss model’ from IAS 39. The incurred loss model is based on objectivised loss events, which must have occurred as of the valuation date, whilst the expected credit loss model is based on the losses to be anticipated as of the valuation date. The amount of impairment is determined either on the basis of the expected losses over the next 12 months or on the basis of the expected losses over the entire term of the financial instrument.

Trade receivable write-downs relating to the mass customer business of the Companies of Tele Columbus AG are mainly established on a lump-sum basis depending on the respective dunning level. As the dunning level has already presented an objective loss event within the context of IAS 39, this procedure does not lead to any fundamental change in the determination of the point in time at which value write-downs are to be formed in accordance with IAS 39 or IFRS 9. There is the option of generally determining write-downs (in accordance with IAS 39) on the basis of the losses over the entire term of the financial instrument. Therefore, the application of IFRS 9 has not led to any significant changes in the level of the amount of write-downs compared to IAS 39.

Recognition as a hedging relationship

Derivative financial instruments are used to economically hedge cash flows. However, due to the lack of documentation requirements under IFRS 9, hedge accounting is not applied.

C.3 Compliance with IFRS

Tele Columbus AG has applied all IFRS and IFRIC interpretations for the preparation of Condensed Consolidated Interim Financial Statements that are mandatory in the EU as of 1 January 2018.

The following accounting standards and interpretations have therefore been applied for the first time in these financial statements:

Standard / Interpretation		**Effective as of**	**Publication of endorsement by the European Commission**
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts [1]	01.01.2018	09.11.2017
IFRS 9	Financial instruments	01.01.2018	29.11.2016
IFRS 15	Revenue from Contracts with Customers	01.01.2018	29.10.2016
Amendments to IFRS 15	Clarifications to IFRS 15	01.01.2018	09.11.2017
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 12	01.01.2017	08.02.2018
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 1 and IAS 28	01.01.2018	08.02.2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	27.02.2018
Amendments to IAS 40	Transfer of Investment Property[1]	01.01.2018	15.03.2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]	01.01.2018	03.04.2018

[1] No impact on the financial statements.

The following table shows the main new or revised standards (IAS/IFRS) or interpretations (IFRIC) that are not yet mandatory, and their effects on the Companies of the Tele Columbus AG. The adoption date refers to the effective date as specified in the EU endorsement – unless otherwise stated:

Standard/ Interpretation		**Effective as of[1)]**	**Publication of endorsement by the EU Commission**	**Effects**
EU Endorsement took place until date of publication				
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	26.03.2018	The possible impacts on consolidated financial statements are currently being analysed
IFRS 16	Leases	01.01.2019	09.11.2017	The possible impacts on consolidated financial statements are currently being analysed
EU Endorsement pending [2)]				
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	open	The possible impacts on consolidated financial statements are currently being analysed
Amendments to IAS 28	Interests in Associates and Joint Ventures	01.01.2019	open	The possible impacts on consolidated financial statements are currently being analysed
AIP 2015 - 2017	Annual Improvement Project, annual improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.01.2019	open	The possible impacts on consolidated financial statements are currently being analysed
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019	open	The possible impacts on consolidated financial statements are currently being analysed
Amendments to the conceptual framework	IFRS Standards	01.01.2020	open	The possible impacts on consolidated financial statements are currently being analysed
IFRS 17	Insurance Contracts	01.01.2021	open	The possible impacts on consolidated financial statements are currently being analysed
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Associate or Joint Venture	pending	open	The possible impacts on consolidated financial statements are currently being analysed

1) Financial years that begin on or after the date specified.
2) Since an EU endorsement has not yet taken place, the date of the first mandatory application is stated here pursuant to IASB.

Except for the amendments or new standards described above, it is not expected that any other IFRS amendments will have a significant impact on the financial reporting of the Companies of Tele Columbus AG.

IFRS 16 Leases

IFRS 16 introduces a uniform accounting model, which requires all leasing contracts to be recorded on the lessee's balance sheet. The standard will be effective for the first time for financial years beginning on or after 1 January 2019. A lessee recognises a right to use (right-of-use asset), which represents its right to the use of the underlying asset, and a liability under the lease, which represents its obligation for lease payments. There are exceptions for short-term leases and leases relating to low-value economic goods. The accounting treatment of the lessor is comparable to that according to the current standard, i.e. lessors continue to classify leases as financing or operating leases.

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

The Companies of Tele Columbus AG will most likely not apply the new leasing standard retrospectively in full, but will make use of the corresponding exemption provisions for lessees, also known as the modified retrospective method. With regard to further options and exemptions permitted under IFRS 16 The Companies of Tele Columbus AG have not made a final decision yet.

The full effects of IFRS 16 are currently analysed as part of a group-wide implementation project. A provision of a reliable estimate of the quantitative effects is not possible at this time. The initial application will, however, result in significant increases in long-term assets and current and non-current lease liabilities. Within the Consolidated Income Statement, depreciation charges and interest expenses – rather than lease expenses – will be reported. This will result in an improvement of EBITDA.

D. Explanatory Notes to the Consolidated Income Statement and Consolidated Statement of Financial Position

D.1 Revenue

KEUR	1 Jan to 30 Jun 2018				1 Jan to 30 Jun 2017
	TV [3]	Internet & Telephony [3]	Other [3]	Total	Total
Revenue from contracts with customers [1]	**130,223**	**75,215**	**24,143**	**229,581**	**238,155**
Analogue	104,403	-	-	104,403	108,256
Internet / telephony	-	70,006	6,822	76,828	76,482
Additional digital services	12,863	-	-	12,863	13,079
Other transmission fees and miscellaneous feed-in charges	9,137	3,407	-	12,544	12,065
Construction services	-	-	6,897	6,897	10,356
Network capacity [2]	-	-	6,098	6,098	8,877
Computing centre	-	-	1,865	1,865	1,925
One-off fees for B2B customers	-	-	1,242	1,242	1,149
Antenna / maintenance	394	345	246	985	907
Hardware revenue	38	14	741	793	1,656
Other	3,388	1,443	232	5,063	3,403
Revenue from renting [1]	**5,466**	**1,967**	**3,010**	**10,443**	**7,227**
Receiver rent	5,466	1,967	-	7,433	7,227
Network infrastructure rent [2]	-	-	3,010	3,010	-
	135,689	**77,182**	**27,153**	**240,024**	**245,382**

[1] In accordance with the requirements of IFRS 15, revenues are broken down into revenues from contracts with customers and revenues from renting.

[2] In order to meet the requirements of IFRS 15, the previous item 'network rent' is now divided into 'network capacity' (revenue from contracts with customers) and 'network infrastructure rent' (revenue from rentals). The value of 'network rent' for the comparable period (1 January 2017 – 30 June 2017) is shown in full under 'network capacity'.

[3] In accordance with IFRS 15, a reconciliation to segment reporting is provided.

The revenue of the Companies of Tele Columbus AG mainly include monthly subscription fees and, to a lesser extent, one-off installation and connection fees for analogue and digital basic cable television as well as premium digital services. Fees for access to high-speed internet as well as telephone charges are also included. Other Revenue includes other transmission fees as well as feed-in charges that are paid to the Companies of Tele Columbus AG in return for distribution of the offered programmes. Claims for damages from cancellations by end-users during the minimum contractual term are also reported as revenue.

D.2 Own work capitalised

Own work capitalised amounting to KEUR 9,412 for the first half of 2018 (first half of 2017: KEUR 6,502) mainly includes expenses for services rendered in connection with the expansion of the cable network by the companies' own employees.

D.3 Other income

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Gains on disposal of non-current assets	2,748	1,345
Income from sale	1,481	1,736
Income from the de-recognition of liabilities and reversal of provisions	1,230	347
Income from dunning fees	615	1,123
Miscellaneous other income	3,810	3,922
	9,884	**8,473**

D.4 Cost of materials

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Cost of raw materials and supplies	-1,660	-2,959
Cost of purchased services / goods	-81,475	-75,801
	-83,135	**-78,760**

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

Cost of purchased services mainly includes signal delivery fees, other services, construction services, maintenance expenses, electricity, commission services and changes in inventories of customer terminals.

D.5 Employee benefits

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Wages and salaries	-30,838	-30,253
Social contributions and expenses for pension provisions	-5,391	-6,531
Other personnel costs	-6,208	-4,110
	-42,437	**-40,894**

D.6 Other expenses

Other expenses were incurred particularly for the following:

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Legal and consulting fees	-11,165	-7,263
IT costs	-5,392	-2,912
Advertising	-4,981	-5,390
Occupancy costs	-4,043	-4,310
Trade receivable write-offs	-3,522	-3,727
Communication costs	-1,600	-1,454
Vehicle costs	-1,487	-1,501
Maintenance	-1,332	-909
Travel expenses	-1,101	-1,110
Insurance, fees and contributions	-842	-1,082
Office supplies and miscellaneous administrative expenses	-672	-419
Incidental bank charges	-576	-576
Losses on disposal of non-current assets	-547	-852
Miscellaneous other expenses	-3,774	-2,382
	-41,034	**-33,887**

D.7 Depreciation and amortisation expenses

No impairment losses on fixed assets were recognised in the current reporting period.

D.8 Interest income and expenses

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Interest income from third parties and similar income	203	416
Interest and similar income	**203**	**416**
Interest paid to third parties	-41,623	-20,694
Expenses resulting from compounding of loans and Senior Secured Notes under the effective interest rate method	-2,479	-2,709
Expenses resulting from revaluation of interest rate caps	-1,062	-5,780
Interest and similar expenses	**-45,164**	**-29,183**
	-44,961	**-28,767**

Interest expenses due to third parties relate, in particular, to liabilities to banks (e.g. loans and borrowings).

For further information, please refer to Section D.16 ‘ Liabilities to banks and from Senior Secured Notes’ in the Notes to the Condensed Consolidated Interim Financial Statements. For details regarding interest rate hedging transactions, please refer to Section E.3.1 ’Carrying amounts and net income of financial instruments’.

D.9 Other financial income and expenses

The increase in other financial income and expenses mainly results from the revaluation of embedded derivatives amounting to KEUR 1,748 (first-half of 2017: KEUR -3,773).

D.10 Income tax expense

The amount of KEUR -6,756 (first half of 2017: KEUR -1,038) includes current tax expenses amounting to KEUR -3,768 (first half of 2017: KEUR -4,319) as well as expenses from deferred taxes.

Other deferred tax liabilities are offset against corresponding deferred tax assets if the requirements for netting are fulfilled.

D.11 Property, Plant and Equipment

The increase in property, plant and equipment compared to 31 December 2017 is mainly due to capital expenditure projects that are under construction, advance payments made, as well as investments in technical equipment.

An amount of KEUR 26,769 was recognised as an addition to property, plant and equipment in connection with a finance lease related to Network Level 1.

Regarding purchase commitments for property, plant and equipment, reference is made to Section E.1.2 ‘Purchase commitments’.

D.12 Impairment test of goodwill

The impairment test for goodwill was executed during the first-half of the year.

D.12.1 *Result of the impairment test of goodwill*

As of 30 June 2018, there was no indication of a need to devalue goodwill. This was analogous to the previous year.

D.12.1.1 Cash-Generating-Units (CGU)

Goodwill is reviewed at the CGU level. There are three CGUs to which goodwill is allocated: the TV CGU, the Internet and Telephony CGU, and the HL komm CGU.

The allocation of goodwill to the CGUs has remained unchanged compared to the 2017 Annual Report.

If the carrying amount of a CGU, including goodwill, exceeds the recoverable amount, a loss from impairment pursuant to IAS 36 is recognised. The recoverable amount is determined as the fair value less costs of disposal.

Similar to the period ending 31 December 2017, the fair value was determined using the discounted cash flow method (DCF) by means of a weighted average cost of capital (WACC). This measurement method is based on the management-approved financial plan per segment / CGU over a detailed planning horizon of 5 years. The plan is also used to operationally manage each of the segments. The EBITDA (through revenue and cost development) and capital budgeting (CAPEX) are crucial figures within the plan.

Based on a normalised EBITDA and CAPEX (i.e. the Board of Management’s central control variables) the factors used to normalise EBITDA were added back together and the free cash flow was adjusted, taking into account the investment planning and the planned changes in working capital, and the output variable of the DCF method in the detailed planning period.

For the period following the detailed planning, an expected sustainable cash flow per CGU is derived from the last detailed planning year. A planned growth rate of 1.25 % was taken into account for the TV CGU (31 December 2017: 1.00 %), the Internet and Telephony CGU (31 December 2017: 1.25 %) and HL komm CGU (31 December 2017: 1.25 %).

The assumptions made were derived from industry comparison and historical experience.

The discount rate was determined on the basis of a risk-free base rate of 1.25 % (31 December 2017: 1.25 %) and relevant industry parameters. The WACC after tax for the TV and Internet and Telephony CGUs is 5.58 % (31 December 2017: 5.63 %), before taxes, the WACC for the TV CGU is 7.18 % (31 December 2017: 7.46 %) and 7.36 % (31 December 2017: 7.52 %) for the Internet and Telephony CGU. A WACC after tax of 6.69 % (31 December 2017: 6.73 %) and 9.61 % before tax (31 December 2017: 9.64 %) was expected for the HL komm CGU. The deviation in the interest rate compared to the TV and Internet and telephony CGUs reflects the slightly higher risk of business, in particular with B2B customers.

D.12.1.2 Sensitivity analysis

The assumptions used in the impairment test of goodwill, explained in the previous section, are disclosed as long as they are material. Accordingly, for the sensitivity analysis, the Board of Management has defined which changes of these assumptions are possible based on empirical values that can lead to a possible impairment. The determination was pursuant to IAS 36 on the premise that the changes did not entail any further parameter changes (ceteris paribus). In the normal course of business, such changes correlate with other factors and indicate changes made in the way the Board of Management leads the business.

The following tables show the changes deemed possible with respect to the CGUs that could lead to an impairment of goodwill in such a scenario and the value of the change in the assumption for which no impairment would be expected (threshold value). As it was assumed in the period ending 31 December 2017 for the Internet and Telephony CGU for long-term EBITDA and long-term growth hat no possible scenarios exist which could lead to impairment of goodwill if assumptions changed, no comparative figures as of 31 December 2017 are shown for these parameters:

KEUR – sensitivity TV	**30 June 2018**	**31 December 2017**
Assumption: increase in interest rate by 3 %		
possible impairment of goodwill	-453,069	-316,494
threshold value of change in % points	0.07	0.59
Assumption: decrease in long-term EBITDA of 15 %		
possible impairment of goodwill	-218,856	-114,354
threshold value of change in %	-1.14	-7.9
Assumption: no long-term growth		
possible impairment of goodwill	-193,739	-35,483
threshold value of growth rate in %	0.08	0.25

KEUR – sensitivity Internet and Telephony	30 June 2018	31 December 2017
Assumption: increase in interest rate by 3 %		
possible impairment of goodwill	-300,633	-39,015
threshold value of change in % points	0.60	2.66
Assumption: decrease in long-term EBITDA of 15 %		
possible impairment of goodwill	-146,982	-
threshold value of change in %	6.97	-
Assumption: no long-term growth		
possible impairment of goodwill	-66,421	-
threshold value of growth rate in %	0.75	-

There are no changes of other assumptions that the Board of Management considers to be feasible within a year and which would lead to an impairment of goodwill.

D.12.2 *Other intangible assets*

Recognised within the intangible assets amounting to KEUR 1,384,118 (31 December 2017: KEUR 1,389,953) is goodwill amounting to KEUR 1,159,436 (31 December 2017: KEUR 1,159,436), customer lists amounting to KEUR 183,196 (31 December 2017: KEUR 199,193), as well as other intangible assets amounting to KEUR 41,486 (31 December 2017: KEUR 31,324).

The assets mainly relate to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets, and software licences. As these are intangible assets with a finite useful life, an impairment test is only carried out for them if there are indications of impairment. As in the period ending 31 December 2017, there were no indications of possible impairment of other intangible assets with finite useful lives.

D.13 Inventories, trade receivables, other financial receivables, other assets and deferred expenses

During the first half of 2018, reduction in inventories totalled KEUR 38 (first half of 2017: KEUR 107).

The following table shows the development of trade receivable write-offs at the group level:

KEUR	30 June 2018	31 December 2017
Trade receivables - gross	79,818	65,649
Impairment losses	-10,609	-10,841
Trade receivables - net	**69,209**	**54,808**

Trade receivables mainly include receivables from subscriber fees as well as receivables from signal delivery, transmission, and feed-in fees.

There are also receivables from related parties. Please refer to Section E.2.1 ‘General information on related parties’ for more information.

Other financial receivables amounting to KEUR 2,986 (2017: KEUR 3,625) consist mainly of reinsurance claims for pensions that do not qualify as plan assets as well as rent deposits.

Other assets amounting to KEUR 16,370 (2017: KEUR 17,485) mainly include advance payments, VAT receivables, and creditors with debit balances.

Prepaid expenses amounting to KEUR 8,348 (2017: KEUR 6,163) mainly consist of payments in connection with maintenance contracts, insurance policies, and rents.

Assets held for sale, which are shown in the balance sheet, amounted to KEUR 255 (2017: KEUR 607). As of 31 December 2017, this item mainly included non-current assets relating to the increase in the shareholding of Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich, which were sold at the beginning 2018.

D.14 Equity

The share capital of KEUR 127,556 includes 127,556,251 registered shares which was fully paid up. No treasury shares are held as of the balance sheet date.

During the first half of 2018, an amount of KEUR 407 from share-based payments was recognised in equity (first half of 2017: KEUR -).

With regard to other movements in equity as well as distributions to non-controlling interests, reference is made to Section V ‘Consolidated Statement of Changes in Equity’.

D.15 Other provisions

Other provisions recognised as of 30 June 2018 can be classified as short-term obligations amounting to KEUR 12,462 (2017: KEUR 18,626) and long-term obligations amounting to KEUR 462 (2017: KEUR 463). Other provisions mainly include provisions for additional claims arising from tax audit risks, litigation risks, and restructuring costs.

As of 30 June 2018, litigation provisions amounted to KEUR 1,061. During the first half of 2018, an amount of KEUR 1,260 was utilised for a settlement in connection with disputed claims of former business partners from gross revenue settlements.

The restructuring provision amounting to KEUR 4,830 was utilised for severance payments as of 30 June 2018 and amounts to KEUR 1,507 as of the reporting date.

Current provisions are expected to be utilised within one year. It is considered probable that the amount of the actual utilisation will correspond to the amounts provided for as of the balance sheet date.

D.16 Liabilities to banks and from Senior Secured Notes

KEUR	30 June 2018	31 December 2017
Liabilities to banks and from Senior Secured Notes-nominal values	1,362,181	1,335,767
Transaction costs	-37,803	-53,526
Accrued interest	832	13,342
Liabilities in connection with embedded derivatives	10,169	2,102
Long-term liabilities to banks and from Senior Secured Notes	**1,335,379**	**1,297,685**
Liabilities to banks and from Senior Secured Notes-nominal values	49,209	23,564
Accrued interest	7,488	17,961
Transaction costs	-1,144	-2,500
Liabilities in connection with outstanding premium interest rate caps [1]	-	4,368
Short-term liabilities to banks and from Senior Secure Notes	**55,553**	**43,393**
	1,390,932	**1,341,078**

[1] Liabilities related to outstanding option premiums were paid in cash as of 31 March 2018.

Long-term and short-term liabilities include credit facilities entered into by Tele Columbus AG under the Senior Facilities Agreement as well as from Senior Secured Notes in the amount of KEUR 1,383,916 (2017: EUR 1,328,373). Other individual loans and liabilities of subsidiaries amounting to KEUR 7,016 (2017: KEUR 12,705) are also included.

D.16.1 *Liabilities to banks under the Senior Facilities Agreement and from Senior Secured Notes*

Within the framework of the Senior Facilities Agreement the following facilities are available to the Companies of Tele Columbus AG: KEUR 707,463 (Term Loan Facility A2) as well as a facility in the amount of KEUR 50,000 for working capital purposes (Revolving Facility).

The current spread is 3.00 % p.a. plus EURIBOR for Facility A2 and 3.75 % p.a. for the Revolving Facility. The loan agreement for all facilities contains a EURIBOR-Floor of 0 %. For any undrawn amounts of the Revolving Facility a loan commitment fee of 35 % of the applicable margin is charged and due for payment on a quarterly basis. The revolving credit line was partially drawn upon for general business purposes as of the reporting date (KEUR 46,911).

There is an option between a 1-month, 3-month, or 6-month EURIBOR for the loans. As of the reporting date, the loans are based on the 6-month EURIBOR.

The Companies of Tele Columbus AG also have KEUR 650,000 available for use from the Senior Secured Notes issued in May 2018 with a coupon rate of 3.875 % p.a.

The described floors for the EURIBOR as well as the repayment options are made up of embedded derivatives (hybrids), which are subject to the duty of separation in regards to disclosure and valuation according to IFRS 9. For further information please refer to Section E.3.1 ‘Carrying amounts and net income of financial instruments’

As of the respective reporting dates, the balances including outstanding interest for the credit facilities and the Senior Secured Notes are as follows:

KEUR	**30 June 2018**	**31 December 2017**
Senior Tranche A loan (term ending on 15 October 2024)	689,802 [1)]	1,284,124 [1)]
Capex Facility / Facility B (term ending on 2 January 2020)	-	25,026
Senior Revolving Facility (term ending on 2 January 2021)	45,907 [2)]	19,223 [2)]
Senior Secured Notes (term ending on 2 Mai 2025)	648,207 [3)]	-
	1,383,916	**1,328,373**

1) Includes transaction costs of the term loans not yet compounded amounting to KEUR -22,984 (2017: KEUR -40,184) as well as embedded derivatives amounting to KEUR 1,962 (2017: KEUR 2,102) which result from the agreed floors and repayment options within the term loans.

2) Includes transaction costs not yet compounded for the Revolving Facility in the amount of KEUR -1,079 (2017: KEUR -1,915).

3) Includes transaction costs not yet compounded for Senior Secured Notes in the amount of KEUR -13,987 (2017: KEUR -) as well as embedded derivatives amounting to KEUR 8,206 (2017: KEUR -) resulting from repayment options in the terms and conditions of the loan.

In accordance with the Share and Interest Pledge Agreement from 3 May 2018, shares in associates and joint ventures are pledged as collateral for liabilities to banks and from Senior Secured Notes. Additionally, loans of the Companies of Tele Columbus AG are secured by trade receivables.

The value of the securities provided for the loans as of the respective reporting dates is shown below:

KEUR	30 June 2018	31 December 2017
Shares in affiliates	1,587,514	1,485,626
Trade receivables	4,852	10,380
	1,592,366	**1,496,006**

D.16.2 *Other liabilities to banks*

Other individual contractual loan agreements and liabilities between the subsidiaries of Tele Columbus AG and banks also exist as of the reporting date. These result in financial liabilities of KEUR 7,016 (2017: KEUR 12,705) as of 30 June 2018. The term of these loan agreements and liabilities ranges between four to eighty-nine months. Fixed interest rates ranging from 0.63 % p.a. and 4.20 % p.a. were agreed for the loans.

D.17 Trade payables, other financial liabilities, and other liabilities

Trade payables in the amount of KEUR 91,192 (2017: KEUR 95,198) primarily include liabilities related to trade payables not yet invoiced (those earned until the balance sheet date), signal delivery contracts, as well as advance payments received.

Other financial liabilities primarily include leasing obligations for the use of infrastructure facilities in the amount of KEUR 66,490 (2017: KEUR 45,552). The change compared to the previous year is mainly attributable to the current circumstances of the finance lease in Network Level 1.

Other liabilities amounting to KEUR 27,558 (2017: KEUR 27,846) mainly include customer credit balances, personnel expenses, and provisions with a liability nature.

E. Other Explanatory Notes

E.1 Contingent assets and liabilities, other financial obligations

E.1.1 *Contingent assets and liabilities*

Apart from the unrecognised guarantees described in Section E.1.3 ‘Avals’, there were no material changes for contingent assets or contingent liabilities as of 30 June 2018 compared to 31 December 2017.

E.1.2 *Purchase commitments*

Purchase commitments relating to capital and operating expenditures as of the reporting date amounted to KEUR 65,907 (2017: KEUR 72,807).

E.1.3 *Avals*

Avals totalling KEUR 7,331 (2017: KEUR 6,532) as of the balance sheet date mainly consist of rental guarantees and guarantees for license agreements. Of this amount, avals amounting to KEUR 6,927 (2017: KEUR 5,248) are not included in the Consolidated Statement of Financial Position in accordance with IFRS. As of 31 December 2017, this unrecognised amount included a legal guarantee of KEUR 371, which was offset against the related litigation provision. It was dissolved during the first quarter of 2018. The increase of KEUR 800 is mainly due to the fact that projects were won by tender for which collateral was deposited.

E.1.4 *Finance leases*

The following table shows the reconciliation between future minimum lease payments and the present value of finance lease liabilities for office and operating equipment as well as infrastructure facilities:

KEUR	30 June 2018	30 June 2017
Plant and equipment	75,567	53,632
Fixtures and fittings	-9,077	-8,080
	66,490	**45,552**

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

KEUR	30 June 2018	30 June 2017
Less than one year	16,251	11,554
Between one and five years	39,815	23,897
More than five years	19,501	18,181
	75,567	**53,632**

The maturities of liabilities under finance leases are as follows:

KEUR	30 June 2018	31. December 2017
Less than one year	14,157	9,827
Between one and five years	35,136	20,071
More than five years	17,197	15,654
	66,490	**45,552**

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

KEUR	30 June 2018	31 December 2017
Technical equipment	61,879	41,459
Furniture and office equipment	1,858	1,569
	63,737	**43,028**

Please refer to the information provided in Section IV ‘Consolidated Statement of Cash Flows’ for more information regarding the repayment of finance lease liabilities.

E.1.5 *Operating lease agreements and other financial obligations*

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

KEUR	30 June 2018	31 December 2017
Less than one year	20.475	24.966
Between one and five years	39.834	47.969
More than five years	22.837	24.335
	83.146	**97.270**

The change in minimum lease payments from operating leases as of 30 June 2018 compared to minimum lease payments from operating leases as of 31 December 2017 is primarily due to the maturation and expiration of contracts, particularly in the area of service and rental agreements.

In the first half of 2018, expenses from operating leases and other financial obligations totalled KEUR 12,737 (first half 2017: KEUR 11,652).

The total future minimum lease payments from operating and finance leases therefore amount to KEUR 158,713 for the first half of 2018 (first half of 2017: KEUR 118,486).

E.2 Related-party disclosures

E.2.1 *General information on related parties*

There were no material changes in relationships with related parties for the reporting period compared to 31 December 2017. For further information, please refer to Section E.2.2 ‘Disclosures on management compensation’.

E.2.2 *Disclosures on management compensation*

On 1 January 2018, Timm Degenhardt took over as CEO, officially replacing Ronny Verhelst. There were no other changes in the composition of the Board of Management of Tele Columbus AG in the current reporting period compared with the end of 2017.

Board of Management remuneration recorded as personnel expenses in 2018 amounts to KEUR 1,941 in the reporting period (first half of 2017: KEUR 1,043). This amount includes share-based payments of KEUR 162 (first half of 2017: KEUR 120).

Expenses of KEUR 989 (first half of 2017: KEUR -) were recognised as expenses incurred in the termination of key management contracts.

Supervisory Board renumeration amounted to KEUR 206 (first half of 2017: KEUR 410).

Consulting expenses (in the context of competition regulations) amount to KEUR 156 (first half of 2017: KEUR -).

Besides remuneration, there were no other transactions regarding the provision of other services or the granting of loans between the Companies of Tele Columbus AG, the Board of Management and the Supervisory Board, or any close family members of both boards. This applies to both the current reporting period and the comparative period.

E.3 Financial instruments and risk management

E.3.1 *Carrying amounts and net income of financial instruments*

The following table shows the carrying amounts of financial instruments presented under specific items of the Consolidated Statement of Financial Position in accordance with the classification laid out in IFRS 9:

Financial assets / liabilities

KEUR	Re-ference	Measurement category IAS 39	Measurement category IFRS 9	30 Jun 2018	31 Dec 2017
Financial assets					
Derivative Financial Assets		At Fair Value through profit or loss	At Fair Value through profit or loss	8,059	1,521
Receivables from related parties		Loans and receivables	Financial assets measured at amortised cost	2	12
Trade receivables and other financial receivables	**D.13**	Loans and receivables	Financial assets measured at amortised cost	72,195	58,433
Cash and cash equivalents		Loans and receivables	Financial assets measured at amortised cost	28,322	31,767
Financial liabilities					
Derivative Financial Liabilities		At Fair Value through profit or loss	At Fair Value through profit or loss	448	3,091
Liabilities to banks and from Senior Secure Notes	**D.16**	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	1,390,932	1,341,078
Liabilities to associates and related parties		Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	369	861
Trade payables	**D.17**	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	91,192	95,198
Other financial liabilities	**D.17**	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	6,514	3,988
Leasing liabilities	**E.1.4**	No classification [1)]	No classification[1)]	66,490	45,552

[1)] The accounting and valuation of lease liabilities is (generally) based on the provisions of IAS 17; only the rules for derecognition in IFRS 9 apply to lease liabilities.

Financial Instruments by category under IFRS 9

KEUR	30 June 2018	31 December 2017
Financial assets and liabilities at fair value through profit (+) or loss (-)	-7,611	1,570
Financial assets measured at amortised cost	100,519	90,212
Financial liabilities measured at amortised cost	1,489,007	1,441,126

Short-term financial instruments such as trade receivables and payables as well as payables to related parties are recognised at amortised cost, which represents a reasonable estimate of the market value given the short maturities of the instruments.

Long-term financial instruments are recognised at their present value.

For loans and the Senior Secured Notes, amortised cost does not correspond to fair value since the interest rates for these liabilities are first adjusted to the respective current market rates including a difference in timing. Also in the case of lease liabilities, the carrying amount does not correspond to the fair value as there is no regular adjustment to current market conditions.

The fair value of the Senior Term Loan A and the Senior Secured Note (valuation level 2) amounts to KEUR 1,307,276 (2017: KEUR 1,301,909). For the remaining liabilities to banks, it is assumed that amortised cost approximates fair value. The fair value of the leasing liabilities (valuation level 3) amounts to KEUR 64,216 (2017: KEUR 45,383).

The carrying amount of derivative financial assets recognised at fair value through profit or loss consists of two interest rate caps belonging to Tele Columbus AG as well as embedded calls in the Senior Secured Notes and Senior Tranche A. The fair value of the instruments is determined based on an option price model (market comparison procedure) taking into account input factors and parameters that are directly or indirectly observable on an active market (Level 2).

Derivative financial assets

	Reference amount KEUR	Fair value as of 30 Jun 2018 KEUR	Fixed-rate interest	Final maturity
Embedded call in Senior Secured Notes	650,000	7,542	3.88%	02.05.2025
Interest rate cap 1	550,000	259	0.75%	31.12.2020
Interest rate cap 2	550,000	259	0.75%	31.12.2020

For further details, please refer to Section D.16 ‘ Liabilities to banks and from Senior Secured Notes’.

Interest rate caps 1 and 2, which are classified as held for trading according to IFRS 9, hedge the risk of increased interest payments of variable-rate instruments. These financial instruments cover the major interest risks of the Companies of Tele Columbus AG resulting from interest bearing liabilities, but do not qualify for the classification of hedge accounting according to IFRS.

Senior Tranche A contains termination rights with a floor and the Senior Secured Note termination rights are without a floor. Both instruments meet the requirements for separable embedded derivatives according to IFRS and are recognised at fair value through profit or loss.

The following table shows the development of liabilities resulting from the credit facilities and Senior Secured Notes and their associated derivatives.

Derivative financial liabilities

KEUR	Senior Tranche A	Capex Facility	Senior Secured Notes	Total as of 30 June 2018
Nominal value as of the date of conversion as of 4 May 2018	1,305,000	25,000	-	1,330,000
Conversion	-625,000	-25,000	650,000	-
Drawn	27,463	-	-	27,463
Nominal value as of the date of conversion from 4 May 2018	707,463	-	650,000	1,357,463
Fair value of embedded derivatives financial debts as of 31 December 2017	-3,091	-	-	-3,091
Change in other financial result	2,643	-	-	2,643
Fair value of embedded derivatives financial debts as of 30 June 2018	-448	-	-	-448

As of 30 June 2018, the fair value of the embedded derivatives (valuation level 2) amounts to KEUR 7,094.

If the credit risk were to increase by 0.5 %, the fair value of the embedded derivatives would amount to KEUR -12,190.

If the credit risk were to decrease by 0.5 % basis points, the fair value of the embedded derivatives would amount to KEUR 28,331.

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

1 Jan to 30 Jun 2018

KEUR	Gain / loss through profit or loss			
Disclosed in the income statement	Interest	Impairment	Gain (+) / loss (-) from valuation	Net income (+) / loss (-)
Financial assets and liabilities at fair value through profit or loss	-	-	1,056 [2)]	1,056
Financial assets measured at amortised cost	203	-3,522	48	-3,271
Financial liabilities measured at amortised cost	-42,268	-	-	-42,268
No classification [1)]	-1,834	-	-	-1,835
Total	**-43,899**	**-3,522**	**1,104**	**-46,317**

1) The recognition and valuation of lease liabilities is (generally) based on the provisions of IAS 17; only the rules for derecognition in IFRS 9 apply to lease liabilities.

2) Change due to fair value measurement.

1 Jan to 30 Jun 2017

KEUR	Gain / loss through profit or loss			
Disclosed in the income statement	Interest	Impairment	Gain (+) / loss (-) from valuation	Net income (+) / loss (-)
Financial assets and liabilities at fair value through profit or loss	-	-	-9,553 [2)]	-9,553
Loans and receivables	416	-3,727	-	-3,311
Financial liabilities measured at amortised cost	-22,318	-	273	-22,045
No classification [1)]	-1,085	-	-	-1,085
Total	**-22,987**	**-3,727**	**-9,280**	**-35,994**

1) Leasing liabilities are not classified to a valuation category in accordance with IAS 39.2 (b). The recognition is pursuant to IAS 17.
2) Change due to fair value measurement.

The interest rate caps caused a loss due to the recognition of fair value amounting to KEUR 1,062 (first half of 2017: KEUR 5,780).

The embedded call in the Senior Secured Notes recognised as a financial asset as of 30 June 2018 led to a loss due to the recognition of fair value totalling KEUR 894 (first half of 2017: KEUR -).

E.3.2 *Risk management of financial instruments*

There are no material changes as of 30 June 2018 to the company’s risk management objectives and methods or the nature and scope of the risks resulting from financial instruments as compared with the Consolidated Financial Statements as of 31 December 2017.

E.3.2.1 Liquidity risk

Liquidity risk represents the risk that existing liquidity reserves will not be sufficient to meet one’s financial obligations on time. Liquidity risks may also arise when cash outflows are required in connection with operating business activities or investment activities. Furthermore, liquidity risks may be caused by financing activity. This would be the case if short-term cash outflows are required to repay liabilities but it is not possible to generate sufficient cash inflows from operating business activities and at the same time there are not sufficient liquid funds available for the repayment.

Liquidity projections for a specific planning horizon as well as credit facilities amounting to KEUR 50,000 for general expenses maturing on 2 January 2021 available to the Companies of Tele Columbus AG are designed to ensure a continuous supply of liquidity for operating business activities.

The revolving credit line was partially utilised for general operating purposes as of the reporting date (KEUR 46,911).

As of 30 June 2018 cash and cash equivalents amounted to KEUR 28,322 (2017: KEUR 31,767).

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

KEUR	30 June 2018	31 December 2017
Less than one year - non-derivative	49,209	27,991
Less than one year - derivative	-	-
Less than one year – interest liabilities (before effects from derivative financial instruments)	55,391	60,410
Between one and five years - non-derivative	3,552	29,309
Between one and five years - derivative	-	-
Between one and five year – interest liabilities (before effects from derivative financial instruments)	188,069	163,598
More than five years - non-derivative	1,358,629	1,306,458
More than five years - derivative	-	-
More than five year – interest liabilities (before effects from derivative financial instruments)	27,844	71,058

The financing agreement dated 3 May 2018 contains a number of conditions which, if they are not complied with, enables the lender to call in the loan. Compliance with these conditions and the capital risk to which Tele Columbus AG is subject as a stock corporation are continually monitored by the Board of Management.

In the event that said conditions are not heeded, liquidity risk amounts to KEUR 1,411,797 (2017: KEUR 1,368,370) as of the balance sheet date. The risk of not complying with these conditions and the financing rules associated with this may have a negative impact on the availability of credit and the assumption of the continuation of the Companies of Tele Columbus AG as a going concern.

Strategic measures have been introduced to comply with existing conditions and payment obligations in order to ensure the liquidity of the Companies of Tele Columbus AG over the long term, including, inter alia, group-wide cash pooling for all companies.

Furthermore, in the course of group financing a successive repayment of financial liabilities via the liquidity achieved operationally by the Companies of Tele Columbus AG is being pursued.

E.3.2.2 Interest risk

Long-term variable interest-bearing financial instruments, in which, for example, the interest rate is linked to a market interest such as EURIBOR, are exposed to a risk resulting from future cash flows. Valuation risks from fixed-interest financial instruments exist particularly as a result of the recently issued Senior Secured Notes.

In addition to monitoring the development of the market price level and actively looking for alternative refinancing options, the Board of Management of Tele Columbus AG has been able to limit the risk of change to interest rates through contractual agreements containing interest rate caps and floors as well as through existing cancellation options.

The interest risk was further reduced compared to 31 December 2017 through the issue of fixed interest Senior Secured Notes for EUR 650 million in May 2018.

The identified risks resulting from interest rate fluctuations for the Companies of Tele Columbus AG can be shown based on the following sensitivity considerations:

KEUR	1 Jan to 30 June 2018	1 Jan to 31 Dec 2017
Increase in EURIBOR by 0.5 %	-1,350	-2,310
Decrease in EURIBOR by 0.5 %	-	-

The calculation is based on the existence of variable interest-bearing liabilities as of the reporting date as well as the inclusion of the derivative financial instruments (interest rate caps and floors) multiplied by the relevant interest rate adjustment. Given that, at present, the 1, 3, and 6-month EURIBOR is less than zero, the decrease in interest expense which would result from a further reduction in the EURIBOR rates by 0.5 % refer to loans without a EURIBOR interest floor agreement.

Payment obligations resulting from trade payables, liabilities to related parties, and other financial liabilities can be seen in the Consolidated Statement of Financial Position, whereby the maturity of the long-term liabilities is between one and five years.

There were no other relevant changes to liquidity risk, interest risk, and credit risk (default risk) as of 30 June 2018.

E.4 Notes to the consolidated statement of cash flows

Cash and cash equivalents exclusively include cash and bank deposits.

In the previous year, cash and cash equivalents were not used as collateral for loans or other liabilities.

In relation to the calculation of the cash flow from financing activities, there were the following material changes to financial liabilities which were not cash effective:

- KEUR 27,710 in finance leasing (previous year: KEUR 4,926) were newly recognised.

With regard to unused credit lines, reference is made to Section E.3.2.1 ‘Liquidity risk’.

E.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. Dilutive effects such as those triggered by convertible instruments, which have to be disclosed separately in the calculation, did not exist during the reporting period or the comparative period.

Determination of the earnings per share

KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2017
Net loss for the period allocated to shareholders in KEUR	-31,259	-9,284
Weighted average of ordinary shares outstanding (in number of issues)	127,556,251	127,556,251
Undiluted result per share in EUR	-0.25	-0.07
Diluted result per share in EUR	-0.25	-0.07

E.6 Segment reporting

The Companies of the Tele Columbus AG divide their operating activities into two product segments: TV-Business as well as Internet and Telephony-Business.

Relationships within individual segments have been eliminated.

For detailed descriptions of the segments please refer to the 2017 Annual Report.

Business activities and items not directly related to the group’s reportable segments are reported under ‘other items’ for the first six months of 2018 comparable with the same interim reporting periods of 2017.

Expenses and income not allocated to operating segments are largely attributable to the central functions of the Board of Management, the legal department, personnel department, finance, and purchasing and IT. Revenues in the amount of KEUR 27,153 (first half of 2017: KEUR 29,040) not allocated to operating segments mainly relate to revenues for B2B customers and construction services. In determining the normalised EBITDA for individual segments, the following items, which are attributable to central functions, were not taken into account:

in KEUR	1 Jan to 30 Jun 2018	1 Jan to 30 Jun 2018
Revenue B2B customers / construction services	27,153	29,040
Other income	3,080	2,494
Own work capitalised	680	631
Direct costs	-17,058	-16,528
Personnel expenses	-16,583	-14,430
Other expenses	-15,188	-13,528

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

In addition, non-recurring items (for a definition of these please refer to Section E.6 ‘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 these Condensed Consolidated Interim Financial Statements in accordance with IFRS as adopted by the EU. This applies insofar as the accounting policies and definition of segments remain unchanged.

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

Explanation of the measurement variables of the segments

For the Board of Management, ‘normalised EBITDA[1)]’ is the key financial performance indicator reported separately for each operating segment within the context of monthly reporting. It is defined by the Board of Management and includes earnings before the financial result (earnings from investments in companies recognised at equity, interest income, interest expense, and other financial results), income taxes, as well as amortisation and impairment losses on intangible assets and goodwill. It is adjusted for 'non-recurring effects'. These are defined by the Board of Management as rare or extraordinary events that are not expected to recur within the next two financial years and have not already occurred in the previous two financial years. In addition to these, expenses and income from certain business transactions (which according to the definition of the Board of Management, are not directly related to the provision of services) are adjusted. This also relates to gains and losses from the sale of property,

[1)] This is a key performance indicator as defined by the Board of Management of Tele Columbus AG.

plant and equipment. Expenses and income associated with the aforementioned transactions are deducted from normalised EBITDA. With the adjustment of EBITDA, a performance indicator is determined that reflects the actual economic performance of the Companies of Tele Columbus AG on the one hand, and can be used in a sector and period comparison on the other.

Non-recurring expenses for the first half of 2018 mainly relate to integration and restructuring costs as well as the harmonisation of products across the Companies of Tele Columbus AG.

1 Jan to 30 Jun 2018

KEUR	TV	Internet & Telephony	Other	Total
Revenue	135,689	77,182	27,153	240,024
Normalised EBITDA	77,246	58,651	-17,916	117,981
Non-recurring expenses (-) /income (+)	584	-58	-25,793	-25,267
EBITDA	**77,830**	**58,593**	**-43,709**	**92,714**

1 Jan to 30 Jun 2017

KEUR	TV	Internet & Telephony	Other	Total
Revenue	139,209	77,133	29,040	245,382
Normalised EBITDA	79,279	56,562	-12,320	123,521
Non-recurring expenses (-) /income (+)	-1,268	-149	-15,288	-16,705
EBITDA	**78,011**	**56,413**	**-27,608**	**106,816**

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 so that no significant portion is attributable to one or a few external customers.

E.7 Events after the Balance Sheet Date

Changes in the Board of Management of Tele Columbus AG

On 15 July 2018, Eike Walters, previously Director of Controlling, took over the position of the new Chief Financial Officer (CFO) instating him a member of the Board of Management.

Development of the Tele Columbus AG share price

Subsequent to the balance sheet date, 30 June 2018, Tele Columbus AG's market capitalisation temporarily fell below the book value of the group's equity until the publication of this report. From Tele Columbus AG's perspective, the share price development does not reflect the fundamental situation of Tele Columbus AG in accordance with the mid to long-term forecasts, which were also included in the impairment test carried out as of 30 June 2018. The internal assessment of Tele Columbus AG is in line with the price targets of capital market analysts for Tele Columbus AG. In this respect, Tele Columbus AG has come to the conclusion that there are no indications of impairment.

Forecast adjustment for the 2018 financial year

The forecast for 2018 presented in the 2017 Annual Report, which was partially adjusted in the ad-hoc release on 15 May 2018, was partially corrected in the ad-hoc release on 28 August 2018. Reference is made to Section 4 ‘Forecast Report’ of the Interim Group Management Report.

This adjustment is a triggering event for an impairment test for goodwill in accordance with IAS 36, which is why an impairment test was performed during the first half of the year for the Condensed Consolidated Interim Financial Statements as of 30 June 2018. It did not result in any impairment of goodwill. The adjustment of the forecast was not identified as a triggering event for an impairment test of intangible assets under construction during the year.

A detailed presentation is provided in Section D.12 ‘Impairment test of goodwill’.

There were no other material events after the balance sheet date.

Responsibility statement of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting standards for interim financial reporting, we assure that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Companies of Tele Columbus AG. The interim management report also includes a fair review of the development and performance of the business as well as the current situation of the Companies of Tele Columbus AG. The opportunities and risks of the expected development of the Companies of Tele Columbus AG for the remainder of the financial year are also described.

Berlin, 4 September 2018

The Board of Management

Chief Executive Officer	Chief Financial Officer
– Timm Degenhardt –	– Eike Walters –