Annual Report 2020

Success in an unprecedented year

Tele Columbus AG

Key figures

	2020 [1]	2019	Change	Change (in %)
Consolidated Income Statement (in EUR million)				
Total revenue	479.9	499.4	−19.5	−3.9%
Core revenue	470.1	470.7	−0.6	−0.1%
Normalised EBITDA	242.1	239.5	2.6	1.1%
Normalised EBITDA-Margin (in %)	50.4%	48.0%	–	–
EBITDA	229.5	214.2	15.3	7.1%
Depreciation and amortisation [1]	354.2	184.2	170.0	92.3%
Net income	−185.8	−35.5	−150.3	n/a
Consolidated Balance Sheet (in EUR million)				
Property, plant and equipment	712.7	669.2	43.5	6.5%
Intangible assets and goodwill	1,117.5	1,273.9	−156.4	−12.3%
Cash and cash equivalents	61.9	10.1	51.8	512.9%
Balance sheet total	1,984.9	2,058.4	−73.5	−3.6%
Net debt	1,400.5	1,422.0	−21.5	−1.5%
Net debt to EBITDA (ratio)	6.3	6.1	0.2	–
Consolidated Cash Flow Statement (in EUR million)				
Cash flow from operating activities	231.6	209.4	22.2	
Cash flow from investing activities	−110.0	−155.4	45.4	
Cash flow from financing activities	−69.7	−70.1	0.4	
Net increase/decrease in cash and cash equivalents	51.9	−16.1	68.0	

[1] 2020 includes impairment amounting to EUR 149.9 million

Revenue

EUR **479.9** million

Revenue in financial year 2020 decreased by 3.9% year-on-year to EUR 479.9 million. This was mainly driven by a decrease in low-margin construction work as well as a decrease in TV revenues. Positively revenues from Internet & Telephony as well as B2B increased in 2020.

Reported EBITDA

EUR **229.5** million

Reported EBITDA increased in the financial year 2020 by 7.2% year-on-year to EUR 229.5 million. Besides more profitable B2B as well as Internet & Telephony revenues, the Company also recorded a significant decline in non-recurring costs.

	2020	2019	Change	Change (in %)
Network (in thousands)				
Homes connected	3,334	3,379	−45.0	−1.3%
Homes connected – own network – two-way upgraded	2,367	2,350	17.0	0.7%
Subscribers (in thousands)				
Unique subscribers	2,226	2,268	−42.0	−1.9%
RGUs (in thousands)				
CATV	2,137	2,218	−81.0	−3.7%
Premium-TV	541	543	−2.0	−0.4%
Internet	602	584	18.0	3.1%
Telephony	439	432	7.0	1.6%
Total RGUs	3,719	3,778	−59.0	−1.6%
RGUs per Subscriber (in units)	1.7	1.7	0.00	0.0%
ARPU (in EUR/month)				
Blended TV ARPU (per subscriber)	8.9	9.0	−0.1	−1.1%
Blended Internet & telephony ARPU (per internet RGU)	24.4	24.3	0.1	0.4%

Investments

EUR 150.1 million

Investments in financial year 2020 decreased by 7.4% year-on-year to EUR 150.1 million. This was mainly driven by a significant decline in other capex due to a higher comparable base, which included expenses for the remodeling and expansion of the Company's Berlin-based headquarter in 2019. Moreover, year-on-year capex for network infrastructure as well as IT declined slightly.

Homes Connected

3.3 million

The number of homes connected decreased slightly in financial year 2020 by 1.3% year-on-year to around 3.3 million. The net churn of homes connected amounted to 45,000.

Company profile

Tele Columbus AG is one of Germany’s leading fibre network operators. Via its brand PŸUR, the Company, offers high-speed internet including telephony and more than 250 TV channels. All of this via a digital entertainment platform that combines linear TV with video on demand entertainment. To its housing association partners the Tele Columbus Group offers tailored models of cooperation and state-of-the-art services such as telemetric and tenant portals. As a full-service partner for municipalities and regional utilities, the Company is actively supporting the fibre-based infrastructure and broadband internet expansion in Germany.

Content

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

"Our results show that we have kept our promise. Our networks ran like clockwork, even in lock-down. In a year of significant progress in digitalisation, we are ready to reap the rewards of these societal trends. Our new Fiber Champion Strategy makes us fit for the future."

Dear Shareholders, Ladies and Gentlemen,

In January, the Supervisory Board appointed Dr Daniel Ritz as Chief Executive Officer (CEO) and member of the Management Board effective as at 1 February 2020, succeeding Timm Degenhardt. It wasn't the only major change for Tele Columbus in 2020: just a few weeks into the new year, the new CEO and the entire company had to face the COVID-19 pandemic. Never before has Tele Columbus been so aware of its crucial role as an operator of critical infrastructure. The company took all the necessary measures to ensure everything continued to run smoothly, both from an operating and technical perspective, and enabled the majority of employees to work from home. Periods of lockdown due to the COVID-19 pandemic had no impact on the company's results. With revenue of EUR 480 million and EBITDA of EUR 230 million in 2020, we managed to achieve the forecast we set at the start of the year.

Networks remained stable and all of our services were available. Although network capacity utilisation had increased due to the significant number of people working from home, there were no fundamental functional restrictions whatsoever. Lockdown clearly demonstrated how important high-performing broadband infrastructure is to the economy and society as a whole.

As an expert in optical fibre supply services, Tele Columbus can work together with housing associations and use its experiences in the crisis to connect more and more properties with fibre to the building (FTTB) and overcome the reticence surrounding fibre to the home (FTTH) services.

By the summer of 2020, we had developed our brand-new three-pronged Fiber Champion Strategy with its three pillars of accelerating optical fibre expansion, increasing network capacity utilisation and strengthening long-term customer relationships. The challenge for us was to create a suitable financing framework to realise our growth plan while, at the same time, establishing a sustainable capital structure. A variety of options were reviewed and considered to achieve this strategy, particularly in the second half of the year.

Following a competitive selection process, the company was able to conclude an investment agreement with Kublai GmbH. Kublai GmbH is backed by a long-term infrastructure investor in the shape of Morgan Stanley Infrastructure Partners. The voluntary public takeover offer from Kublai GmbH at a price of EUR 3.25 per share is supported by the Tele Columbus Management Board and Supervisory Board. Morgan Stanley Infrastructure Partners and our existing anchor shareholder, United Internet, will assist Tele Columbus in the implementation of the Fiber Champion Strategy as a shareholder in Kublai GmbH.

Kublai GmbH has committed to providing up to EUR 550 million in equity to realise the Fiber Champion Strategy and reduce debt levels. Bolstered by its newly strengthened, long-term capital base, Tele Columbus will be in a position to realise its plans for fibre-optic infrastructure expansion in Germany. Tele Columbus plans to invest some EUR 2 billion in network infrastructure and optical fibre expansion in the next ten years. Some 2.4 million households are currently connected to the Tele Columbus broadband network, and there are plans to supply approximately 2 million households with gigabit-bandwidth optical fibre connections by 2030.

The Extraordinary General Meeting on 20 January 2021 resolved a capital increase with pre-emptive rights of EUR 475 million. Kublai GmbH guaranteed the capital increase in the investment agreement if the takeover offer were to prove successful. In addition, Kublai GmbH also declared its willingness to invest up to a further EUR 75 million in the implementation of the Fiber Champion Strategy following the conclusion of the transaction.

The takeover offer was accepted in mid-March 2021 and the necessary minimum acceptance threshold of 50% exceeded. The takeover is expected to be completed in the second quarter of 2021, subject to regulatory approval.

This transaction will allow Tele Columbus to accelerate its planned fibre-optic network expansion in the interests of its customers and partners, establish sustainable future prospects for the business and reinvigorate broadband competition in Germany. In addition, Tele Columbus' net debt will be significantly reduced. The successful repayment of liabilities should result in a better risk assessment of outstanding loans and bonds.

Another element of the Fiber Champion Strategy is to acquire additional wholesale partners, which will allow us to increase network capacity utilisation and secure additional funding for investments. Not only that, our residential customers and their tenants will also benefit from an even broader range of services. Tele Columbus has reached a pre-contractual agreement with 1&1 Drillisch to allow it to market its own broadband products using the Tele Columbus optical fibre network. A wholesale agreement with Telefónica Deutschland was signed back in October 2019 and is about to enter the implementation phase.

We were also able to make major progress in terms of our service commitments to partners and end customers in 2020. Numerous measures in the digitalisation and automation of customer service processes began to take effect. In the network test of industry magazine connect, PŸUR was rated "good" in all three categories. We also achieved an outstanding result in July in a customer service comparison of six leading internet providers in Germany. In the connect magazine's hotline test, PŸUR was rated "very good" overall and only narrowly finished behind first-placed Telekom. PŸUR actually significantly outperformed the market leader in terms of waiting times and availability.

The availability and quality of the service hotline and the renewed increase in customer satisfaction are proof of the sustained success of the customer-oriented technical and organisational measures. The Mein PŸUR app, the digital service portal for PŸUR customers, was used by more than 100,000 customers in April – in other words almost one in every five PŸUR customers. Customer satisfaction, measured as the Net Promoter Score (NPS), rose again in 2020.

Tele Columbus signed a cooperation agreement with mobilcom-debitel Shop GmbH, a freenet AG company, regarding the sale of internet products. Our fibre-optic internet products have been part of the range of services offered by mobilcom-debitel's 550 stores and franchise partners since February.

Tele Columbus also made further investments in network expansion and network fidelity, and particularly in future-proof optical fibre infrastructure. July saw the company put into operation an optical fibre ring that provides coverage to many key network locations in the German state of Brandenburg over a distance of 700 kilometres. Another optical fibre ring was set up in Saxony-Anhalt in October with a total length of over 377 kilometres.

The city of Halle in Saxony-Anhalt also officially received the funding for the implementation of its planned broadband expansion in July. Running until mid-2022, the Tele Columbus AG subsidiary HLkomm Telekommunikations GmbH with its PŸUR Business brand will now undertake the implementation of the fibre-optic development for areas in the city that do not yet have sufficiently fast internet access. In Borna, Saxony, we are constructing a brand-new optical fibre city network to connect up just under 4,200 homes. This investment has been made possible by the new concession agreements with Bornaer Wohnungsgenossenschaft eG (BWG), Bornaer Wohnbau- und Siedlungsgesellschaft mbH (BWS) as well as previously supplied homes of LEUWO Leuna-Wohnungsgesellschaft and further properties.

Alongside the commissioning of the newly constructed data centre in Leipzig, PŸUR Business took over operations of a further data centre in the Mahlsdorf district of Berlin at the end of 2020. This new 3,200 m² facility allows PŸUR Business to meet the high demand for high-availability data centre capacity in the German capital. This significant investment has resulted in the further expansion of data-centre operations in this business area.

Tele Columbus has always been a close and trustworthy partner to the housing industry. Through long-term contracts to supply properties with cable television and an increasingly diverse range of internet and telephony services, we have helped the real estate industry secure the value and attractiveness of their properties – as some examples from 2020 show: In March, we agreed to extend our partnership with WOGETRA eG Leipzig to encompass a further 7,000+ households. In June, the continuation of the partnership with the Chemnitzer Siedlungsgemeinschaft with 5,000 homes was agreed. Wohnungsgesellschaft Schwerin mbH signed a deal to supply multimedia services to its 10,723 homes in September. A contract to upgrade existing broadband networks for 1,500 homes was also signed with Schweriner Wohnungsbaugenossenschaft eG (SWG) at the same time. In October, Bauverein der Elbgemeinden eG extended its contracts for the supply of multimedia services to its 13,000 homes. The established partnership with the Baugenossenschaft Bergedorf-Bille eG was extended in December with around 9,500 homes.

The undoubted growth in the significance of telecommunications services in society has raised standards when it comes to the performance and quality of our networks and should give inject much-needed impetus into the expansion of optical fibre infrastructure in Germany. This, dear shareholders, means that the Tele Columbus Group requires increased investment if it is to remain competitive over the long term. We would like to thank you for the trust you have placed in us in the 2020 financial year and look forward to kicking off our Fiber Champion Strategy in 2021. Rapid expansion with state-of-the-art optical fibre networks creates sustainable infrastructure and strengthens Germany's position as an economic power.

Berlin, 31 March 2021

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

Report by the Supervisory Board

for the 2020 financial year

Dear Shareholders, Ladies and Gentlemen,

The 2020 financial year was characterised by the appointment of a new Chief Executive Officer, the development of a new corporate strategy and the search for a new investor to support the financing of the new strategy's implementation. This was added by the special challenges of the COVID-19 pandemic.

Dr Daniel Ritz was appointed as the new Chief Executive Officer of Tele Columbus AG with effect from 1 February 2020. He replaced Timm Degenhardt, who had held the position since 1 January 2018 and had stood down. Led by the new Chief Executive Officer, the Management Board worked in consultation with the Supervisory Board to develop a new strategy by the name "Fiber Champion". The strategy calls for focusing the company on network expansion at profitable locations, opening the network for third parties and involving an investor to support the financing of the network expansion. To find a suitable investor that was willing to make all shareholders a takeover offer at a fair price and on fair terms, the Management Board worked in consultation with the Supervisory Board to launch a competitive bidder process with due diligence in June 2020. The process was followed by extensive negotiations regarding the terms and conditions of a takeover offer and an investor agreement, as well as further talks with our major shareholder United Internet. On 21 December 2020, the Management Board and Supervisory Board were able to announce the signing of an investor agreement with Kublai GmbH, which also announced a takeover offer. Behind Kublai GmbH is Morgan Stanley Infrastructure Partners.

The Management Board and Supervisory Board together have successfully steered the company through the COVID- 19 pandemic and the challenges related to it.

Composition of the Supervisory Board and conflicts of interest

The composition of the Supervisory Board has remained unchanged since the election in August 2019. Due to the applicable travel and contact restrictions in connection with the COVID-19 pandemic, it often met in the form of video conferences.

As disclosed in 2019, conflicts of interest may potentially arise in the case of Supervisory Board members Michael Scheeren, Claus Beck and Hüseyin Dogan due to their membership in governing bodies at companies of the United Internet Group, a major competitor (please see the Declaration of Conformity with the German Corporate Governance Code). Before each meeting, the Supervisory Board ascertains whether conflicts of interest relating to the individual agenda items could arise. In the cases in which that could have occurred, appropriate measures were taken by the Supervisory Board. For instance, the above-mentioned Supervisory Board members excluded themselves from or abstained on resolutions with potential conflicts of interest.

The Supervisory Board is unaware of any further conflicts of interest of Management Board or Supervisory Board members in the reporting period that must be disclosed to the Supervisory Board and would have to be reported to the Annual General Meeting.

Overview of the Supervisory Board's activities

The Supervisory Board performed the duties required of it by law and the Articles of Association with the utmost care. The Management Board informed us orally and in writing of the business situation and developments, the current earnings position, the risk situation, risk management, short-term and long-term planning, investments and organisational measures. Our decisions were based on the reports and draft resolutions of the Management Board, which we examined in detail. We continuously monitored the work of the Management Board and assisted it with regard to its managerial duties, the strategic development of the company and individual key issues. In addition, the Chief Executive Officer (CEO) regularly updated the Chairman of the Supervisory Board on current developments and relevant matters at the company outside of committee meetings.

During 2020, the Supervisory Board met at seven ordinary meetings in which the Management Board reported on the situation of the company and on all important current and strategically significant matters. Furthermore, several telephone and video conferences were held, particularly in connection with filling the position of Chief Executive Officer and the investor process.

At the respective meetings, the Supervisory Board discussed in detail the challenges and progress regarding the implementation of the Fiber Champion strategy devised by the Management Board. The Supervisory Board paid particular attention to the network expansion, the negotiations with wholesale partners and the investor search. The Supervisory Board was continuously informed of the progress made on the negotiations with wholesale partners and investors.

At its regular meeting in January 2020, the Supervisory Board dealt with the onboarding of new Chief Executive Officer Dr Daniel Ritz, the target agreements for the Management Board and the corporate governance reports. The Management Board presented the compliance report and reported on the material individual risks within the scope of risk management. There were no apparent risks jeopardising the continued existence of the company. In addition, the Management Board and Supervisory Board discussed the technical preparations for opening the networks and the status of the negotiations with other wholesale partners.

At its ordinary meeting in March 2020, the Supervisory Board adopted the new rules of procedure for the Management Board, approved the guidance for 2020 as submitted by the Management Board, heard an explanation of the main parameters of the wholesale contract with Telefónica and approved the conclusion of said contract. The Supervisory Board members who are members in governing bodies at United Internet abstained from the resolutions.

At its meetings on 19 and 30 March 2020, the Supervisory Board adopted and approved the consolidated financial statements for 2019. The Supervisory Board decided to follow the recommendation of the Audit Committee and propose PricewaterhouseCoopers (PwC) as the new auditor to the Annual General Meeting. The Supervisory Board also dealt with the B2C segment and received an update on the segment's development from the Management Board, which provided an overview of the current coronavirus situation and the measures taken in this regard. Because of the coronavirus situation, which did not permit a physical meeting, the Supervisory Board decided to hold the Annual General Meeting virtually, in line with the latest legislation. A date was not scheduled for the time being, in order to retain flexibility with regard to the strategy's implementation.

At its regular meeting in May, the Supervisory Board dealt with the financial statements for the first quarter of 2020. In addition, the Management Board presented the newly developed Fiber Champion strategy, which called for the involvement of an investor to finance the investments associated with the strategy. The Supervisory Board approved the presented strategy and the engagement of corresponding advisers and bankers to implement the strategy. The Management Board also reported on the envisioned IT transformation with the aim of improving operations. In June and July, multiple informational conference calls were held to inform the Supervisory Board about the progress of the investor search.

The Half-Year Financial Report was discussed at the regular meeting on 7 August 2020. The Supervisory Board also approved taking out a new revolving line of credit. The Management Board provided an update on the search for an investor.

In September and October, the Management Board and Supervisory Board continued to discuss the investor search and the status of the negotiations.

Based on the Executive Committee's recommendation, Supervisory Board dealt with the extension of the CFO's Management Board contract in October 2020 and approved the conclusion of a new contract from 1 January 2021 with a term until 14 July 2024.

At its meeting on 12 November 2020, the Supervisory Board dealt with the financial statements for the third quarter of 2020 and the conclusion of a further wholesale letter of intent. In addition, potential scenarios for the holding of the Annual General Meeting were discussed in connection with the investor project, particularly whether it would still be possible to adopt all necessary resolutions at the Annual General Meeting or whether an additional extraordinary general meeting would be necessary.

At its meeting on 3 December 2020, the Supervisory Board dealt with the budget for 2021 and adopted it, along with the revised business plan for the implementation of the Fiber Champion strategy. In addition, PwC reported on the preliminary findings of the audit of the annual financial statements. The Supervisory Board adopted the Management Board's proposal to convene the Annual General Meeting for the 2019 financial year on 30 December 2020. The conclusion of a further wholesale letter of intent was approved.

At its final meeting of the year, on 18 December 2020, the Supervisory Board approved the conclusion of an investor agreement with Kublai GmbH.

Supervisory Board committees

To ensure that tasks are performed efficiently, the Supervisory Board has set up two permanent committees (the Executive Committee and the Audit Committee).

Executive Committee

The members of the Executive Committee were Dr Volker Ruloff (Chairman), Michael Scheeren and Claus Beck.

The **Executive Committee** met three times in the 2020 financial year. Matters discussed at the meetings included filling the position of Chief Executive Officer with Dr Daniel Ritz and the new Management Board contract with Eike Walters.

Audit Committee

Michael Scheeren (Chairman), Dr Susan Hennersdorf and Hüseyin Dogan were members of the Audit Committee.

The **Audit Committee** held four meetings in the 2020 financial year. At the meetings, the Audit Committee dealt with the invitation to tender and selection of the new auditor, as well as with the quarterly and half-year financial statements, the annual financial statements for 2019 and the internal control system.

Audit of the annual and consolidated financial statements

The annual financial statements of Tele Columbus AG prepared by the Management Board in line with the rules of the German Commercial Code (HGB) and the consolidated annual financial statements as at 31 December 2019 prepared in line with Section 315e of the German Commercial Code on the basis of the International Financial Reporting Standards (IFRS), as well as the corresponding management reports, were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. An unqualified audit opinion was issued in each case. The Supervisory Board examined the documents in depth. The audit reports were submitted to all members of the Supervisory Board for this purpose. Both at the Audit Committee meeting and during the Supervisory Board meeting on 30 March 2020, the responsible auditor explained the significant findings of the audit, each of which was discussed in detail in his presence. The examination by the Audit Committee and the Supervisory Board also covered the non-financial details for Tele Columbus AG and the Group integrated in the combined management report. The auditor reported on the scope, the main focal points and the significant findings of his audit, particularly addressing the key audit matters and the audit actions performed. No material weaknesses of the internal control system and the risk management system were reported. The Management Board and the auditors in attendance answered questions from the members of the Supervisory Board to the required level of detail.

The Supervisory Board raised no objections and approved the findings of the audit of the financial statements. At this meeting, the Supervisory Board approved the annual financial statements of Tele Columbus AG prepared by the Management Board, the consolidated financial statements and the combined management report. The annual financial statements of Tele Columbus AG for the 2019 financial year are therefore adopted.

The Supervisory Board would like to thank the Management Board and all employees for their work and all they achieved in 2020.

Berlin, 30 March 2021

Dr Volker Ruloff
Chairman of the Supervisory Board

Success in an unprecedented year

Tele Columbus enjoyed a successful 2020 in spite of lockdown. Our forecasts for the financial year came to fruition and, with our Fiber Champion Strategy and the partnerships with Morgan Stanley Infrastructure and United Internet, we have embarked on a journey towards a successful future. The significance of highperformance communication networks for private households and the economy as a whole has never been clearer than in this unprecedented year. Business processes, network expansion and productivity were all secured through comprehensive protective measures and work-from-home arrangements.

Close to customers while keeping our distance

Combining social distancing with customer proximity is possible: In spite of the restrictions imposed on our local PŸUR stores and offices, service satisfaction among our customers rose further in 2020, thanks to our colleagues on the service hotline, the developers of the new and improved Mein PŸUR smartphone app and, above all, the service technicians at our subsidiary RFC. While taking all the necessary precautions, our technicians were always on hand to keep our network hubs and customer connections online.

Reliability when it matters

With millions working from home, attending video conferences, using more streaming services, online learning and spending more time gaming online, March saw data volume on Tele Columbus networks rise sharply by more than 25%. Tele Columbus was able to meet this increased demand for its services, as well as for heightened interest in higher-capacity internet connections. PŸUR connections providing 200 and 400 MBit/s have become standard for families and people working from home, as they allow the use of multiple online applications at the same time as well as bidirectional data transfer.

Fit for the future

Tele Columbus is continuously expanding its network and capacities by offering more performance in existing supply areas and increased coverage through new development projects. Local clustering, systematic FTTB/FTTH concepts across all expansion provisions and new regional and national high-speed optical fibre rings are the keys to high-performance internet supply against the backdrop of rising bandwidth demand.

Your data in safe hands

PŸUR Business in Berlin has been offering capacities in its own data centre with “TÜV IT Trusted Site Infrastructure (TSI) 4.2 Level 3 (advanced)” certification since 2020. All data remains in Germany and is therefore subject to German data protection regulations. As a result, PŸUR Business offers businesses effective data protection and high-availability, redundant fibre-optic connections in both of its data centres, in Leipzig and Berlin.

Corporate governance report

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

Pursuant to § 161 para. 1 German Stock Corporation Act ("AktG"), the Management Board and the Supervisory Board of a publicly listed stock corporation must declare every year that the recommendations of the German Corporate Governance Code ("Code") have been and are being complied with or which recommendations have not been or are not being complied with and why not. Any deviation from the recommendations of the Code must be explained in detail. The declaration of conformity is to be made permanently publicly accessible on the company's website.

Since submitting its last declaration of conformity in January 2020, Tele Columbus AG has complied with the recommendations of the German Corporate Governance Code as amended 7 February 2017 as published in the official part of the German Federal Gazette (Bundesanzeiger) on 24 April 2017 with the exception of section 5.4.2 sentence 2.

Tele Columbus AG complies with the recommendations of the German Corporate Governance Code as amended 16 December 2019 ("Code 2019") as published in the official part of the German Federal Gazette on 20 March 2020 with the exception of recommendations B.2 and B.5 (succession planning and age limit for members of the Management Board), recommendations C.10 and C.12 (independence of Supervisory Board members) and recommendations G.10 and G.14 (long-term Management Board remuneration) and will continue to comply with the recommendations with the aforementioned exceptions.

Management Board succession planning (B.2 of the Code 2019)

According to recommendation B.2 of the Code 2019, the Supervisory Board shall ensure, together with the Management Board, that there is long-term succession planning. The approach shall be described in the Corporate Governance Statement. The Supervisory Board and the Management Board ensure long-term succession planning, however, due to the dynamic executive market, the precise approach can only be specified once a new Management Board appointment is foreseeable in the near future. Given the remaining contractual terms of the current members of the Management Board (until February 2023 and July 2024 respectively), this is currently not the case.

Age limit for the Management Board (B.5 of the Code 2019)

According to recommendation B.5 of the Code 2019, an age limit shall be specified for members of the Management Board and disclosed in the Corporate Governance Statement. No such age limit has been specified because a rigid and arbitrary criterion such as this is not an appropriate way to assess the qualifications of a candidate for election to the Management Board. Management Board members should only be appointed on the basis of their knowledge, skills and relevant experience.

Independence of the Chair of the Audit Committee (C.10 of the Code 2019)

According to recommendation C.10 of the Code 2019, the Chair of the Audit Committee shall be independent from the controlling shareholder. The Chair of the Tele Columbus AG Audit Committee is Michael Scheeren, who is also a member of the Supervisory Board of United Internet AG, a controlling shareholder of Tele Columbus AG. After completion of the takeover offer from Kublai GmbH, changes in the Supervisory Board are expected to be resolved at the next Annual General Meeting. In its first meeting after the General Meeting, the Supervisory Board will also review the composition of the committees.

Independence of Supervisory Board members (C.12 of the Code 2019)

Pursuant to section 5.4.2 sentence 2 of the Code 2017 and C.12 of the Code 2019, members of the Supervisory Board shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company.

The Management Board and the Supervisory Board carefully examined whether the members selected by the shareholders' meeting on 29 August 2019 – Claus Beck, Hüseyin Dogan and Michael Scheeren – can be regarded as Supervisory Board members who are part of the governing bodies of a significant competitor of the company on the basis of their membership of governing bodies of United Internet AG and/or group companies of the United Internet Group. Although there were strong arguments against viewing United Internet AG and/or specific companies within its group, in which the aforementioned men are members of governing bodies, as significant competitors of Tele Columbus AG, in particular as the markets in which these companies and Tele Columbus AG operate are partially not identical, the Management Board and Supervisory Board of Tele Columbus AG decided to declare non-conformity with recommendation C.12 of the Code 2019 (previously section 5.4.2 sentence 2 of the Code 2017) in relation to the three men mentioned above. From the company's perspective, the Supervisory Board's work is not impeded by this in the long term because any conflicts of interest that might arise in specific circumstances can be countered through suitable measures for safeguarding the company's interests.

Long-term remuneration of the Management Board (G.10 of the Code 2019)

According to recommendation G.10 of the Code 2019, long-term incentives (LTI) shall be accessible to Management Board members only after a period of four years. The current contracts of the Management Board members deviate slightly from this recommendation. The holding periods for the long-term incentive of Dr Ritz and Mr Walters are 3 years and 3.5 years respectively and are based on total shareholder return. Furthermore, the volume of the allocated LTI was determined at a specific point in time at allocation rather than annually on the basis of the annual targets. The contract of Dr Ritz was concluded before the Code 2019 entered into force.

Change of control clause (G.14 of the Code 2019)

According to recommendation G.14 of the Code 2019, change of control clauses that commit to benefits in the case of early termination of a Management Board member's contract due to a change of control should not be agreed. Due to the particular structure of the long-term incentives and the current strategic positioning of the company, a change of control clause is in place in relation to the long-term incentives. This clause was agreed with Dr Ritz before the Code 2019 entered into force.

Berlin, 30 March 2021

For the Supervisory Board	For the Management Board
Dr Volker Ruloff Chair	**Dr Daniel Ritz** Chair

The declaration of conformity is available on the Tele Columbus AG website at **www.telecolumbus.com.**

Relevant information on Corporate Governance

Corporate governance at Tele Columbus AG is substantially but not exclusively determined by the provisions of the German Stock Corporation Act and is also geared towards the recommendations of the Code, all of which Tele Columbus AG fulfilled with the exception of those stated in the Declaration of Conformity pursuant to Section 161 (1) AktG (see 1).

Tele Columbus AG complied and complies with the recommendations of the Code. Due to the COVID-19 pandemic, however, participation in Supervisory Board meetings via telephone and video conferencing had to be expanded.

We gear our business activity towards group-wide standards that are applicable for all employees of the Group. They are fundamentally based on our three corporate values: simplicity, fairness and efficiency. We have defined the most important principles in our Code of Conduct: www.telecolumbus.com/en/investor-relations/corporate-governance/code-of-conduct/

Internal control system, risk and compliance management

The Management Board of Tele Columbus AG has implemented organisational measures in order to establish an internal control system and meet its obligations responsibly and transparently. In addition to a compliance management system (CMS) and risk management, this also includes establishment of a capital market office dedicated to capital market compliance issues.

Tele Columbus AG has an internal control system geared towards the specific requirements of the company that is aimed at ensuring regularity of internal and external accounting processes and the economic efficiency of the company's business operations, as well as compliance with relevant legal regulations and internal guidelines. These control processes also include the evaluation of potential risks that could affect the company's business operations and financial stability. Market developments, changes to the legal provisions relevant to us and changes to the accounting principles are continuously monitored, analysed and assessed with regard to potential impacts on the company's business operations and financial position. Corresponding risk management and minimisation measures are developed and applied. A final assessment of the risks is performed by the Risk Committee.

Appropriate structures and processes are specified for the accounting process of Tele Columbus AG within the scope of the internal control and risk management system. Along with defined control mechanisms, the pillars include system-based and manual coordination processes, clear separation of functions and strict adherence to the principle of dual control, as well as guidelines and work instructions.

The Supervisory Board and, in particular, the Audit Committee of the Supervisory Board, are briefed on material business risks, as well as processes set up in the context of the internal control system, and they are convinced of the efficiency of the latter.

Furthermore, Tele Columbus AG has introduced a comprehensive compliance management system (CMS). The compliance management system gives employees clear guidelines for ethical, value-oriented and legally compliant business operations. The aim is to familiarise all employees with the relevant laws, regulations and internal guidelines. The compliance management system is intended to ensure the integrity of business transactions, and therefore the prevention of dishonest payments and anti-competitive and discriminating conduct, as well as data protection. The full Code of Conduct is accessible to the public on Tele Columbus AG's website at www.telecolumbus.com/en/investor-relations/corporate-governance/code-of-conduct/.

As part of the compliance management system, the company has set up a Compliance department with a Compliance Officer. In addition, a Compliance Committee has been established, comprising employees of the Compliance, Legal, HR, Controlling, Finance and Tax departments; the Data Protection Officer; the IT Security Officer; and a representative of the Works Council. The Compliance Committee is responsible for monitoring the Compliance department and investigating and rectifying any compliance breaches. The Compliance department reports to the Compliance Committee and the Management Board on general compliance issues and any compliance breaches on a regular and ad-hoc basis. The Compliance department is also responsible for initiating investigations into potential compliance breaches. All Tele Columbus Group employees have the opportunity to report potential compliance breaches, anonymously if they wish, via a compliance hotline supervised by an external ombudsperson. The ombudsperson reports any compliance breaches to the Compliance Officer or directly to the Compliance Committee, the Management Board or the Supervisory Board.

The compliance management system and its application are regularly monitored and continuously enhanced by the company.

Accounting and auditing

Tele Columbus prepares the consolidated financial statements and interim financial reports in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of Tele Columbus AG are prepared in line with the accounting regulations of the German Commercial Code (HGB). The consolidated financial statements and the annual financial statements of Tele Columbus AG are audited by an auditor; the half-year financial report is subject to an audit review. The consolidated financial statements and group management report must be made publicly accessible on the company's website within 90 days of the end of financial year in question; quarterly releases must be made publicly accessible on the company's website within 45 days of the end of the reporting period in question. Based on the recommendation of the Audit Committee, the Supervisory Board submits to the Annual General Meeting a recommendation for the appointment of the auditor of the annual financial statements, the consolidated financial statements and the audit review of interim financial reports.

The Audit Committee decided in January 2020 to invite tenders for the audit of the Tele Columbus annual financial statements. The selection process took place in compliance with the provisions of Article 16 of the EU Audit Regulation. The Audit Committee states that the recommendation is free of undue influence by third parties and that its selection options were not subject to any restrictive clauses as per Article 16(6) of the EU Audit Regulation. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has declared to the Supervisory Board that no business, financial, personal or other relationships exist between it, its executive bodies and audit managers – or between the company and the members of its executive bodies – that could justify doubts regarding its independence.

The Annual General Meeting on 30 December 2020 appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, as the auditor of the annual financial statements, the consolidated financial statements and the audit review of interim financial reports for the 2020 financial year, as well as interim financial reports for the 2021 financial year for the period preceding the next Annual General Meeting in the 2021 financial year. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft will audit the annual and consolidated financial statements of Tele Columbus AG for the first time for the 2020 financial year.

The Audit Committee has obliged the auditor to immediately inform the Chairman of the committee of all potential reasons for disqualification or bias occurring during the audit or audit review and of all material findings and events for the tasks of the Supervisory Board, with a particular focus on suspected irregularities in accounting. Furthermore, the Audit Committee has obliged the auditor to inform it and make a remark in its audit report if it obtains findings while conducting the audit that indicate any errors or inaccuracies in the Declaration of Conformity with the German Corporate Governance Code by the Management Board and Supervisory Board.

Prevention of conflicts of interest

Conflicts of interest of executive bodies and other decision-makers at the company or major shareholders contravene the principles of sound corporate governance and are harmful to the company. Tele Columbus AG and its executive bodies therefore adhere strictly to the recommendations of the Code in this regard. The employees of Tele Columbus AG and its associated companies are also sensitised to the problem of conflicts of interest and must comply with binding rules of conduct in the event of actual or potential conflicts of interest. (For further details see 3.2)

Composition and procedures of the Management Board

Tele Columbus AG is required by the German Stock Corporation Act to have a dual management system that provides for strict personal and functional separation between the Management Board (executive body) and the Supervisory Board (oversight body). The Management Board is obliged to manage the company at its own responsibility, whereas the Supervisory Board monitors the Management Board.

Pursuant to the Tele Columbus AG Articles of Association, the Management Board consists of at least two members. The number of Management Board members is determined by the Supervisory Board. In 2020, the Management Board temporarily consisted of three members: Chief Executive Officer Dr Daniel Ritz, Timm Degenhardt and Eike Walters. Mr Degenhardt stood down as Chief Executive Officer with effect from 31 January 2020 and left the Management Board on 31 March 2020. Dr Daniel Ritz was named a member of the Management Board and Chief Executive Officer on 1 February 2020.

Information about the responsibilities of the Management Board members and their CVs are available online at **www.telecolumbus.com/en/about-us/management-board/**

The Management Board runs the company with the aim of sustainable value creation under its own responsibility and in the company's interest (i.e. taking into account the concerns of shareholders, employees and other groups associated with the company). Further details are set out primarily in the rules of procedure of the Management Board, which are adopted by the Supervisory Board. The Management Board develops the enterprise strategy, coordinates it regularly with the Supervisory Board and ensures its implementation. The Chief Executive Officer is responsible for coordinating all portfolios of the Management Board. He is in regular dialogue with the Chairman of the Supervisory Board and represents the Management Board and the company in public.

The distribution of tasks between the two current members of the Management Board stems from the allocation plan. Each Management Board member manages the portfolio assigned to them under their own responsibility and must always bear the common good of the company in mind. Regardless of this, the members of the Management Board bear joint overall responsibility for management of the company and its subsidiaries. Decisions on the company's strategy, key aspects of business policy and all matters that affect multiple divisions or are of fundamental importance to the company and/or its Group companies therefore remain the preserve of the entire Management Board. Particularly important transactions and measures also require the prior consent of the Supervisory Board. Meetings of the entire Management Board are held as required, or at least every two weeks, and are chaired by the Chief Executive Officer.

At the instruction of the Chief Executive Officer, Management Board resolutions can also be passed outside of meetings, in particular in writing, by fax or by e-mail.

The Management Board reports to the Supervisory Board on the progress of the company's business on a regular basis, at least once a quarter. Furthermore, transactions that may be of great significance to the profitability or liquidity of the company must be reported to the Supervisory Board in sufficient time to allow the Supervisory Board to issue an opinion before the transaction is carried out. Finally, important events as defined by Section 90 (1) sentence 3 AktG must be reported to the Chairman of the Supervisory Board.

Composition and procedures of the Supervisory Board and its committees

Pursuant to the Articles of Association, the Supervisory Board of Tele Columbus AG consists of six members. The members of the Supervisory Board are elected by simple majority at the company's Annual General Meeting. Tele Columbus AG is not subject to the German Co-determination Act or the German One-Third Participation Act. The CVs and other mandates of the individual Supervisory Board members are available online at **www.telecolumbus.com/en/about-us/supervisory-board/**.

The Supervisory Board is composed in such a manner that its members as a whole are familiar with the market in which the company operates and possess the knowledge, skills and professional experience required to properly perform their duties. The Supervisory Board regularly reviews the effectiveness of the work performed by the Supervisory Board and its committees.

The members of the Supervisory Board are responsible for participating in the required training and continuing education measures on matters such as corporate governance, changes in legal conditions, new products and innovative technologies with the support of the company. New members of the Supervisory Board are informed about key corporate structures and processes as part of an onboarding programme and are given the opportunity to get to know individual departments and the management team.

Beyond the stipulations of the Articles of Association, the Supervisory Board has set itself rules of procedure for its activities in which the committees of the Supervisory Board are also defined. The rules of procedure are available online at **www.telecolumbus.com/en/corporate-governance-report/.**

Procedures of the Supervisory Board

According to the rules of procedure, the Chairman of the Supervisory Board coordinates the work of the Supervisory Board and collaboration with the Management Board, chairs its meetings and represents the interests of the body externally. The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chief Executive Officer, and engages in discussion with it on matters relating to strategy, planning, business development, the risk situation, risk management and the company's compliance, as well as important events that are of material significance to the assessment of the company's position, development and management. The Supervisory Board generally passes resolutions at meetings, at least two of which are held per calendar half-year. Outside of meetings, resolutions may be passed in writing, by telephone or via other comparable methods if determined in specific instances by the Chairman of the Supervisory Board or, in his absence, by his deputy. Due to the COVID-19 pandemic, multiple Supervisory Board meetings were held as video and telephone conferences in the 2020 financial year. Supervisory Board resolutions are passed by a simple majority of votes cast unless otherwise stipulated by law.

The responsibilities of the Supervisory Board include appointing and dismissing the members of the Management Board. Initial appointments should be made for no longer than three years.

The Supervisory Board defines the Management Board remuneration system, reviews it regularly and decides on the individual overall remuneration of the Management Board members on its basis. Multi-year variable remuneration components are not paid out in advance. The Supervisory Board has set quantitative caps on individual Management Board remuneration as a whole and in terms of its variable components.

In the 2016 financial year, the Supervisory Board adopted and committed itself to its own code of conduct that outlines statutory rights and obligations and sets out further rules of conduct and guidelines for special situations. Each member of the Supervisory Board must notify the Supervisory Board of conflicts of interest, particularly those that may arise as a result of an advisory role or membership in a governing body at customers, suppliers, lenders or other third parties.

In the case of Supervisory Board members Michael Scheeren, Claus Beck and Hüseyin Dogan, conflicts of interest may potentially arise due to their membership in governing bodies at companies of the United Internet Group, a major competitor (please see the Declaration of Conformity with the German Corporate Governance Code). Before each meeting, the Supervisory Board ascertains whether there could be conflicts of interest relating to the individual agenda items. A review is also performed to ascertain whether the documents made available to Supervisory Board members contain sensitive, competition-related information. If necessary, such information is redacted or withheld from the Supervisory Board members in question. In individual cases, appropriate measures were taken to prevent possible conflicts of interest. For instance, the above-mentioned Supervisory Board members excluded themselves from or abstained on resolutions with potential conflicts of interest.

There were no consultancy or other service or work contracts between members of the Supervisory Board and the company in the past financial year.

In the 2020 financial year, the Supervisory Board held six comprehensive meetings and 14 informational telephone or video conferences. Exclusive Supervisory Board meetings convened to discuss individual topics in the presence of the Management Board were also scheduled on a regular basis during the reporting period.

Supervisory Board committees

To enable the Supervisory Board to perform its tasks as well as possible, the rules of procedure of the Supervisory Board provides for two permanent committees: the Executive Committee and the Audit Committee.

EXECUTIVE COMMITTEE

The Executive Committee consists of three members. The Executive Committee prepares the meetings of the Supervisory Board and deals with ongoing matters between the meetings of the Supervisory Board. Furthermore, the Executive Committee prepares the decisions of the Supervisory Board on corporate governance, in particular by adapting the company's Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 AktG to changed situations and monitoring conformity with the Declaration of Conformity. In addition, the Executive Committee prepares the submissions for the Supervisory Board in the event of the intended appointment and removal of Management Board members and, if applicable, the appointment of a CEO. It submits to the Supervisory Board recommendations regarding the remuneration system for the Management Board and for the appropriate individual overall remuneration of each Management Board member. The Executive Committee is also responsible for passing resolutions regarding the conclusion, amendment and termination of employment, pension, severance, consultancy and other contracts with Management Board members and regarding all issues above and beyond this. In addition, the Executive Committee is responsible for passing resolutions on the granting of loans to persons as per Sections 89 and 115 AktG and for passing resolutions on approval of contracts with members of the Supervisory Board as per Section 114 AktG. The Executive Committee – with the involvement of the Management Board – should regularly consult on long-term succession planning for the Management Board.

Since 29 August 2019, Dr Volker Ruloff (Chairman), Michael Scheeren and Claus Beck have been members of the Executive Committee.

NOMINATIONS COMMITTEE

The Executive Committee performs the tasks of the Nominations Committee to be formed pursuant to D.5 of the Code 2019.

AUDIT COMMITTEE

The Audit Committee consists of three members who are elected by the Supervisory Board. One of the Audit Committee's tasks is to prepare the balance-sheet meeting of the Supervisory Board. It also deals with the monitoring of the accounting process; the effectiveness of the internal control system, risk management and the internal auditing system; the audit of the financial statement, particularly the independence of the auditor, the services additionally performed by the auditor, the placing of the audit mandate with the auditor, determination of audit focal points and the fee agreement; and compliance (unless determined to be the remit of another committee). The Audit Committee is also responsible for approving non audit-related services by the auditor, coordinates the selection process for appointment of a new auditor and proposes two candidates to the entire Supervisory Board.

Since 29 August 2019, Michael Scheeren (Chairman), Dr Susan Hennersdorf and Hüseyin Dogan have been members of the Audit Committee.

Committee Chairman Michael Scheeren possess the expertise in the field of accounting or auditing required according to Sections 100 (5), 107 (4) AktG. The requirement regarding independence from competitors under the GCGC is not met, as Michael Scheeren is also a member of the Supervisory Board of United Internet AG and multiple subsidiaries. Please refer to our Declaration of Conformity for more information.

Reporting according to Section 289f (2) no. 4 HGB

As a company listed on the stock exchange and not subject to co-determination, Tele Columbus AG is required to define specific targets for the company with regard to the percentage of women and to publish it in the management report for the financial year. The targets for the Supervisory Board and Management Board must be stipulated by the Supervisory Board as per Section 111 (5) AktG, and the targets for the lower management levels must be stipulated by the Management Board as per Section 76 (4) AktG. For attainment of the target values, the Supervisory Board and Management Board must set periods that may not exceed five years.

At the time of stipulation, none of the Management Board of Tele Columbus AG were female, and neither of the current two members are female either. The Supervisory Board was open to female candidates when filling the vacant role of Chief Executive Officer after Timm Degenhardt stood down. However, no suitable female candidates were available at the time in question. On 27 January, the Supervisory Board appointed Dr Daniel Ritz as a member of the Management Board and the new Chief Executive Officer with effect from 1 February 2020.

In the 2020 financial year, the percentage of women on the Supervisory Board was 16%, which was below the target of 25% set for the end of the attainment period on 30 June 2022. The Supervisory Board is aware how important it is for women to be appropriately represented in the management bodies of Tele Columbus AG.

By 30 June 2022, the Management Board intends to reach a target of 20% for the proportion of women at the first management level below the Management Board and 30% for the second level below it. In the 2020 financial year, the proportion of women at the first management level below the Management Board was 0%. The proportion of women at the second management level below the Management Board was 10% in the 2020 financial year. The Management Board in general sticks to its set target, however it also believes that the execute will take longer than expected. In this context and based on the currently communicated Fibre Champion Strategy the Management Board intends to reach the set quota by June 30th, 2025.

Skills profile and composition of the Management Board and Supervisory Board

In the interest of sound corporate governance, the company is keen to ensure that the composition of the Management Board and Supervisory Board is commensurate with the company's special requirements. Therefore, the composition of the Management Board and Supervisory Board should be such that its members possess the knowledge, skills and professional qualifications required to properly perform their duties.

Details on the Management Board

When appointing Management Board members, the main priorities for the Supervisory Board are the professional qualifications for the relevant Management Board portfolio, leadership qualities, past achievements and knowledge of the company and the market. In terms of diversity on the Management Board, the Supervisory Board looks out for differing, complementary profiles, differing educational and/or career backgrounds and a mixed age structure. With regard to the Management Board, the Executive Committee should – when making suggestions to the Supervisory Board – also pay attention to diversity and give due consideration to women in line with the rules of procedure of the Supervisory Board.

The aim of the above-mentioned diversity concept is to make appointments to the Management Board in such a way that the body as a whole possesses the knowledge, professional skills and qualifications required to properly perform its duties. When appointing new members of the Management Board, the Supervisory Board will shortlist candidates who qualify by virtue of strategic management experience, professional skills and qualifications and meet the above-mentioned requirements. The current line-up of the Management Board is commensurate with the diversity concept.

Information about the responsibilities of the Management Board members and their CVs are available on the Tele Columbus AG website at www.telecolumbus.com/en/about-us/management-board/

Details on the Supervisory Board

To ensure that the composition of the Supervisory Board is commensurate with the company's specific requirements and that the tasks incumbent upon the Supervisory Board are performed properly, the Supervisory Board set specific targets for its composition in a resolution passed on 12 March 2019, partly for the purpose of a diversity concept, and adopted a skills profile for the entire body as per the recommendation in Section 5.4.1 of the Code 2017 (corresponding to C.1 of the Code 2019).

Accordingly, the composition of the Supervisory Board should be such that its members meet the following expertise and diversity requirements in addition to the minimum professional qualifications for exercising a Supervisory Board mandate in line with the statutory requirements and the requirements set by a high-court ruling:

The members of the Supervisory Board should have the broadest possible range of experience, professional expertise and skills, as well as experience in dealing with political decision-makers that equips them for monitoring and advising the company. The current Supervisory Board consists of highly experienced members who have both professional expertise and extensive experience as businesspeople and executives.

The members of the Supervisory Board who are on the Audit Committee should have experience in accounting. The Chair of the Audit Committee should have specific knowledge and experience in applying accounting principles and internal control procedures or in auditing. He/she should be independent and not be a former member of the company's Management Board whose term of office ended less than two years before his/her appointment as Chair of the Audit Committee. Michael Scheeren, the Chairman of the Audit Committee, has sound expertise in accounting, finance and internal control systems thanks to his many years as the Chief Financial Officer of United Internet AG. As disclosed in the Declaration of Conformity, he is not independent as defined by the DCGC.

Each Supervisory Board member ensures that they have sufficient time available to discharge the Supervisory Board mandate. As a result, all Supervisory Board members have either no further Supervisory Board mandates or only a small number of further mandates.

To prevent potential conflicts of interest, members of the Supervisory Board must not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company. If this is nevertheless the case, corresponding measures must be taken to prevent conflicts of interest on the part of the Supervisory Board member in the interest of the company. Please refer to our Declaration of Conformity for more information. The Supervisory Board and Management Board exercise great care to counteract potential conflicts of interest. Prior to their distribution, Supervisory Board documents are subject to a legal review to ascertain whether they contain sensitive, competition-related information. If necessary, such information is removed from the documents or withheld from the Supervisory Board members in question. In the event of potential conflicts of interest, the members affected leave the meeting or do not participate in voting.

Dr Susan Hennersdorf has been a member of the Supervisory Board since February 2017. Dr Volker Ruloff was a member of the Supervisory Board from October 2017 to October 2018 and was re-elected to the Supervisory Board by the Annual General Meeting in August 2019. In addition, the Supervisory Board members Michael Scheeren, Claus Beck, Hüseyin Dogan and Stefan Rasch were each elected to the Supervisory Board for the first time in August 2019.

Usually, candidates may only be elected or appointed to the Supervisory Board if they are under 70 years of age at the time of election or appointment. In setting this age limit, the Supervisory Board has made a conscious decision against a rigid age limit and in favour of a flexible regular limit that offers the necessary flexibility to appropriately take the circumstances in each individual case into account. The 2019 Annual General Meeting made conscious use of this flexibility when electing Dr Volker Ruloff, whose age had exceeded the limit. All other members of the Supervisory Board in office during the reporting period had not exceeded the regular age limit at the time of their election.

Based on the aims of ensuring that the composition of the Supervisory Board is balanced and meets the company's requirements, the Supervisory Board has ruled by way of a skills profile that the overall body should have the following professional, practical and personal experience and skills:

- Knowledge and experience in the fields of cable networks, multimedia and telecommunications, including TV, Internet, telephony and mobile communications
- Expertise in the field of digitalisation and technology
- Experience in developing marketing and portfolio strategies
- Knowledge and experience in the fields of accounting, auditing, internal control processes and risk management
- Expertise in the fields of capital markets and finance
- Knowledge in the fields of compliance and corporate governance
- Experience in enterprise management, including the development of corporate culture and organisations
- Experience and knowledge in the fields of mergers and acquisitions
- The Supervisory Board should have a sufficient number of members who possess international experience and/or expertise, as well as experience in dealing with political decision-makers.

The Supervisory Board as a whole fulfils the aforementioned criteria.

Further details on corporate governance

Transparency through communication

Transparency is a key element of sound corporate governance. For this reason, Tele Columbus AG uses almost all available communication channels to inform existing and potential investors, journalists and interested members of the public of the business performance of Tele Columbus AG regularly and on special occasions. In particular, the website www.telecolumbus.com provides a wealth of information on the company, past business performance and future prospects. The company's key dates are published on its website in a financial calendar. All business and financial press releases, investor relations news and financial reports (in German and English) – as well as corporate presentations, reports and documents on corporate governance and enterprise management – can be viewed online. We also give interested parties the opportunity to register in order to receive company news electronically. Furthermore, our investor relations team is engaged in regular dialogue with capital market participants. When the respective quarterly and annual financial reports are issued, telephone conferences are held in which we inform investors and analysts of business developments. Regular conversations with journalists are another way in which we ensure that the public is widely informed.

Shareholders and the Annual General Meeting

Tele Columbus AG's shareholders can enforce their rights, in particular their right to information, and exercise their voting rights at the Annual General Meeting. Due to the coronavirus pandemic, the 2020 Annual General Meeting was held virtually. A total of 104 written questions were submitted, all of which were answered. They have the opportunity to exercise their voting right at the Annual General Meeting either in person or through an authorised representative of their choice, such as a duly instructed proxy nominated by the company. To help shareholders to exercise their rights, and to prepare them for the Annual General Meeting, we make the invitation, agenda, reports, documents and further information on the Annual General Meeting available on Tele Columbus AG's website (www.telecolumbus.com) under the following path: www.telecolumbus.com/en/investor-relations/. Attendance and the voting results are also published online immediately after the Annual General Meeting. This promotes the exchange of information between Tele Columbus AG and shareholders.

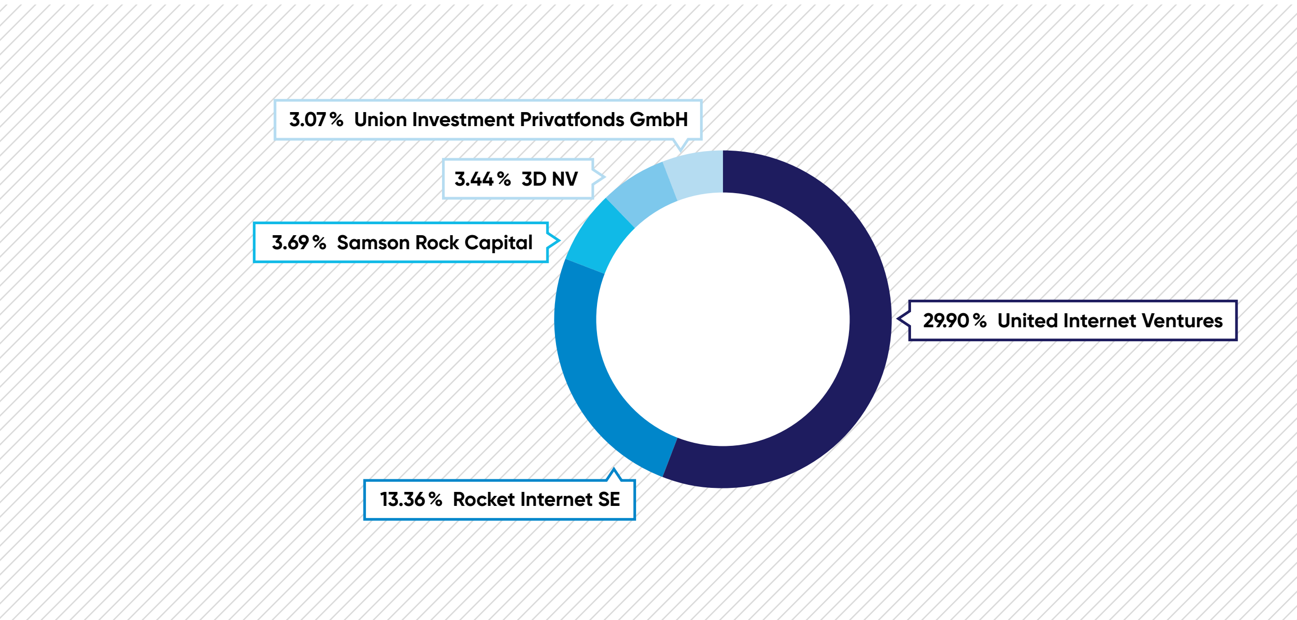
The Annual General Meeting was held as a virtual Annual General Meeting in the 2020 financial year on the basis of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 pandemic of 27 March 2020.

Investor Relations

Introduction

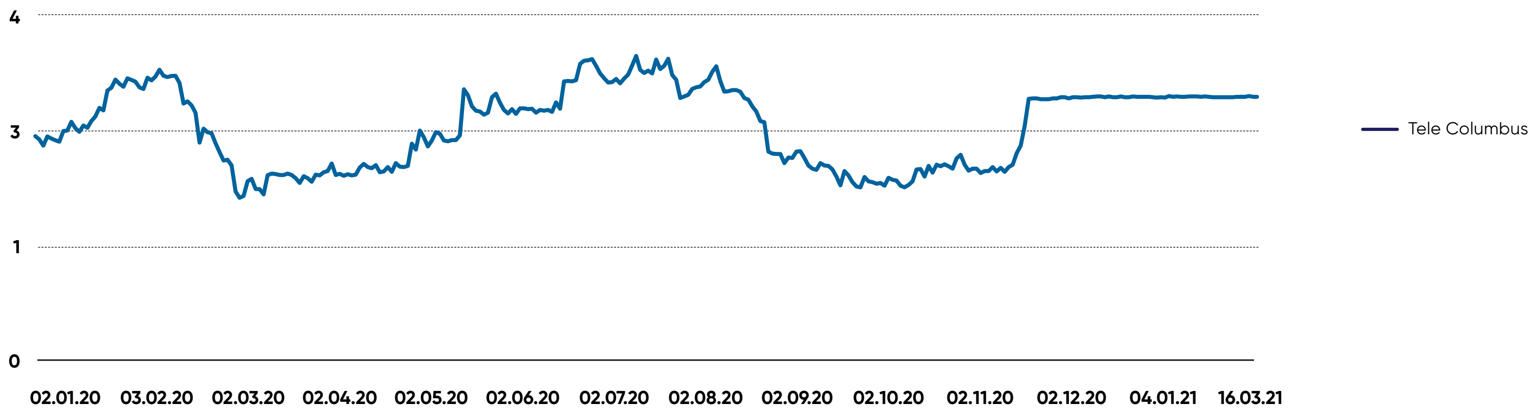
Tele Columbus AG has been listed on the Prime Segment of the German Securities Exchange in Frankfurt for more than six years. The IPO was on 23 January 2015; in November 2015 the Company successfully carried out a capital increase to acquire the two competitors PrimaCom and pepcom; as a result, the number of shares rose 125% and the IPO issue price dropped retrospectively to EUR 7.01 (from EUR 10.00).

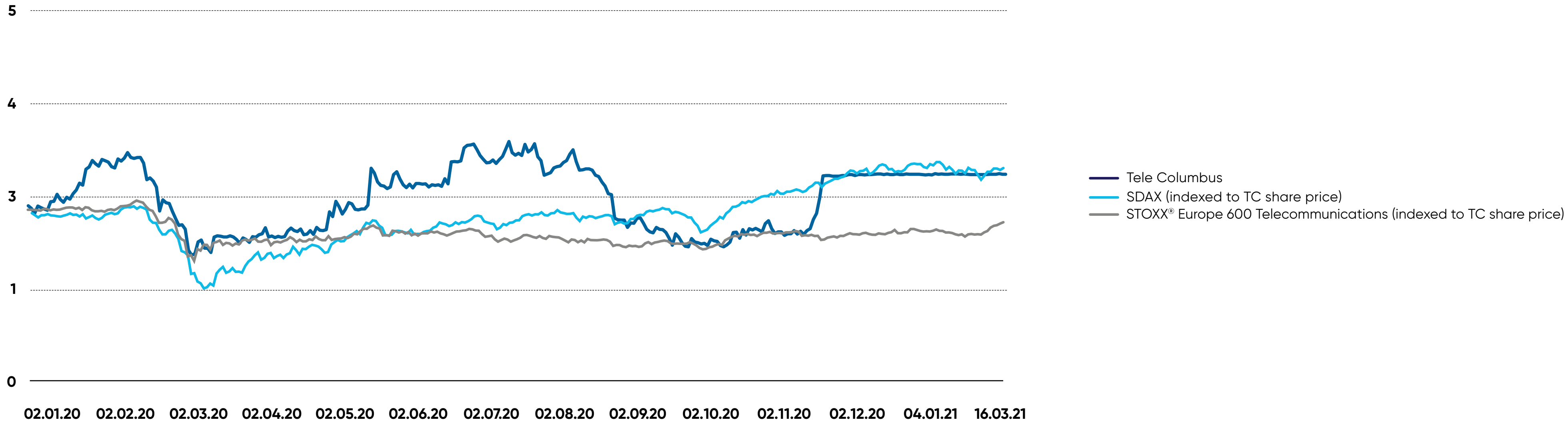
The key shareholders (as of 31 December 2020 based on securities notifications):
in %



Development of the Tele Columbus share price up to 16 March 2021:

in Euro





Communication with market participants

As a listed company, exchange with the numerous analysts and predominantly institutional investors is a key element of communication. The aim is to maintain this intensive and proactive dialogue at a high level. In financial year 2020, Tele Columbus AG kept its dialogue with institutional investors, private investors and financial analysts at a similarly high level as in the prior years. As in the prior year, the focus of activities was on individual and group discussions with institutional investors at roadshows and conferences at international financial centres in Europe. Altogether, the Company attended nine different equity and credit conferences both virtually and pyhsically in Germany and abroad in 2020. At the majority of events at least one member of the management board was present.

On the four publication dates, the 2020 quarterly figures were presented during telephone conferences with simultaneous internet coverage.

All the capital market activities in the future will also be aimed at a continuous dialogue with analysts, investors, but also other partners such as rating agencies. All the relevant data on historical business figures, information about all aspects of Tele Columbus shares, analysts' assessments, investor relations notifications, company presentations, the financial calendar and also an overview of the upcoming IR activities have been posted under Investor Relations under **www.telecolumbus.com/en/.**

As of 16 March 2021 Tele Columbus AG is analysed by five different brokers: Barclays, Goldman Sachs, Hauck & Aufhäuser, J.P. Morgan and New Street Research. As of 16 March 2021 four analysts rated the Tele Columbus share "hold" and one as "sell".

Your contacts for all issues concerning Investor Relations are: Leonhard Bayer (Senior Director Investor Relations) and Manuel Ebert (Manager Investor Relations). You can reach both of them by email at: **ir@telecolumbus.de.**

Data and facts about Tele Columbus AG shares

Type of shares	Registered shares
ISIN	DE000TCAG172
WKN	TCAG17
Bloomberg Code	TC1:GR
Reuters Code	TC1n.DE
Ticker	TC1
Industry	Telecommunication
Total number of shares	127,556,251 (post the capital increase completed in November 2015 where 70,864,584 new shares were issued)
Market segment	Regulated market (Prime Standard)
Stock exchange	Frankfurter Stock Exchange

Combined management report for the financial year ended 31 December 2020

Content

Group fundamentals

Business model of the Group

General information

As at the reporting date, Tele Columbus AG, headquartered in Berlin, had 43 directly or indirectly held operating subsidiaries, which are fully consolidated in the consolidated financial statements, as well as four other associates and two joint ventures, which are accounted for using the equity method in the consolidated financial statements.

Tele Columbus AG is the parent company of the Tele Columbus Group (hereinafter referred to as "Tele Columbus" or the "Group") and primarily operates as a holding company for the companies of Tele Columbus.

Tele Columbus is one of the leading German fibre optic network operators reaching more than three million cable-households in Germany and a comparatively high proportion of FTTB-connected households. Under the PŸUR brand, the Company offers high-speed internet access as well as more than 250 TV channels on a digital entertainment platform which combines conventional television with video entertainment on demand. With its partners in the housing sector, the Group creates customised cooperation models and advanced value-added digital network services such as telemetry and tenant portals. As a full-service-partner for municipal and regional providers, Tele Columbus is a driving force in the expansion of fibre optic infrastructure and broadband networks in selected regions in Germany. For its business customers, carrier services and corporate solutions are provided on its proprietary fibre optic networks. The Group's companies operate throughout Germany as cable operators, with an especially strong market position in the eastern part of the country. About 38% of Tele Columbus's supplied housing stocks are distributed across the remainder of Germany Overall, the Group supplies nearly 10% of all German households through existing networks.

Tele Columbus offers its customers access to TV services, fixed-network telephony and fast internet with bandwidths of up to 1 Gbit/s. The range of services covers servicing, maintenance, supply of the above products and services, customer care for connected customers and payment collection. In addition to the core business, services also include construction work for telecommunications infrastructure relating to telephone and internet business as well as individual solutions for customers in the housing industry and business customers.

Group structure

Tele Columbus AG operates as a group holding company and is the Group's ultimate management and holding company, and therefore responsible for control of the entire Group. Consequently, Tele Columbus AG in particular is responsible for the Group's strategic growth and the provision of services and financing to its affiliated companies.

Company acquisitions and mergers

In the course of the financial year there were no changes in consolidated entities from the acquisition or sale. With regard to the mergers within the consolidation scope reference is made to the information in section "Changes in the consolidated group" in the notes to the consolidated financial statements.

Main market and core business

Tele Columbus is one of the leading fibre optic network operators and has a strong regional market dominance especially in the federal states: Berlin, Brandenburg, Saxony, Saxony-Anhalt and Thuringia as well as market shares in Bavaria, North Rhine-Westphalia and Hesse.

The Group has its main sites in Berlin and Leipzig. Other locations include (amongst others) Hamburg, Chemnitz, Ratingen and Unterföhring.

Tele Columbus chiefly runs cable networks of network levels 3 and 4. Network level 3 – also known as NE3 or Level 3 – is a cable network that conveys signals from regional distribution networks to the point of transfer outside the customer's residential unit. Network level 4 – also called NE4 or Level 4 – is a cable network within a residential complex which distributes signals from the transfer point to the connection socket in the customer's residential unit. As an integrated network operator at both network levels, the Group is specialised in providing high-quality, integrated end user services from one source.

The Group purchases the required network services from third parties at locations where it has no access to its own networks.

As well as operating fibre optic networks, Tele Columbus also offers business-to-business (B2B) and construction services. B2B covers products for supplying bandwidth services and business customer connectivity to companies, products for supplying internet and telephone to business customers, as well as network monitoring and marketing of data centres. Construction services include setting up fibre optic municipal networks, connecting residential districts to its own backbone, the core network connected to the internet, as well as the upgrading and modernisation the coaxial and fibre optic infrastructure of residential buildings.

End customers of Tele Columbus are offered numerous services in the area of television and telecommunication – in particular a basic selection of cable television channels (CATV), premium TV packages (Premium TV), and internet and telephone services over a fixed network. Tele Columbus counted approximately 3.3 million connected residential units as at 31 December 2020. Of these, about 2.23 million households had purchased at least one of the products offered.

The Group generates its income mainly from connecting fees paid by end-customers for one of the CATV products. About 92% of end users are tenants in apartment blocks that are part of the portfolio held by companies or cooperatives in the housing sector or are administered by them. The Group has long-term licensing and signal supply agreements with these companies to ensure a sustainable revenue base.

The share of fees for provision of CATV connections that are passed on through a utility bill amounts to approx. 69% as of 31 December 2020 (PY: 68%).

Operating segments

Products and services of Tele Columbus are divided into the two operating segments: "TV" and "Internet and Telephony".

"TV" SEGMENT

Tele Columbus offers basic as well as premium programming in the "TV" segment. The digital entertainment platform offers more than 250 TV channels and over 60 digital radio stations combining classic TV with video on demand. The premium programmes offered contain up to 50 further digital TV channels, of which as many as 20 are broadcast in HD quality.

In the TV segment, the Group generates revenue from cable connection fees and recurring charges for service options as well as revenue from contracts with new customers and related installation services. It also collects feed-in tariffs from broadcasters for the distribution of various channels via the cable network. Tele Columbus intends to provide a common feed-in model for all broadcasters.

"INTERNET AND TELEPHONY" SEGMENT

In the "Internet and Telephony" segment, the Group combines internet and telephone services. Revenue consists of proceeds from the conclusion of new contracts and installation services as well as monthly contract and service fees.

"OTHER" SEGMENT

The summarised segment "Other" includes business activities that are not directly allocated to the two reported segments. These include, in particular, B2B and construction services. General administrative and personnel expenses are also attributable to this segment.

Objectives and strategies

Tele Columbus' strategy is to aim for sustainable and profitable revenue growth. The targets set were achieved in the reporting period, as described in Section 2.2 ("Business performance"). The initiated steps in the previous years with regard to the consolidation and repositioning of the group in the strategic core areas (network, products, customer experience, housing industry, B2B as well as organization & culture) have proven to be consistently positive and trendsetting in the financial year. The focus on these measures will therefore be continued and further operationalised through a group-wide master plan.

The target described is to be achieved by means of the following strategic measures:

- Continued and continuous expansion of cable networks and further development of the NE3/NE4 network infrastructure to a state-of-the-art fibre optic network. Tele Columbus plans extensive investments (CAPEX), also in future, to develop and upgrade its own infrastructure.
- Expansion of regional positioning as market leader in the area of high-speed internet access through a comprehensive local upgrade of the latest telecommunications standards (DOCSIS 3.1/FTTH)
- Increasing brand awareness and offering a differentiated range of products for new and existing B2C customers by means of a competitive product and campaign portfolio, which meets the individual requirements of our custom-

ers, stands out from the competition and successfully contributes to accelerating customer growth and revenue per customer.

- Special offers to existing cable TV customers for internet, telephone and premium TV to further increase the sale of additional higher-value services per TV customer (cross and upselling).
- Focus clearly on the customer by continuous improvement of customer service and digitalising processes from the customer's perspective.
- Positioning as a permanent and innovative partner for the housing sector.
- Development into a trendsetting provider for B2B solutions with a focus on the Tele Columbus network by continuously enhancing the product portfolio and providing new and existing commercial areas/customers with broadband.
- Opening and access to the Tele Columbus network for third parties (wholesale customers). This is intended to increase network utilisation and secure additional funds for investments. The housing industry customers and their tenants will also benefit from an even greater variety of offers.

We keep abreast of objectives and strategies by means of our management system and monitoring key performance indicators. In this regard, Tele Columbus assesses the success using a management system that is based on the following KPIs: Revenue, EBITDA and CAPEX.

Management system

The group is managed by the Management Board of Tele Columbus AG. It is in charge of operations and overseeing the reportable segments "TV" and "Internet and Telephony" described above. The Management Board receives and reviews internal management reports for the entire group and these segments. For the summarised non-reportable segment "Other", internal management reports are also submitted to the Management Board.

Key financial and non-financial indicators

EBITDA (earnings before finance income/costs, which comprises share of profit of equity-accounted investees, interest income, interest expenses and other finance income/costs, income taxes, amortisation/depreciation and impairment losses on assets) is the key performance indicator for the financial year 2020 that is reported separately for each operating segment.

Other than the EBITDA revenue and capital expenditures (CAPEX) represent main financial KPIs, that are used according to the figures determined under IFRS.

Contractually-bound residential units represent a key non-financial performance indicator and are calculated according to internal definitions.

CAPEX and contractually-bound residential units are used as KPIs on the basis of Tele Columbus Group's business model only on group level.

Other key financial and non-financial indicators

Besides the aforementioned key financial and non-financial performance indicators, management uses additional indicators for managing individual operating activities.

NORMALISED EBITDA

This performance indicator defined by Tele Columbus AG's management represents earnings before finance income/costs (share of profit of equity-accounted investees, interest income, interest expenses and other finance income/costs), income taxes, amortisation/depreciation and impairment losses on assets. It is also adjusted for "non-recurring items" (one-off effects) as well as for expenses and income from certain transactions, which are not directly related to the provision of services. One-off effects are defined by the Management Board as rare or extraordinary events that are not likely to recur in the following two financial years or have not occurred in the previous two financial years. An example of these are legal and advisory fees for strategic projects. Any expenses and income associated with these events are deducted from Normalised EBITDA. The adjustment of EBITDA provides a performance indicator that reflects the actual financial performance of Tele Columbus AG which can also be used for sector and period comparisons.

RGUS (REVENUE GENERATING UNITS)

RGUs (revenue generating units) are units that drive sales – i.e. all individual services purchased by a customer; each service subscribed (e.g. cable television, Premium TV, internet, telephone) is considered an RGU. The Management Board monitors the RGUs for each individual service of all segments – both for CATV and premium TV services as well as internet and telephony services.

ARPU (AVERAGE REVENUE PER USER)

Annual average ARPU is the revenue from connection fees for the year (including rebates, credit notes and installation fees) divided by the monthly total number of end customers/ RGUs during the year.

SHARE OF RESIDENTIAL UNITS LINKED WITH THE COMPANY'S OWN SIGNAL SUPPLY AND HAVING FEEDBACK CHANNEL CAPABILITY

This percentage represents the share of residential units that are linked to their own NE3/NE4-integrated networks equipped with feedback channel capability – in other words, those that allow the sale of telephone and internet services – compared with the overall number of connected households.

Another non-financial performance indicator is customer satisfaction. This is why Tele Columbus regularly measures the satisfaction of its customers with the Tele Columbus satisfaction index using NPS[1] (net promoter score).

[1] The industry standard NPS is determined as follows: Customers are asked, on a scale of 0 to 10, how likely they would recommend Tele Columbus to others. Values from 1 to 6 are considered so-called detractors, values from 9 and 10 are promoters and values 7 and 8 are neutral. To determine the NPS as a percentage, the number of detractors is then subtracted from the number of promoters. Thus, the NPS can take on values of –100 (all customers surveyed are detractors) and +100 (all customers surveyed are promoters).

Economic and financial report

Macroeconomic and industry conditions

Slump in the German economy due to the Corona pandemic

According to initial calculations by the German Federal Statistical Office [Destatis], price-adjusted gross domestic product (GDP) fell by 5.0% in 2020 compared to the prior year. This means that after a ten-year growth phase, the coronavirus crisis year of 2020 saw the German economy plunge into a deep recession comparable with the recent financial crisis of 2008/2009. The coronavirus pandemic significantly marked almost all economic sectors in 2020. Production was severely restricted in parts of both the service sector and the industrial sector. Inflation-adjusted economic output in the industrial sector excluding construction, which makes up approximately a quarter of the entire economy, decreased by 9.7% as against 2019 and in the manufacturing sector by as much as 10.4%. Primarily in the first half of the year, industry was impacted by the coronavirus pandemic due to the temporarily interrupted global supply chains, among other factors.

The economic slump was especially notable in the service sector, parts of which suffered bigger declines than ever before. One example of this is the combined trade, transport and hospitality industry, whose output (adjusted for inflation) was 6.3% lower than in 2019. And yet there were complete contrasts in development: online retail increased significantly while in-store was in some cases deeply in negative territory. The major restrictions in accommodation and the restaurant industry led to a historical decline for the hospitality industry.

One area that has stood its ground in the crisis was construction: inflation-adjusted gross value added increased in this sector by 1.4% compared to the prior year.[2)]

Industry environment

OVERVIEW

Germany currently has about 36.2 million broadband connections. This is compared to the previous year's figure an increase of 2.8%. After ADSL and VDSL, cable TV network is the second most important access technology in the German broadband market, with approximately 8.7 million connections used. Above-average growth of 3.6% was achieved in the cable TV network in 2020. Real fibre optic connections, defined as FTTB- or FTTH-connections, reported the strongest development with a year-on-year growth of 26.7% from 1.5 million to 1.9 million shared connections.[3)]

The existing cable TV networks, which were originally constructed only for transmission of broadcasting signals and consisted of coaxial cables, are increasingly being upgraded by cable TV providers by replacing these with fibre optic lines. The resulting hybrid fibre-coaxial (HFC – Hybrid Fiber Coax) networks are capable of carrying ever greater data volumes and keeping up with the demand for ever higher-performance broadband connections. DOCSIS 3.1 transmission technology already enables download speed of 1 Gbit/s.

[2)] Source: German Federal Statistical Office, 14 January 2021
[3)] Source: 22. VATM market study 2020

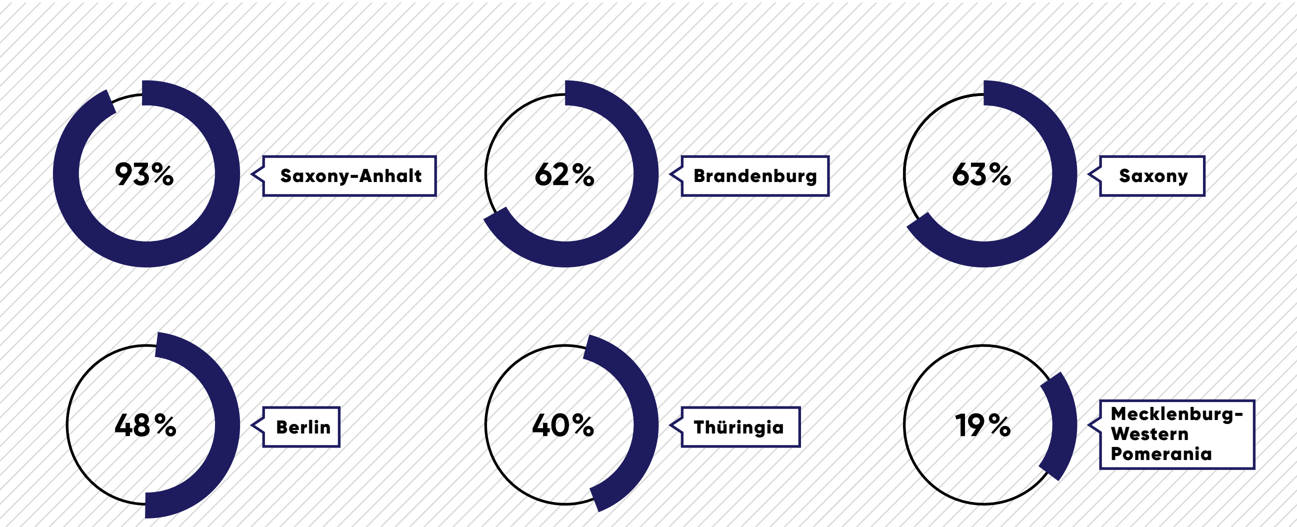
Competitors

The German cable market is divided into NE3 and NE4 network operators. Following numerous market consolidations, most of the regional NE3 networks are owned by the two large cable network operators, Vodafone and Unitymedia, which also provide their own NE4 holdings via these networks. Vodafone's acquisition of Unitymedia, announced in May 2018, was ultimately approved in July 2019, subject to conditions. Thus, the regional NE3 networks are largely in the hand of the Vodafone Group in the future.

In competition with these suppliers, the traditional NE4 operators have also built up their own independent signal supply via network level NE3 in recent years, thus creating an integrated network infrastructure. The market was very fragmented for NE4 operators for historical reasons. However, NE4 network operators have consolidated in recent years.

Compared to its competitors, Tele Columbus has a strong market position in the eastern German federal states. In Berlin, around 48% of cable households were supplied by Tele Columbus in 2020, 62% in Brandenburg, 63% in Saxony, 40% in Thuringia, and 19% in Mecklenburg-Western Pomerania. In Saxony-Anhalt there is a market share of around 93%. Thus, the total market share of Tele Columbus at cable households in these regions was around 54% in 2020. In selected east German regions, such as the major cities of Leipzig, Erfurt or Halle, Tele Columbus has a regional market leadership. In the south and in the west of Germany, the Group focuses on individual regions, especially in the federal states of Bavaria, North Rhine-Westphalia and Hesse. For example, Tele Columbus supplies many cable households in Munich and

Market share in the eastern German federal states in %



Nuremberg and so currently has a market share of 18% in Bavaria, 10% in Hesse and 11% in North Rhine-Westphalia.

The German cable market is still in a phase of consolidation. Tele Columbus actively participates in this process and expects to be able to continue to benefit from consolidation within the industry also in future.

TELEVISION

With 16.8 million cable TV households supplied, Germany is Europe's largest cable market[4]; the number of cable TV households supplied has decreased slightly since 2012. The second most important transmission route for TV services is satellite reception, which was used by almost 17.0 million households in the year under review.

[4] Digitalisation Report Video 2020

There is still a shift in user behavior from linear TV to streaming services via internet services, which means that there is a continuously growing need for fast internet access.

INTERNET AND TELEPHONY

In addition to analogue and digital TV, the demand for internet and telephone services via cable is increasing. Currently, about 8.7 million households in Germany already use their cable connection for faster internet access.

The German internet market is characterised by both rising demand for higher bandwidth as well as a still very low share of real fibre optic connections.[5]

The fixed-line telephone sector has undergone a considerable decline in prices due to the increasing supply of flat-rate products in various communication services. The competition in the fixed-line segment has grown stronger due to the emergence of resellers, alternative operators, declining mobile phone charges (and replacement by mobile communications as a result), as well as alternative access technologies and providers of other services.

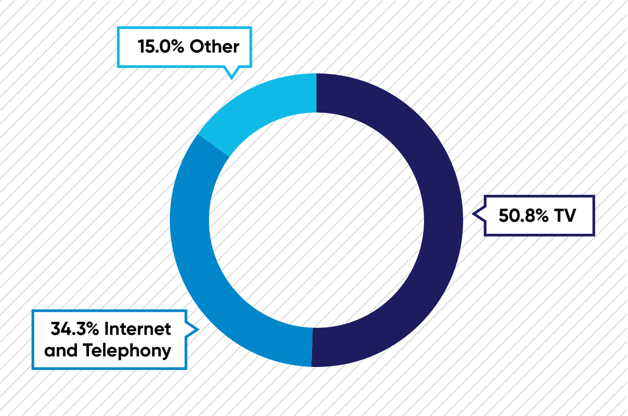
Tele Columbus was able to hold a market share of approx. 1.7% in the year under review.

GIGABIT INITIATIVE FOR GERMANY

The "Gigabit Initiative for Germany" is an initiative of the Network Alliance to roll out converged gigabit-ready networks by 2025, spearheaded by the Federal Ministry of Transport

[5] VATM market study 2020

Revenue by business segments in %



and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur – BMVI). To meet the needs of an advanced information society and to implement the transition to a gigabit society, nationwide coverage of all households with at least 50 Mbps is to be provided as an interim step. There are various government funding programmes in place in some parts of Germany for the upgrade of infrastructure. Tele Columbus will keep a vigilant eye on future technology.

Business performance

After the Group successfully implemented further initiatives for the continuous further development and optimisation of systems and processes in 2019, the focus of Tele Columbus in the 2020 financial year was on continuing the growth course, especially with regard to Internet/telephony and B2B sales as well as EBITDA, with a stable investment volume at the same time.

The main focus in the financial year 2020 was on marketing activities in the areas of TV, Internet and Telephony as well as Business Customers, which had a positive impact on the relevant performance indicators.

Although total revenues decreased by KEUR 19,492 compared to 2019 to KEUR 479,913, they are still above the forecast figure for the financial year 2020 at around EUR 5 million. The development of revenue is mainly due to a sharp decline in construction services revenues, which are not part of the Group's core business. The development of other revenues was positive overall, with a decline in the TV area being offset by significant growth in the B2B and Internet/telephony areas.

Total operating income decreased by 3.7% to KEUR 511,648 in the 2020 financial year, which can also be attributed primarily to the decline in construction services revenues.

EBITDA increased by 7.2% from KEUR 214,180 to KEUR 229,528, in particular due to the decline in special effects (especially in the area of legal and consulting costs), and is thus at the upper end of the forecast for the 2020 financial year.

Revenue growth compared to 2019 was the result of opposing effects in the various product groups:

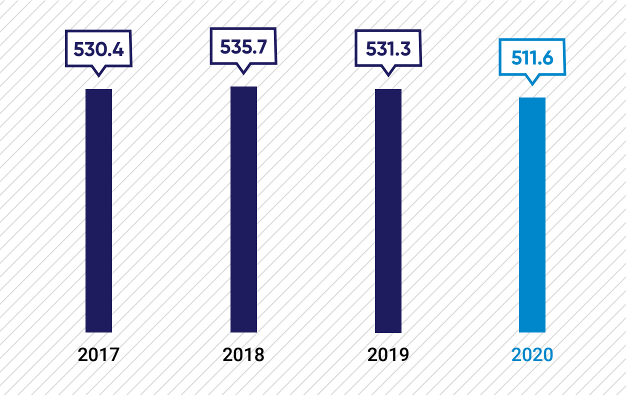
The TV segment generated revenue of KEUR 243,608 in financial year 2020 (PY: KEUR 253,487), representing 50.8% of total revenue in 2020 (PY: 50.8%).

The "Internet and Telephony" segment generated revenue of KEUR 164,418 in financial year 2020 (PY: KEUR 160,518), representing 34.3% of total revenue in 2020 (PY: 32.1%).

Other revenue, consisting mainly of the B2B and construction service business, fell by 15.8% to KEUR 71,887 (PY: KEUR 85,400) and accounted for 15.0% (PY: 17.1%) of total revenues.

The investments (Capex) incl. payments for leases made in 2020 amounted to EUR 150.1 million (31.3% of revenue) and are at the upper limit of forecast expectations. In particular,

Total operating performance in EUR million



the effects from capitalisable leases were higher than planned. An opposite effect was that due to the temporary uncertainty caused by the pandemic, those responsible reduced network investments.

In the financial year 2020, Tele Columbus succeeded in continuously increasing customer satisfaction (NPS). The NPS was plus 12 as of 31 December 2020 and has improved significantly compared to the previous year's reporting date (minus 21).

The number of residential units connected and equipped with feedback capability to NE3 increased over the prior year by approx. 16,700 to around 2,367,000 residential units. This share increased by approx. 1.5 percentage points to 71% of the total portfolio. The slight increase over the previous year is due to organic growth and targeted use of investments and, as stated in the forecast from the previous year, remains at a stable level. At the end of the reporting year, more than 90% of the networks with feedback capability connected to the Group's own signal feed were equipped with hybrid fibre-coaxial infrastructure to the internet telecommunication standards DOCSIS 3.0 or DOCSIS 3.1. This enables the provision of transmission rates of up to one gigabit per second. The number of residential units connected to the Group's cable network was about 3.3 million at the end of 2020 and therefore slightly decreased by 0.1 million compared to the prior year.

Customer Base/RGUs

	2020	2019
Customer base subscribers in million	2.23	2.27
RGUs in million	3.72	3.78
RGUs Internet and Telephony segment in million	1.04	1.02
RGUs TV segment in million	2.68	2.76
RGUs Cable TV in million	2.14	2.22
RGUs Premium TV in million	0.54	0.54
RGUs per customer	1.67	1.67

The customer base of Tele Columbus decreased slightly by 42,000 to 2.23 million subscribers compared to 31 December 2019.

The sum of the revenue-generating units (RGUs) declined for all services in the reporting year by 0.06 million to 3.72 million (PY: 3.78 million). The decrease results mainly from the decline in conventional cable TV customers impacting the overall TV segment.

There were positive developments for the Internet and Telephony business in the year under review. An increase by 3.1% from 584,000 to 602,000 RGUs was achieved for internet services. The telephony business also achieved an increase by 1.6% from 432,000 RGUs to approx. 439,000 RGUs.

The RGUs for cable TV declined by 3.6% from 2.22 million RGUs to 2.14 million RGUs. Subscribers to Premium TV products remained virtually stable due to the positive sales trend in video-on-demand (VOD) and, as in previous year, amounted to around 541,000 RGUs.

The average number of products (RGUs) per customer across all segments remain stable in financial year 2020 at 1.67.

ARPU
in EUR

	2020	2019
ARPU	17.8	18.0
ARPU TV (per TV end customer)	8.9	9.0
ARPU Internet and Telephony (per Internet RGU)	24.4	24.3

The monthly average revenue per user (ARPU) – or "annual average ARPU" – from all services was EUR 17.77 in 2020 and thus 1.6% lower than in the previous year (EUR 18.05). This is mainly due to the decline in the TV business and price adjustments in the course of contract extensions with the housing industry.

The TV ARPU for the Group as at 31 December 2020 declined to EUR 8.92 from EUR 9.01 in the previous year. This development is also attributable to ongoing competitive pressure in the fiercely contested TV business, which has an impact on prices, especially in the context of contract extensions with the housing industry.

The ARPU for bundled internet and telephone services rose to EUR 24.42 (PY: EUR 24.26). This is due to higher sales related to increased bandwidths, partially higher call revenues during the lockdown periods, and successful promotion activities in 2020.

Performance

Income situation

The following table provides an overview of the Group's financial performance.

Income situation in KEUR	2020	2019
Revenue	479,913	499,405
Own work capitalised	24,625	22,591
Other income	7,110	9,393
Total operating income	**511,648**	**531,389**
Cost of materials	−147,847	−170,945
Employee benefits	−80,437	−77,736
Other expenses	−53,836	−68,528
EBITDA	**229,528**	**214,180**
Net finance income/costs	−61,570	−66,764
Depreciation and amortisation	−354,207	−184,177
Income tax	410	1,261
Net loss	**−185,839**	**−35,501**

Revenue for financial year 2020 decreased by 3.9% year-on-year to KEUR 479,913.

Revenue from the TV segment decreased by 3.9% to KEUR 243,608 (PY: KEUR 253,487). Revenue in the Internet and Telephony segment, by contrast, rose by 2.4% from KEUR 160,518 to KEUR 164,418. Revenue for construction services decreased by KEUR 18,892 to KEUR 9,833 compared to prior year which is mainly due to the completion of infrastructure projects in the period under review.

Own work capitalised increased in the financial year by 9.0% from KEUR 22,591 to KEUR 24,625. This increase is mainly attributable to increased project volume in financial year 2020 throughout the Group.

Other income in the amount of KEUR 7,110 declined by KEUR 2,283 year on year. This change is mainly due to lower income from the reversal of provisions, reduced income from the sale of fixed assets, and reduced other income.

Total operating revenue, defined as the sum of revenue, other income and own work capitalised, declined in the reporting period by 3.7% to KEUR 511,648.

Compared with the previous year, the cost of materials declined by KEUR 23,098 to KEUR 147,847 in financial year 2020. This decline is attributable to lower costs for constructions services that decreased by KEUR 16,121 analogous to the decline of revenue for construction services. Furthermore, a decrease of expenses relating to TV signal delivery fees was recorded which is due to capitalisation effects with regard to fees for the use of foreign grids (network lease) in the context of new leasing contracts that were capitalised according to IFRS 16.

Benefits for employees of the Tele Columbus Group increased by KEUR 2,701 to KEUR 80,437. In addition to salary adjustments, the increase is mainly due to the increased number of employees.

Other expenses amounted to KEUR 53,836 in financial year 2020 (PY: KEUR 68,528). The significant reduction from KEUR 14,692 (−21.4%) mainly results from lower expenses for legal and consulting expenses, which declined by KEUR 7,410. Further significant effects are lower impairment losses on receivables and lower occupancy costs.

EBITDA amounted to KEUR 229,528 in financial year 2020 and improved by KEUR 15,348 (7.2%) compared to the previous year.

Normalised EBITDA improved slightly by 1.1% year-on-year to KEUR 242,098.

Result in KEUR	2020	2019
Normalised EBITDA	**242,096**	**239,454**
Strategic projects and optimisation measures	−7,186	−14,705
Other	−5,382	−10,569
Non-recurring expenses (−) (net)	**−12,568**	**−25,274**
EBITDA	**229,528**	**214,180**

Non-recurring expenses for strategic projects and optimization measures in financial year 2020 amounted to KEUR 7,186 (PY: KEUR 14,705). These mainly include legal and consulting expenses of KEUR 5,214 (PY: KEUR 8,307) and wages and salaries of KEUR 1,244 (PY: KEUR 2,699). Other non-recurring expenses include further personnel expenses for severance payments and the change in the Management Board, capital market costs and insurance expenses. In the previous year, this item mainly included legal and consulting fees in the amount of KEUR 6,948.

In the reporting period, the operating margin, defined as the ratio of Normalised EBITDA to revenue, increased significantly to 50.4% (PY: 47.9%). In relation to EBITDA, the margin rose to 47.8% in 2020 (PY: 42.9%).

Negative interest result increased over the prior-year period by KEUR 2,139 to KEUR 64,624. In financial year 2020 – as in the previous year – this essentially includes interest payable to third parties in the amount of KEUR 59,616 (PY: KEUR 59,683). The increase is mainly due to interest expenses relating to leases.

Positive other finance result amounted to KEUR 2,981 (PY: KEUR – 4,112) and is attributable to a positive adjustment in value of embedded derivatives of KEUR 2,851 (PY: negative adjustment in value of embedded derivatives of KEUR 5,122).

Amortisation, depreciation and impairment increased significantly to KEUR 354,207 (PY: KEUR 184,117). The increase is largely attributable to an impairment of the goodwill in the TV segment in the amount of KEUR 149,937. The impairment in the TV segment results from the management's changed assessment of the growth opportunities that can be achieved in the medium and long term and is based, among other things, on the continuing decline in the number of customers in the TV business.

In financial year 2020, income taxes resulted in an income of KEUR 410 (PY: income of KEUR 1,261). Current income tax expenses decreased by KEUR 3,165 to KEUR 4,827 which is mainly due to tax merger effects, while deferred tax income decreased by KEUR 4,017 to KEUR 5,237.

Financial year 2020 closed with a net loss of KEUR 185,839 (PY: loss of KEUR 35,501).

Earnings by segment

Operating activities are divided into two segments. In addition to these reporting segments, there is another summarised segment that contains other business activities and certain cost items.

The following table provides an overview of the sales revenue of the reporting segments in the financial years 2020 and 2019:

Revenue by segment **in KEUR**	2020	2019
Revenue TV segment	243,608	253,487
Revenue Internet and Telephony segment	164,418	160,518
Total revenue (without combined segment "Other")	**408,026**	**414,005**

Revenue from the TV segment decreased by 3.9% compared to the previous year to KEUR 243,608, which is mainly due to a decline in the cable TV RGU by approx. 81,000. Revenue in the Internet and Telephony segment increased by 2.4% year-on-year to KEUR 164,418. Compared to financial year 2019, the internet RGUs were increased by approx. 18,000. The further increase of revenue is due to higher transmission fees.

Normalised expenses of segments **in KEUR**	2020	2019
Cost of materials		
TV segment	−85,626	−94,818
Internet and Telephony segment	−23,829	−24,229
Employee benefits		
TV segment	−23,275	−22,571
Internet and Telephony segment	−23,062	−20,612
Other expenses		
TV segment	−9,364	−11,492
Internet and Telephony segment	−8,602	−9,814

The normalised expenses (excl. non-recurring expenses according to the definition of normalised EBITDA) decreased year on year.

Results in KEUR	2020	2019
Normalised EBITDA		
TV segment	140,916	139,989
Internet and Telephony segment	120,704	116,337
Non-recurring expenses (–)/income (+)		
TV segment	–1,023	–7
Internet and Telephony segment	–1,077	–47
EBITDA		
TV segment	139,983	139,981
Internet and Telephony segment	119,627	116,290

Financial situation and cash flows

CASH FLOWS

In 2020, Tele Columbus AG and its subsidiaries were able to meet its payment obligations at all times. Management reviews the Group's liquidity position at least monthly and initiates measures, should it become necessary, to forestall liquidity shortages in due time. The financial resources required for investments in network expansion, and sales and marketing of the new telephone and internet services were financed from operating activities, funded from cash and use of the Term Loan amounting to KEUR 40,000. Interest on loans and borrowings was covered through cash.

The Tele Columbus entities are currently funded mainly through a long-term loan (Term Loan Facility A2), the senior secured notes of Tele Columbus AG issued in May 2018 and a further Term Loan in the amount of KEUR 75,000 secured in October 2018. Further financing was secured by Tele Columbus AG in August 2020 with a third Term Loan in the amount of KEUR 40,000 as well as a revolving credit line of KEUR 10,000 with a term until August 2022.

The aggregated cash flows of the Tele Columbus Group for financial years 2020 and 2019 are as follows:

Cash Flow in KEUR	2020	2019
Cash Flow from operating activities	231,608	209,396
Cash Flow from investing activities	–109,988	–155,395
Cash Flow from financing activities	–69,748	–70,139
Net decrease in cash and cash equivalents	**51,872**	**–16,139**
Cash and cash equivalents at the beginning of the reporting period	10,128	26,288
Cash and cash equivalents at the end of the reporting period	**62,000**	**10,149**
minus release of restricted cash and cash equivalents	–110	–20
Free cash and cash equivalents at the end of the reporting period	**61,890**	**10,128**

CASH FLOWS FROM OPERATING ACTIVITIES

In the financial year ended 31 December 2020, net cash flows from operating activities amounted to KEUR 231,608 and were above the prior year's level by 10.6%. The increase is mainly due to a higher EBITDA in the reporting period 2020 and a positive development in working capital. Income taxes paid decreased by KEUR 7,593 to KEUR 1,327, which is mainly due to lower advance payments as a result of the mergers within the scope of consolidation.

CASH FLOWS FROM INVESTING ACTIVITIES

The cash flows from investing activities amounting to KEUR –109,988 (PY: KEUR –155,395) mainly result from investments in property, plant and equipment and intangible assets. These investments declined, compared to previous year, significantly (2020: KEUR 111,551; PY: KEUR 149,833).

The main focus of these investments is the rigorous pursuit of our corporate strategy: besides replacing third party signal suppliers with Tele Columbus's own signal feed for current subscribers, as well as expanding the existing HFC networks for marketing high speed IP services to satisfy the increasing demand for fast internet connections, the focus was on implementing uniform system and technology platforms group-wide. Furthermore, investments were made across Germany with regard to existing incurred expansion commitments to housing corporations in the course of new acquisitions or renewals of contracts. In financial year 2020, the Group invested a total of KEUR 170,307 (PY: KEUR 126,344) in technical equipment and construction in progress including non-cash additions from new leases.

The purchase commitments for investments incurred until the balance sheet date of 31 December 2020, which will result in cash outflows of about KEUR 99,173 in subsequent reporting periods (PY: KEUR 86,320), will be financed from existing cash balances and cash flows from operating activities.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities of KEUR −69,748 (PY: KEUR −70,139) consists in particular of interest payments (KEUR −54,804; PY: KEUR −54,381), repayment of lease liabilities (KEUR −35,449; PY: KEUR −23,753) and the repayment of loans (KEUR −14,379; PY: KEUR −2,072). The opposite effect is essentially the new financing through a Term Loan of KEUR 40,000. For the forthcoming financial year, Tele Columbus expects cash outflows for the repayment of leases concluded until December 31, 2020 of KEUR 29,404.

Approximately 91.0% of the financing structure of Tele Columbus Group is of a long-term nature.

The revolving facility in the amount of KEUR 10,000 was not utilised as at the reporting date.

Ownership interests in subsidiaries have been pledged as collateral for the Group's entire financing.

Asset situation

Balance Sheet items

KEUR	31 December 2020	31 December 2019
Non-current assets	1,842,508	1,953,520
Current assets	142,408	104,908
Total Assets	**1,984,916**	**2,058,428**
Equity	131,500	318,579
Non-current liabilities	1,679,818	1,566,920
Current liabilities	173,598	172,929
Total Liabilities	**1,984,916**	**2,058,428**

Compared to 31 December 2019, total assets have decreased by KEUR 73,512 to KEUR 1,984,916. The decrease is mainly due to the impairment of the goodwill, whereas a decrease in equity due to the net loss represents the opposing effect on the liabilities side. Opposing effects on the asset side are the increase in cash and cash equivalents and in property, plant and equipment and on the liabilities side increased non-current liabilities.

Property, plant and equipment rose by KEUR 43,497 to KEUR 712,663 compared to 31 December 2019. Besides investment in new projects this is mainly due to capitalisation of property, plant and equipment that was classified as lease arrangements in accordance with IFRS 16 and is capitalised accordingly. An offsetting effect resulted from depreciation and amortisation.

As of December 31, 2020, intangible assets increased by KEUR 156,477, from KEUR 1,273,939 to KEUR 1,117,462. This is mainly due to the impairment of the goodwill by KEUR 149,937 to KEUR 889,660. Another significant effect is the amortisation of customer base and software. An offsetting effect resulted from the increase in advance payments which mainly comprise the capitalisation of software acquired, e.g. "Smart Client" (CRM).

Current trade and other receivables decreased by KEUR 9,362 to KEUR 52,423 compared to 31 December 2019. The decrease in receivables is mainly driven by the decrease in trade receivables, contingent upon closing date.

The decrease in current other assets by KEUR 9,315 to KEUR 7,882 is mainly due to the decrease in prepayments, among other things for marketing campaigns. The other current assets essentially represent advance payments made.

The consolidated equity of the group amounted to KEUR 131,500 as of 31 December 2020 (PY: KEUR 318,579). The decrease substantially stems from the net loss of KEUR 185,839 generated in the financial year. In addition, dividends of KEUR 1,812 were distributed to minority shareholders.

Non-current liabilities to banks and from the bond issuance increased from KEUR 1,404,430 to KEUR 1,447,867. The increase is mainly due to the newly taken out Term Loan of KEUR 40,000.

The Group's indebtedness from interest-bearing loans respectively from the bond amounted to KEUR 1,462,400 (PY:

KEUR 1,432,175) as of 31 December 2020. This corresponds to a share of 73.7% (PY: 69.6%) of the balance sheet total.

Non-current (KEUR 139,667; PY: KEUR 86,777) and current (KEUR 29,469; PY: KEUR 22,179) lease liabilities increased significantly compared to the prior year, as the Group entered into various new leases in the reporting year. Thereby, Tele Columbus mainly leased new technical equipment (local and regional transmission lines).

As in the previous year, non-current (KEUR 45,493; PY: KEUR 20,207) and current (KEUR 10,286; PY: KEUR 5,078) other financial liabilities mainly comprise liabilities under a service concession agreement. In the reporting year, the obligations under this agreement increased as the last three sections of the infrastructure project were completed and released for use.

Deferred tax liabilities of KEUR 18,390 were recognised as at 31 December 2020 (previous year: KEUR 27,544). The decrease essentially reflects the scheduled amortisation of the customer base.

Current trade payables and other liabilities from ordinary business activities decreased by 5.3% to KEUR 71,830 as of the reporting date.

Overall evaluation

The financial position, financial performance and cash flows reflect the Group's position in 2020. Tele Columbus has sufficient liquidity and has long-term financing in place. After EBITDA returned to growth in 2019, this trend was confirmed in 2020 with a significant rise, laying the foundations for further positive business performance in subsequent years.

Tele Columbus AG – Summary according to German GAAP [HGB]

In addition to group reporting, we report separately on the performance of the parent company, Tele Columbus AG, in the following paragraphs.

Tele Columbus AG prepares financial statements in accordance with the German Commercial Code [HGB] and the German Stock Corporation Act [AktG].

Tele Columbus AG primarily operates as a holding company for the Tele Columbus Group companies and as such is dependent on the economic position as well as business performance of its subsidiaries. The company provides typical group services. Financial performance is dependent, apart from finance costs, largely on income from investments, particularly expenses and income from profit and loss transfer agreements.

At the level of the individual financial statements of Tele Columbus AG, no separate key financial or non-financial indicators were defined, which is justified by the holding function.

ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS

The revenue of KEUR 72,010 reported by Tele Columbus AG for financial year 2020 (PY: KEUR 81,437) mainly results from income from services and revenue from the sales of modems, receiver and construction material to affiliated companies. The decline is mainly attributable to a decrease in sales revenue, in particular of construction material, within the Group.

Other operating income of KEUR 56,347 was significantly below the previous year's level (KEUR 49,580). This increase was caused mainly by increased income from recharges of costs incurred to affiliated companies of KEUR 55,688 (PY: KEUR 48,523).

The operating expenses refer mainly to the Company's management and financing function. Earnings depend largely on general administrative expenses, other operating expenses and finance income/costs.

The cost of materials includes primarily expenses for modems, receivers and construction materials which were sold on by Tele Columbus AG to group entities. The decline from KEUR 27,329 to KEUR 19,933 is mainly due to lower costs for construction materials. Moreover, services received as part of sales projects are presented under cost of materials in financial year 2020.

Compared to the previous year, personnel expenses increased by KEUR 1,148 to KEUR 6,404. The increase is mainly due to costs in connection with the change in the Management Board and the higher number of employees.

Amortisation, depreciation and write-downs increased from KEUR 15,372 to KEUR 21,705, which is largely due to further purchases of IT software.

Other operating expenses of KEUR 115,463 (PY: KEUR 115,711) remained largely unchanged. The increased expenses from recharges of expenses paid to affiliated companies were largely offset by lower customer service expenses and legal and consulting expenses.

Compared to the prior year, net finance costs increased from KEUR −36,324 to KEUR −39,207 and, in line with the previous year, mainly comprise income from non-current loans extended to the subsidiaries PrimaCom and pepcom, interest expenses and income from cash pooling arrangements and interest expenses relating to external financing. The increase is mainly due to increased interest expenses in connection with external financing.

Income from profit transfers arose in the amount of KEUR 76,432 compared to KEUR 31,313 in the prior year. The increase is partly due to the positive annual earnings of pepcom GmbH of KEUR 24,915, which in the prior year was still influenced by expenses from mergers in the amount of KEUR 53,679, which led to a loss from profit and loss transfer amounting KEUR 41,583. The rise is also due to the improved earnings of Tele Columbus Multimedia GmbH, which in financial year 2020 was marked by income from mergers in the amount of KEUR 20,855.

The decrease in expenses from loss absorption from KEUR 37,142 to KEUR 2,543 is primarily attributable to the loss of pepcom GmbH included in the prior year, which generated a positive result in the financial year 2020.

Tele Columbus AG closed the financial year with a loss of KEUR 797. The loss will be carried forward.

Total assets rose slightly to KEUR 2,514,577 compared to 31 December 2019 (KEUR 2,473,249).

Under assets, the increase resulted mainly from higher financial assets and cash and cash equivalents, while under liabilities it was mainly due to increased liabilities to banks and trade payables.

The decline in intangible assets from KEUR 50,454 to KEUR 48,889 results from amortisation that was not fully offset by investments in new software solutions.

As in the prior year, receivables from affiliated companies of KEUR 493,519 arise from cash pool receivables and receivables due to services, as well as recharging and receivables from profit and loss transfer agreements.

Cash and cash equivalents increased from KEUR 2,942 to KEUR 37,295 which is mainly due to the new Term Loan of KEUR 40,000.

Tele Columbus AG‘s equity amounted to KEUR 435,683 as at 31 December 2020. The slight decline compared to 31 December 2019 results exclusively from the net loss incurred in the financial year. The equity ratio is 17.3% (PY: 17.6%).

Other provisions increased by KEUR 2,274 to KEUR 32,913. This rise is mainly due to increased provisions for outstanding invoices, which rose due to reporting date effects.

The increase in liabilities to banks in the amount of KEUR 27,270 to KEUR 833,628 essentially results from a new loan taken out. The current account credit overdraft utilised in the prior year, meanwhile, was repaid in full.

As with other provisions, trade payables increased from KEUR 10,177 to KEUR 15,203 as of the reporting date.

Liabilities to affiliated companies increased slightly year-on-year by KEUR 3,057 to KEUR 529,642. This was mainly caused by an increase in cash pool liabilities, while liabilities from profit and loss transfer agreements fell.

The financial position of Tele Columbus AG is dependent upon the financing requirements of group entities and the Company‘s own borrowing to refinance these requirements. Corporate actions carried out during the financial and previous year for the purpose of debt financing stabilised the Company‘s financial position.

Subsequent events

Please refer to the notes to the consolidated financial statements for significant events that occurred after the end of the reporting period.

Forecast

Pandemic significantly affecting the economy

The year 2020 was marked significantly by the countermeasures taken to curb the COVID-19 pandemic. Germany slipped into a shock economic recession after entire industries and business sectors were deprived of their means of existence as a result of two lockdowns. With the German Federal Government's countermeasures in the form of state aid, efforts were made to safeguard livelihoods and to boost private consumption.

Due to the steep decline in economic output in 2020, many forecasts predict a recovery in 2021. RWI – Leibniz Institute for Economic Research attributes this effect to stable foreign demand and economic policy measures. These ensure that the German economy will be less affected by the current hard lockdown at the turn of 2020/2021 than by the first one in spring 2020.

However, due to the current uncertainties – especially regarding the further course of the pandemic – the current forecasts are subject to uncertainty.

The information and telecommunications industry has weathered the pandemic and its effects comparatively well so far. The concept of critical infrastructure gained in importance for end customers too in 2020, as the working world underwent a radical shift thanks to blanket homeworking requirements. The importance of functioning internet connections as a requirement for autonomy in a job ensured stable demand and fewer terminations of existing contracts for most internet providers.

Industry forecast

In the opinion of Tele Columbus, the broadband market remains resistant to crisis. The Group's view is based on industry developments over the past year, the German Federal Government's focus on achieving broadband targets and associated initiatives, as well as the expectations of German and European competitors expressed in their respective public announcements, in particular those of Deutsche Telekom. In advanced societies, digitalisation is the main driver of progress, growth and social involvement. The COVID-19 pandemic has further accelerated this trend. The demand for high bandwidths increased again last year and will continue to increase in the future. Homeworking as a permanent future work model, applications such as ultra-HD television or virtual reality, and the Internet of Things will further drive up bandwidth requirements, having already increased by more than 25% annually in each of the past three years, according to the industry association VATM.

According to the industry association ANGA, the German cable network operators are technically well equipped for the increasing demand for broadband connections. More and more frequently, consumers demand connection speeds of more than 200 Mbps to 1,000 Mbps. Cable network operators are further expanding the DOCSIS 3.1 telecommunications standard. FTTH-infrastructure projects with and without sponsoring and greater demand from the housing industry for FTTH-modifications in their properties will ensure that more and more German residents enjoy gigabit speeds.

Germany still lags far behind in the development of a high-performance broadband network compared to other European countries, with many rural areas still being undersupplied. The German Federal Broadband Support Programme (Breitband) is however creating increased local initiatives that will ensure broadband penetration through targeted expansion of the fibre optic network. Added to this is a series of private industry initiatives, which in some cases involve international investors providing necessary funding for broadband expansion, but also new providers are coming on to the market to develop untapped areas and bring about future-proof, high-performance networks.

A reform of the German Telecommunications Act [TKG] is set to be adopted in the German Bundesrat (as last instance) in spring 2021. The details of the legislation are not yet finalised. The Management Board assumes the legislation's biggest change with economic impacts for the Group to be the abolishing of TV fee recharges to tenants ("summary collection order" [Sammelinkasso]). The effects on medium-term planning cannot be foreseen with sufficient certainty at the present time due to the various variants discussed and are consequently subject to uncertainties. In its first reading in the Bundesrat on 12 February 2021, the draft law was sent back with a request for amendment. The changes requested should turn out positive for the Group upon these variants entering into force, as one of the requests is a longer transition period for the abolishing of the recharges.

Expected development of the Group and KPIs

Tele Columbus AG uses annual, medium and long-term planning as well as intra-year forecast models. The planning approach is standardised and based on the top-down method, using the strategic assumptions of management. Final approval for annual planning is provided by the Management and the Supervisory Board. Annual planning for financial year 2021 was presented to the Supervisory Board in December 2020 and approved by that body. The forecast period described below covers one year and is supplemented by medium-term forecasts. The first revenue from wholesale with Telefónica Deutschland GmbH & Co. OHG is expected from financial year 2021 onwards.

The forecast for the relevant KPIs of Tele Columbus is fraught with uncertainty, as it is currently not possible to precisely estimate the duration and effects of the spread of the COVID-19 virus. On the one hand, the temporary closure of own shops and of specialist retailers' sales outlets due to the lockdown will reduce the number of new contracts via these channels. On the other hand, in the last year we witnessed a shift of sales volume to the online channels, but also a lower number of contracts were terminated by our existing customers. Equally, the consequences of lockdown and possible insolvencies or changes in investment policy could lead to a slump in demand for B2B solutions.

The core broadband business will be continued with high investments in network infrastructure. The increasing penetration of existing internet and telephone services and the resulting improvement in the product portfolio to include a higher proportion of high-margin products are expected to have a stabilising impact on revenue and earnings development.

Driven by a continued decline in customer numbers, a minor drop in revenue in the TV business is also expected in 2021. In the Internet and Telephony business, however, the customer growth of the prior year is expected to continue in 2021 and lead to a slight rise in revenue. This growth is based on both rising customer numbers and an increase in ARPU as a result of greater demand for higher-priced end products.

As in recent years, the B2B business – which has constantly recorded above-average growth rates in recent years – is expected to continue to contribute to growth. Growth is broadly spread across almost all business areas, e.g. data center solutions, broadband connections for B2B customers, but also increasingly security solutions and new business areas such as Smart Infoscreens. Compared with 2020, a further decline in construction revenue is expected, as the largest infrastructure project in Plön has now been completed. The decline in construction revenue will have just a marginal impact on the overall profitability of the business.

The Management Board of Tele Columbus AG expects a decline in the number of contractually-bound residential units. This is based on the restricted investment potential due to limited funds arising from high levels of debt. As a rule, conclusion of a contract with a housing industry customer is accompanied by a commitment from the network operator to invest in future-proof network infrastructure. With frequently declining average income per customer, these projects/contracts have a long-term amortisation period. With this in mind, we are focusing on increasing broadband penetration in our own network and investing in selected projects as well as in marketing, end customer sales and customer satisfaction, where the amortisation periods are shorter.

Tele Columbus continues to expand its hybrid fibre optic networks in accordance with demand and is basing this on the most up-to-date internet transmission standard DOCSIS 3.1 and the expansion of FTTH in new construction projects. In 2019 the network in Berlin was upgraded to DOCSIS 3.1, already giving approx. one million residents access to a gigabit connection. Due to the Company's limited investment potential, this has not been further rolled out. Internet connections based on the transmission standard DOCSIS 3.0 can achieve high speeds of up to 400 Mbps. All innovative media applications – from digital and high-definition television to high-speed internet and telephone, telemetry services, tenant portals and interactive services – can be made available via broadband cable. Tele Columbus not only transmits signals, it also actively works on expanding the range of programmes and developing additional services via its own product platform. As a carrier, Tele Columbus provides high performance connections and networks for business customers via its B2B and beyond.

Revenue of EUR 465–475 million is expected for financial year 2021 as a whole, as well as EBITDA of EUR 215–230 million. EBITDA will remain stable compared to the previous year, as lower operating costs than in the prior year are expected.

Investment for the expansion of a future-proof network, project-based investments due to the extension of licensing agreements, as well as the necessary capacity build-up in the network to cover rising bandwidth demands of the future, are expected to be roughly at the prior-year level. Accordingly, the Management Board expects investments of EUR 145–155 million in financial year 2021.

On 1 February 2021, Kublai GmbH published the offer document to the shareholders of Tele Columbus AG for a voluntary public takeover offer. This takeover is linked to conditions that have not yet been completely fulfilled as at the current status of the annual financial statements and the publication of this forecast. If all offer conditions are fulfilled and execution takes effect, the Company will implement a subscription right capital increase in the amount of EUR 475 million. Kublai GmbH has already announced for this case that it will commit to this capital increase.

In connection with a successful transaction, which is subject to the acceptance of the takeover offer by the existing shareholders and the approval of the German Federal Cartel Office, the Management Board expects one-time costs in the low double-digit million range.

The successful transaction is intended to support the subscription right capital increase. If the funds from the rights issue are available, the Management Board and Supervisory Board will discuss whether to invest in operating measures to accelerate growth in deviation from the approved planning. In the opinion of the Management Board, these funds would be used both to reduce debt and for investments in the operating business.

These operating investments could be used for measures in the areas of marketing, sales, human resources, and customer service measures to increase customer satisfaction and customer acquisition, which would lead to higher operating costs as early as 2021.

Risk report

Risk management system

Basic classification

For Tele Columbus, the early identification, analysis and management of potential risks is an elementary part of the Company's strategy, resulting from the recognition that, if the principles of a functioning risk management system are consistently applied, the possibility of recognising and exploiting opportunities also arises. In order to identify risks and opportunities at an early stage and to handle them consistently, Tele Columbus employs a risk management system that also includes an early detection system as provided under Section 91 (2) of the German Stock Corporation Act [AktG]. The risk management system governs the identification, recording, assessment, documentation and reporting of risks. This keeps the overall risk exposure always within tolerable limits. There are currently no identifiable significant risks to the Company's success.

The basic design of the risk management system follows the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission) as applicable since 2017. In this context, Tele Columbus pursues a comprehensive, integrative approach that combines the risk management system, internal control system and compliance management system into a single management approach (governance, risk and compliance approach). The structure of the risk management system and internal control system in accordance with the COSO Enterprise Risk Management Framework ensures that control and monitoring activities are aligned with the Company's objectives and their inherent risks.

The internal control system includes all the rules and measures, principles and procedures that have been established in order to achieve the Company's objectives. In particular, it is intended to ensure the security and efficiency of the business process, the effectiveness, efficiency and regularity of accounting and compliance with relevant legal requirements as well as reliability of financial reporting.

Further presentations on the internal control system and compliance management system are provided in the corporate governance statement pursuant to Section 289f HGB, contained in the Corporate Governance Report and can be downloaded from Tele Columbus AG's website at **www.telecolumbus.com/investor-relations** under **"Corporate Governance"**.

The Management Board is responsible for risk management, compliance management and the internal control system. The Supervisory Board and the Audit Committee monitor their effectiveness.

Strategy and risk culture

The opportunity and risk management of Tele Columbus focuses on those activities that significantly influence

- the safeguarding of the Company's future success,
- the safeguarding of the Company's objectives,
- the sustainable increase in enterprise value, and
- the optimisation of risk costs

and are important for future prospects. The objective is not to avoid all risks but to create room for manoeuvre that justifies deliberate entrepreneurial risk-taking by comparing hazards and opportunities. In this regard, risk management is not just the responsibility of the Management Board or of managerial staff but entails the active involvement of every individual employee. Awareness and understanding are heightened through the involvement of all departments and is essential for the success of opportunity and risk management.

Structure of risk management

The risk management system consists of identification, recording, evaluation, documentation and reporting rules that are implemented uniformly throughout the Group.

The objective of risk management is the systematic recording and evaluation and thus the conscious and controlled handling of risks and opportunities within the Company. It is to enable Tele Columbus AG to recognise unfavourable developments at an early stage, in order to take countermeasures in a timely manner and be able to monitor them. A well-designed and properly implemented risk management system enables the management and the supervisory bodies to obtain sufficient assurance about the Company's achievement of targets. The risk management of Tele Columbus thus focuses on those activities that significantly influence future earnings and are of importance to the future prospects of Tele Columbus.

Risks are systemised in the risk management system according to the following procedure:

- Risk identification: risks are recorded twice a year as part of the risk cycle.

- Assessment of the identified risks in terms of potential damage and probability of occurrence using the gross/net method.
- Risk management and control: identification of early warning indicators and thresholds, determination of countermeasures and establishment of risk communication for risks subject to ongoing and ad hoc reporting.
- Risk monitoring/risk projection, in order to ensure implementation of the measures as well as the systematic recording and reporting of risks that could affect the Company's ability to continue as a going concern.
- Risk reporting, which is subdivided into standard reporting within the regular risk reporting cycle and ad hoc reporting in the event of sudden risks with a material effect on the Company's assets, liabilities, financial position and financial performance.
- Documentation of the risk management system to ensure sustainable functioning independent of specific individuals.

The recorded risks are catalogued and reported at Tele Columbus Group according to the following risk categories:

- Industry-specific risks
- Legal and regulatory changes
- Operational risks
- Brand, communication and reputation
- Legal proceedings, antitrust and consumer protection procedures
- Financial risks
- Compliance risks
- Project risks
- Sustainability risks

Key features of the accounting-related internal control and risk management system

The overall objective of the accounting-related internal control and risk management system is to ensure the regularity of financial reporting, in the sense of ensuring that consolidated financial statements and the group management report comply with all relevant regulations.

As described in Section 6.1, the ERM approach is based on the "Enterprise Risk Management – Integrated Framework" (as applicable since 2017), developed by COSO, which is accepted worldwide. Since one of the objectives of this framework is to ensure the reliability of financial reporting, it is also drawn up from a financial reporting perspective. Identified risks and gaps discovered in the control system are eliminated by implementing and monitoring new controls.

The Management Board of Tele Columbus AG assumes responsibility for the creation and effective maintenance of appropriate controls of financial reporting, and at the end of each financial year assesses the adequacy and effectiveness of the control system.

Uniform group-wide accounting policies and the chart of accounts, both of which are provided by the Finance department and are consistently applied by all group companies, form the conceptual framework for preparation of the consolidated financial statements. New laws, financial reporting standards and other official pronouncements are continuously analysed with a view to their relevance and impact on the consolidated financial statements and consolidated management report. If necessary, the accounting policies and chart of accounts are adjusted accordingly. The conceptual and deadline requirements as well as monitoring compliance therewith are intended to reduce the risk that Tele Columbus is not able to prepare and publish the consolidated financial statements in a proper manner and by the required deadlines.

The data used for preparing the consolidated financial statements is based on the financial information reported by Tele Columbus and its subsidiaries in their financial statements, which in turn are based on the accounting entries of the companies. Tele Columbus provides services to individual subsidiaries for the preparation of financial statements, the general ledger, accounts receivable, accounts payable, asset accounting, and payroll accounting. In addition, for some areas that require specialised knowledge, such as the valuation of pension obligations or share-based compensation, we are supported by external service providers.

The consolidated financial statements are prepared in the consolidation system based on the information reported in the financial statements. The consolidation procedures as well as the monitoring of compliance with the conceptual and deadline requirements are carried out by employees having commensurate responsibilities in the consolidation departments at the various levels as well as at corporate level.

The steps required to prepare the consolidated financial statements are subject to manual and system-based controls at all levels. During this process, the financial statement information supplied is checked automatically to ensure correlation within the financial reporting system as well as consistency.

The employees involved in the financial reporting process are recruited with a view to their professional aptitude and regularly trained thereafter. The "principle of dual control" is applied as a basic standard at all levels. In addition, financial statement information must pass through certain approval processes at every level. Other control mechanisms include target/actual comparisons as well as analyses of content and changes in individual items in the financial statement information reported by group entities and in the consolidated financial statements.

Access permissions are configured in IT systems related to financial reporting, so as to ensure that financial reporting data is protected against unauthorised access, use, and alteration. The companies included in the consolidated financial statements are generally subject to the centrally defined information security regulations. Individual subsidiaries have their own officers and sets of rules. This is to ensure that the users of such IT systems only have access to the information and systems they need in order to carry out their tasks. The information security system is subject to permanent improvement.

The Supervisory Board is also involved in the control system through the Audit Committee. In particular, the Audit Committee monitors the financial reporting process, the effectiveness of the control system, the risk management system and the audit of financial statements. In addition, it is responsible for examining the documents for the separate financial statements of Tele Columbus AG and for the consolidated financial statements, and for discussing the separate financial statements of Tele Columbus AG, the consolidated financial statements and the management reports on these financial statements with the Management Board and the auditor.

Risks

Identification includes the fullest possible and structured recording of all relevant opportunities and risks. In principle, all opportunities and risks are relevant that could occur now or in the next two years.

The risk analysis is based on a gross-net assessment. The gross assessment involves an analysis of the level of damage and probability of occurrence disregarding any existing measures to reduce the level of damage and/or the probability of occurrence. The net assessment, on the other hand, does account for the risk controlling measures. Gross-net method means that both assessments are to be conducted. The net assessment represents the current risk exposure.

The risks described above could either on their own or together with other risks and uncertainties of which the Tele Columbus Group is currently unaware or which it may currently consider insignificant, materially affect the Group's financial position, financial performance and cash flows.

For a stronger differentiation of the risks, assignment to risk categories according to probability of occurrence and impact was expanded from a scale of three to a scale of five.

The risks were then assigned to the relevant risk categories based on the following classification described:

- Risk category A: critical risks, for which urgent action is required because they endanger the company's success or threaten its existence. These risks are avoided or transferred to third parties (red).
- Risk category B: high risks where action is required. These are regularly reviewed and intensively managed (orange).
- Risk category C: latent risks for which there may be a need for action. These risks are managed selectively (yellow).
- Risk category D: risks for which there is currently little need for action. These risks are managed selectively (green).

Net risk in KEUR

Likelihood of occurrence	0–100 very low	101–999 low	1,000–3,499 medium	3,500–6,999 very high	> 7,000 critical
81–100 %	C	C	B	A	A
61–80 %	D	C	C	B	A
41–60 %	D	D	C	C	B
21–40 %	D	D	D	C	C
0–20 %	D	D	D	D	C

Level of damage

In total, the Group reported 259 individual risks, which were consolidated and assessed as 115 risks. According to our risk catalog, the breakdown is as follows:

The order in which the risk factors are presented does not constitute a statement on the probability of occurrence or on the significance and level of the risks or the extent to which the Group's business may be adversely affected. The risks mentioned may occur individually or cumulatively.

Industry-specific risks

Strong competition

Tele Columbus is exposed to considerable risks in terms of the competitive situation on the German cable market due to the merger between Vodafone and Unitymedia in July 2019. Since this merger was approved by the European Commission subject only to minor conditions, Tele Columbus perceives a long-term threat in that this monopoly could result in a lasting competitive disadvantage. Especially the monopoly's considerable market power in content, sales and purchasing, as well as the possibility of cross-subsidisation, could sustainably weaken the market position of Tele Columbus. Following the merger, Vodafone would gain a very strong position particularly on the German market and would thereby potentially be in a position to influence the pricing structure for network expansion, but also with regard to channels/broadcasters. Tele Columbus, like other competitors, has therefore legally challenged the merger between Vodafone and Unitymedia before the European Commission and distanced itself from the merger. In addition, intensive market monitoring is carried out to counteract the exploita-

	A	B	C	D	Total
Industry-specific (competition, strategy)	1	1	0	10	12
Legal and regulatory changes	0	0	5	2	7
Operations	0	4	6	50	60
Brand, communication and reputation	0	0	0	4	4
Legal proceedings, antitrust and consumer protection procedures	0	1	3	3	7
Finance	0	1	0	6	7
Compliance	0	0	0	6	6
Projects	0	0	0	8	8
Sustainability	0	0	1	3	4
Total	**1**	**7**	**15**	**92**	**115**

tion of possible market power. The risk remains unchanged compared to the previous year. (critical risk)

Strategic expansion of the fibre optic network

Due to considerable expansion costs, especially civil engineering measures, and the necessary savings in our investments, there is a risk that we will not be able to expand our fibre optic network as quickly as the market develops with the new technology. This can lead to customer dissatisfaction and loss of revenue. The market power of Deutsche Telekom and its investment potential should be particularly emphasised here. In order to counteract this risk, Tele Columbus has carried out an intensive process to find an investor and had corresponding capital increases resolved at the extraordinary general meeting in January 2021. In this context, Kublai GmbH submitted a takeover offer to Tele Columbus AG on 21 December 2020. On 12 March 2021, the necessary acceptance threshold for the takeover offer was reached ahead of schedule. However, since the official approvals are still pending, we currently assess the risk as still high. In addition, the available funds must be used for expansion measures, which requires corresponding planning. (high risk)

Legal and regulatory changes

Tele Columbus is exposed to general risks arising from changes in the regulatory environment due to changes in legislation or other regulations. Such regulations concern, in particular, the German Telecommunications Act [Telekommunikationsgesetz], the media laws of federal states, as well as general labour, consumer or tax law. Given that the Company's business activity is limited to Germany, any changes in the legal environment are not expected to be sudden, so that a sufficient response time is ensured.

Amendment to the German Telecommunications Act [TKG]

The current amendment to the TKG introduced by the legislator provides for several changes that are to be implemented through processes in the Company. For example, the amendment proposes altering the German Operating Costs Regulation [Betriebskostenverordnung] so as to abolish the mechanism of recharging cable fees and thus the possibility of a summary collection order. This would affect our future contract structure and price structure. For the end user, this could mean cable connection costs rising considerably. Tele Columbus is trying to counter this bill together with the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V. (VATM)). It is also planned that the customer will receive a mandatory written confirmation upon conclusion of his or her contract, which would require relevant internal processes be implemented. Although the Bundesrat did not approve the amendment in its submitted form at the end of January 2021, we still see a high risk that the amended law will be adopted at the next stage with the consequences for our Company as detailed above. This risk is new compared to the previous year. (high risk)

Impacts of regulatory decisions

The telecommunications market is a heavily regulated market. In particular, the amendment of the European legal framework for telecommunication will entail a series of changes in national legislation. This could lead to amendments to copyright law, the protection of young people from harmful media, consumer protection and liability of internet service providers (esp. hosting) for third-party content. At a national level too, for example concerning the German Broadcasting Agreement of the Federal States and in the German Telemedia Act [TMG] as well as in competition law, specific adjustments to digitalisation and convergence of media have been discussed.

In addition, the German Federal Network Agency [BNetzA] intervenes in the market in a regulatory capacity through relevant security requirements. For example, at the end of 2020 a catalogue of security requirements for the operation of telecommunication and data processing systems and for the processing of personal data were published by the German Federal Network Agency as a basis for the security concept according to Section 109 (4) TKG, and this entails the implementation of several organisational and process-related measures. In this regard, Tele Columbus has set up a project in which an analysis of the necessary measures will first take place and these measures will be implemented in a second step. The completion of this project is planned by the end of 2021. This risk is new compared to the previous year. (latent risk)

Operational risks

Changing customer behaviour

Another factor is continuous change in customer behaviour. Conventional TV products are increasingly being replaced by streaming services. This increases the demand for additional network capacities and attractive on-demand-products. At the same time, the demand for linear TV is declining. In order to meet these new customer requirements, Tele Columbus has intensified the monitoring of its network capacities and availabilities. In addition, investments in network expansion continue. The use of new on-demand products is currently under review. The risk has already existed for a few years but has increased slightly in the context of the Corona Lockdown and the resulting increase in the home office activities of many customers, as well as the resulting increase in free time. (high risk)

Entry of new market participants

Tele Columbus is also exposed to high competitive pressure in the cable and telecommunications market. Deutsche Telekom in particular, as well as new market participants, e.g. regional and local providers of infrastructure networks, are steadily advancing into the market, resulting in increased price pressure in tenders. The announced growth targets could not be achieved if the number of customer cancellations cannot be (over-)compensated by new customer acquisition. In this context, Tele Columbus is also dependent on creating innovations and further developing existing products and services or introducing new ones, as well as providing its customers with trouble-free, high-quality services. In particular, the expansion with high-performance fibre-optic networks puts Tele Columbus in a position to stand out from the competition. However, sufficient financial resources are required for this. The risk remains unchanged compared to the previous year. (high risk)

Falling prices/revenue

The Group is exposed to significant price pressures in all business areas, as regional markets are partly saturated and new customer acquisition is only possible in these markets by targeting the customers of direct competitors. The industry is subject to rapid technological change, and the density of competition in the markets is increasing as a result of further technological developments, which has put prices under pressure in recent years for traditional offers such as fixed-line telephony and internet access. Tele Columbus can only counter this risk in many places with tough negotiations and cost savings, as well as convincing with high quality.

Moreover, the terms for feed-in charges must be renegotiated with channels/broadcasters again and again. Billing-relevant parameters changing over time may also affect feed-in tariffs. With regard to feed-in tariffs with the broadcasters, Tele Columbus was exposed to the power of the large television broadcasters, especially the public broadcasters, for many years. In the past year, however, it has now been possible to conclude agreements on feed-in conditions with these broadcasters as well. Compared to the previous year, however, this has no significant influence on the overall assessment of the risk. The risk has therefore not changed in the assessment. (high risk)

Data protection and information security

Along with the even greater digitalisation of society, the issue of data protection and information security is also gaining importance. After the successful implementation of the EU General Data Protection Regulation, our focus is to further develop data protection in the Group and support process adjustments for the purpose of data protection compliance. For instance, in the interest of risk mitigation as a consequence arising from the Schrems II proceedings (judgment dated 16 July 2020, file ref. C-311/18), we have analysed, restructured or discontinued existing contractual relationships and subjected new agreements to an expanded review.

We give highest priority to the protection of personal data. To ensure this, there is close communication between internal staff and external data protection officers. For example, the internal data protection function and external data protection officers are regularly consulted when new processes are introduced or projects are implemented. Furthermore, we regularly train our own staff and external providers on how to apply data protection requirements.

However, the General Data Protection Regulation (GDPR) framework includes several regulatory gaps, especially concerning non-European data exchange. Additionally, it is not always clearly explained which requirements apply for the practical implementation of the regulations and which penalty or fine is ultimately imposed in the event of violations (e.g. 1&1 Telecom, judgment dated 11 November 2020 file ref. 29 administrative offence 1/20 regional court). Tele Columbus therefore trains all employees regularly (at least once a year) with regard to necessary data protection requirements. In addition, the data protection officers are regularly involved in new projects and contracts at an early stage in order to preventively minimise or exclude potential data protection risks. Through a regular exchange with specialised data protection lawyers, we try to ensure that all necessary regulations are implemented in a timely and sufficient manner. We assess the risk as high, with an increasing tendency.

Cybercrime in its different manifestations has increased dramatically in the context of homeworking activities brought on by coronavirus. We counter such attacks primarily using preventive measures such as continually adjusted IT security procedures (reporting and analysis tools for spam mails, viruses and trojans) as well as specific training of employees. As it is no longer individual people behind most attacks but rather entire criminal groups or companies, the development of new targeted attack methods has rapidly gathered speed. This compares with the limited resources and sometimes older infrastructure in companies to appropriately cover IT security. Tele Columbus has recognised this and planned to invest accordingly in both technical and personnel equipment. We currently see an unchanged latent risk in this regard.

Work and building security

For the purposes of maintaining occupational and building security, our facilities must be regularly inspected and serviced. Damages due to technical outages or deficient fire protection, e.g. at the technical receiving facilities or in the datacentre, could lead to customer dissatisfaction, property damage and absences concerning staff and the partner companies. Since our head ends in particular are distributed decentrally throughout the country, permanent monitoring is only possible in a few cases. This can lead to damage being detected and repaired only belatedly. To counteract this, the responsibilities for these facilities are to be restructured and safety inspections are to be carried out on a regular basis. The risk has remained the same compared to the previous year. (low risk)

Legal proceedings, antitrust and consumer protection procedures

Current litigation

In 2014, BIG Medienversorgung GmbH was bought by Tele Columbus Holding GmbH. The total purchase price comprised a fixed and a variable purchase price. The fixed purchase price has already been paid. On 12 November 2018, the former managing director of BIG Medienversorgung GmbH filed a step-by-step action against Tele Columbus AG, first for information and in the second step for payment of the variable purchase price. The information asserted by way of action was submitted with our statement of defence and the claims at issue were thus fulfilled. From the point of view of Tele Columbus and its legal representatives, the variable purchase price demanded by the former shareholder of BIG Medienversorgung GmbH is clearly too high and does not correspond to the actual circumstances. Tele Columbus will provide corresponding counterevidence in the legal proceedings in this regard. The risk remains high compared to the previous year.

Tele Columbus AG is currently still facing a significant legal dispute. This relates to proceedings by the Medienanstalt Berlin-Brandenburg (MABB) regarding our feed-in model. Based on the current status, it is not possible to assess beyond doubt how the Group's prospects of success are to be evaluated. In order to minimise the risk, Tele Columbus has set up a new feed model and has already concluded the first contracts with large broadcasting groups, especially in the public service sector. However, as the MABB's assessment remains unclear, we assess the risk as still latent. (latent risk)

General litigation risk

The Tele Columbus Group is also exposed to risks which could arise from court proceedings or arbitration proceedings with authorities, competitors and other parties. This especially applies to disputes relating to claims brought by sales agents and consumer protection claims. The legal department of Tele Columbus has the skills needed to assess and respond appropriately to such risks. For judicial disputes external law firms are also consulted. The risk is unchanged compared to the previous year. (latent risk)

Financial risks

In the course of its business activities, Tele Columbus AG is exposed to various risks of a financial nature, in particular liquidity and interest rate risks.

The risk management of Tele Columbus is designed to identify potential risks and to mitigate their negative impact on the Group's financial performance. To this end, Tele Columbus uses financial instruments such as interest rate hedging transactions, factoring of receivables, and credit lines.

Financial risk management is mainly handled by the treasury department. Financial risks are identified, assessed and hedged in consultation with the responsible operating units. Tele Columbus AG is subject to written rules for certain areas such as interest rate risks, credit risks, the use of derivatives and other financial instruments, and the use of excess liquidity, which is largely governed by its facility agreements. Reporting to the Management Board occurs at regular intervals.

Liquidity risk

Tele Columbus operates in a market where size and sustainable investments are necessary. This means there is a considerable need for capital and liquidity. The current financial funds available to Tele Columbus are limited and enable investments to a limited extent only. Therefore, the Management Board perceives a risk in that the financial reserves available are not sufficient in order to make all the necessary investments enabling sustainable customer growth and, thus, organic growth. To counteract this risk, Tele Columbus has conducted an intensive process to find an investor (see description above). In the medium term, at the level of each operating subsidiary and of the Group as a whole, current business transactions mirror the budget data. Liquidity projections for a specific planning horizon and credit lines available within the Group as at 31 December 2020 are designed to ensure a continuous supply of liquidity. As part of ensuring the liquidity of subsidiaries, the existing cash pooling procedure has been extended to all companies of the Group.

The Management Board is regularly and comprehensively informed on the current levels of liquidity through reports. (high risk)

In addition, the Group is reliant on borrowed capital at reasonable terms for refinancing its operating activities or acquisitions. As of the balance sheet date, various covenants had to be fulfilled under the financing agreement, non-compliance with which would have given the lenders the option of calling in the loans. These are obligations under a financing agreement of the Group (facilities agreement). The related financial covenants include a statement on the Group's total debt/equity ratio as well as a defined EBITDA amount and presentation of gross assets, which are reviewed on a quarterly basis. As at the reporting date, the liquidity risk in the event of non-compliance with these covenants amounted to KEUR 1,472,463. The specified covenants are closely monitored on a regular basis and were complied with in the financial year and will not be exceeded in the foreseeable future. (low risk)

Furthermore, in the event of a change of control, there is a risk that repayment claims against various creditors may arise (change-of-control clauses). Against the background of the planned transaction with Kublai GmbH, Tele Columbus has addressed this risk and taken appropriate measures to avoid a liquidity bottleneck from such claims for repayment. We refer to the explanations in section 10 “Significant agreements of the Company conditional on a change of control in the event of a takeover bid and the related implications”.

In addition to the risks within the Group, the risks listed below have a direct impact on Tele Columbus AG in addition to those mentioned above. The servicing and thus the recoverability of the bullet loans accounted for as loans under German commercial law depend on the liquidity of the beneficiary companies. Based on the term until the beginning of 2023, a liquidity risk may arise for Tele Columbus AG if repayment is not made on time. Furthermore, Tele Columbus AG has entered into a letter of comfort with various subsidiaries in order to secure their continued operations. This may result in a liquidity risk for Tele Columbus AG. (low risk)

Interest rate risk

Non-current, floating rate financial instruments, for which the interest rate is linked to a market interest rate such as EURIBOR, are exposed to risks arising from future cash flows. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest. (low risk)

To limit risks, Tele Columbus used two interest rate caps (interest capped at 0.75% versus 3-month EURIBOR) acquired in February 2016, at a nominal value of KEUR 550,000 each and a term until December 2020. A significant increase in the EURIBOR thus only leads to a much more limited increase in interest expenditure for Tele Columbus AG. (low risk)

Risks related to the financing structure

Tele Columbus actively uses derivative financial instruments and is thus only exposed to limited risk arising from fluctuations in interest rates and the resulting cash flows. Therefore, a significant rise in the EURIBOR would only partially lead to a significant increase in the interest paid by Tele Columbus. As a result, movements in interest rates were subjected to close monitoring in order to be able to respond appropriately in the event of a change in risk exposure. The existing hedging gap was closed by purchasing appropriate interest rate caps through the newly established hedging system. (low risk)

Risks related to COVID-19

The current COVID-19 pandemic has a significant impact on the situation and development of the global economy and in particular on the economy in Germany.

Legal regulations to contain the pandemic are leading to drastic restrictions on public life and the functionality of companies, e.g. by closing down businesses, contact and exit restrictions or special hygiene regulations. Many companies have to close, order short-time work or send their employees to home offices. Supply chains are also slowing down or failing completely.

Tele Columbus, as a system critical telecommunications company, is aware of its responsibility and constantly monitors current developments and has established close risk and measures management system. An emergency team was created that interacts by phone weekly. Weekly KPI-tracking, workstreams in critical areas and a daily reporting to the management complete these emergency measures.

Currently, Tele Columbus is only affected by the effects of the pandemic to a manageable extent. For example, all PŸUR shops throughout Germany had to close temporarily. Illness-related absences among employees or service providers have thus far been very manageable.

However, the long-lasting current lockdown harbours the risk of both service providers/suppliers and also B2B customers not being able to withstand the ongoing financial pressure and getting into financial difficulties.

In addition, we are observing increasing delivery delays on the global market for chips and semiconductor parts, as well as for deliveries of customer hardware in cross-border traffic between the Czech Republic and Germany. To reduce this risk, we have made our planning strategy more long-term and are building up reserve stocks in Germany in certain areas. In addition, we are monitoring whether there are possible alternative procurement channels. The risk arose for the first time in the course of the COVID-19 pandemic. (latent risk)

On the other hand, as a telecommunications company, we also see positive effects. Due to the current situation (short-time work, home office, etc.), the need for internet, telephone and television is increasing. We are therefore tending towards fewer terminations and more new contracts. Housing industries are also reconsidering terminations and are partially withdrawing them.

Overall, the current risk situation is difficult to assess due to a lack of experience and ignorance about the duration of the pandemic. As a fiber-optic company, we see ourselves in a stable industry and currently consider the risk situation to be manageable.

Opportunities

Opportunity management

The opportunity management of Tele Columbus is currently being developed into an in-house management system. The objective is to recognise opportunities as early as possible, to weigh them against possible risks, and to exploit them in consideration of suitable measures. Opportunities are seized and managed as part of regular evaluations. Opportunities are managed locally by the competent departments.

The order in which opportunities are presented is not a statement of the probability of their occurrence or significance.

Opportunities

Transformation of the Company

The involvement of a strategic investor in Tele Columbus offers the opportunity to push network expansion further, which can heavily leverage the fasting-moving market and repay a portion of the external financing. (major opportunity)

However, both opening the networks of the Tele Columbus Group (wholesale) as well as using the networks of third parties offer Tele Columbus the opportunity to generate stronger growth and tap new market potential. (major opportunity)

Corporate consolidation (merger of individual subsidiaries), which began in 2019, provides Tele Columbus with an opportunity to streamline processes, simplify corporate management and thereby cut costs. (small opportunity)

Strategic expansion of the fibre optic network

Germany lags far behind other industrialised countries in terms of providing available bandwidth. The German government's coalition agreement stipulates pushing extensive expansion of gigabit networks by 2025 and developing a specifically designated Federal Broadband Support Programme for broadband expansion. As part of funding projects, Tele Columbus will work more closely with cities and municipalities. Tele Columbus is using this opportunity to further increase its participation in the expansion of fibre optic networks. Tele Columbus can gain a competitive edge over the competition especially in Smart Cities.

Strategic expansion of our fibre optic network can provide the Tele Columbus Group with a considerable competitive edge (especially in the internet business) in terms of available bandwidths. The use of fibre optic technology means there will be less disruptions, so that customer satisfaction will go up, the number of calls received by call centres will go down and costs will decrease. An appropriate communications strategy can generate considerable media interest and attention, which benefit sales strategies and thereby help drive revenue. (major opportunity)

However, the further rollout of the DOCSIS 3.1. data transmission standard is enabling speeds of up to one gigabit – i.e. 1000 Mbit – per second. This affords Tele Columbus an opportunity to offer much higher speeds on the market and stand out from DSL providers. (latent opportunity)

Fiber to the Terminal

Direct connection of mobile stations to fibre optic networks will further increase in importance in the case of all generations of mobile telephony. Apart from expansion of the mobile infrastructure, fibre optic networks will also have to be further expanded because without connection of the mobile stations to the fibre optic network, the many advantages of the new technology can be used only to a limited extent. Tele Columbus sees great growth opportunities in this development. As an operator of an already multi-faceted network and because of increasing expansion, Tele Columbus provides the necessary infrastructure for 5G operators. (latent opportunity)

Digitalisation

The increase in digitalisation has had a significant economic as well as social and technological impact. The simultaneous use of different media, for example television and internet, has by now become a part of everyday life for many users. The demand for compatible cables and connections and for high flexibility has risen accordingly. As part of the digital transition, the reallocation of channels creates additional capacities for new bandwidth products. (latent opportunity)

Furthermore, the digitalisation of internal processes and systems at Tele Columbus is streamlining and accelerating individual activities. This offers the opportunity to position ourselves as an innovative and high-performing partner vis-à-vis customers and staff. (latent opportunity)

Raising the regional profile

A stronger focus of sales structures on regional markets provides another opportunity, which will increase the adoption of PŸUR by local housing corporations and among business and private customers. Regions that have already been developed will be analysed more thoroughly in future for possible connection of additional households. This will be supported through increased cooperation on the part of the various network providers. This will increase coverage and make additional regions accessible. Overall, these measures have great potential of gaining additional customers. (latent opportunity)

Further opportunities

Tele Columbus is continuously optimising internal processes and structures. The main focus are Tele Columbus's customers. A major goal is to create a positive customer experience and treat customers as equal partners. This is only possible when understanding the customers' needs. Tele Columbus therefore regularly rates customer feedback by means of a net promoter score (NPS) and uses this as a control instrument for offering customers higher quality service. This includes a reintroduction of mobile offerings due to stronger customer demand for fixed and mobile bundles. (Latent opportunity)

Providing positive services to customers ultimately also depends on the happiness of Tele Columbus's own employees. The TC Group has initiated various measures for attractively designing the PŸUR brand not only for customers, but also for current as well as future employees. These measures include optimising our processes, improved and broader customer perception, implementing a value management system, promoting work/life balance, attractive offices, the use of social media, etc. These measures boost employer attractiveness and employee satisfaction. This provides an opportunity to position ourselves as an attractive employer on the labour market and win and retain competent employees. (latent opportunity)

Overall conclusion on risks and opportunities from the perspective of Group Management

Expansion of the fibre optic network currently represents the greatest opportunities for Tele Columbus, but also the greatest risk.

Our course into the gigabit age can no longer be averted. Although experts almost unanimously consider fibre optics networks the future, Germany is not in a good position by international standards. This offers excellent opportunities, especially for cable network providers, to upgrade their existing networks and to actively participate in fibre optics expansion. But expansion is expensive and therefore must be carefully planned. The Tele Columbus Group is seeking to actively shape this growth using the financial resources at its disposal. The transformation of the Group with the participation of an investor thus has a decisive impact on the entire company. Tele Columbus is very aware of the intrinsic opportunities and risks and manages these with the greatest of attention.

We are very critical of the merger of Unitymedia and Vodafone, as we view such a major merger as having significant influence on the German telecommunications market. Numerous industry associations from the housing sector, network operators and media companies, along with Deutsche Telekom, other competitors as well as Tele Columbus, are also highly critical of the merger. Vodafone can obtain even greater market leverage on the MDU market after the acquisition of Unitymedia and also in respect of TV stations, which could lead to considerable cost increases and disadvantages for customers as well as for Tele Columbus and other cable network operators. Even if Tele Columbus Group intensively prepares for the impact of the merger, it is able to influence the effects to a limited extent only.

Tele Columbus possesses effective monitoring systems for dealing with risks early on and consistently. In our opinion, there are no discernible risks for the forecast years that individually – or in combination with other risks – could have a material or lasting adverse effect on the Company's assets and liabilities, financial position and financial performance. The risks identified are not such that they could affect the Company's ability to continue as a going concern, also in the future. Therefore, as at the date this report was prepared, the Management Board still considers the overall risk exposure as limited and manageable. We still consider the majority of the issues presented in the last annual report as low risk.

Based on the monitoring system described, Tele Columbus AG has taken the necessary precautions to counteract developments that could affect its ability to continue as a going concern. In the view of the Management Board of Tele Columbus AG, the Group's ability to continue as a going concern was not at risk at any time. Furthermore, as at the reporting date, the Management Board was not aware of any risks that could affect the Company's ability to continue as a going concern or have a lasting adverse effect on its assets, liabilities, financial position and financial performance and thereby create such a going concern risk. The Management Board considers the overall risk position as controllable and is confident that it will be able to use the opportunities and challenges presenting themselves also in future without having to take unacceptably high risks.

Corporate governance statement pursuant to Section 289f and Section 315d of the German Commercial Code [HGB]

The corporate governance statement pursuant to Section 289f and Section 315d HGB can be downloaded from Tele Columbus AG's website at **www.telecolumbus.com/investor-relations/** under **"Corporate Governance"**.

Non-financial group report

Tele Columbus AG's separate non-financial report pursuant to Sections 315b and 315c in conjunction with 289b to 289e HGB will be available after publication in the management report on the Tele Columbus AG website at **www.telecolumbus.com/investor-relations/** under **"Publications" ("Financial statements and quarterly releases")**.

Information on potential takeover offers

Presentation and composition of share capital

As at the reporting date, Tele Columbus AG's share capital amounted to KEUR 127,556. It consists of 127,556,251 registered shares at a share capital value of EUR 1.00 each. The share capital of Tele Columbus AG is fully paid. There are no different classes of shares. All shares are subject to the same rights and obligations, each arising in particular from Sections 12, 53a, 186 and 188 et seqq. of the German Stock Corporation Act [AktG]. A right of shareholders to securitise their shares is excluded pursuant to Article 4(3) of the Articles of Association. Each share grants one vote at the annual general meeting. The profit shares of shareholders are determined by their shares in the Company's share capital (Section 60 AktG).

Restrictions on voting rights or on the transfer of shares

Restrictions on the voting rights of shares may arise in particular from the provisions of the German Stock Corporation Act [AktG]. Under certain conditions, shareholders are, for example, subject to a voting prohibition in accordance with Section 136 AktG when voting on their own discharge, the assertion of claims against it or the waiving of claims.

The shares are registered shares. There are no transfer restrictions.

Direct or indirect shareholdings exceeding 10% of the voting rights

Under the German Securities Trading Act [WpHG], investors whose share of direct and indirect voting rights in listed companies has reached, failed to reach, or exceeded certain thresholds are obliged to notify the Company.

As at the reporting date, the following companies and individuals reported to Tele Columbus AG that they had exceeded the voting rights threshold of 10%:

- United Internet Investments Holding AG & Co. KG: 29.90%

This interest is attributed to the following companies and individuals: United Internet AG, Montabaur; Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur; Ralph Dommermuth Verwaltungs GmbH, Montabaur; Ralph Dommermuth, Montabaur.

- Rocket Internet SE, Berlin, Germany: 13.36%

Shares with special rights that confer powers of control

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

Appointment and dismissal of members of the Management Board and Supervisory Board/ amendments to the Articles of Association

Management board members are appointed or dismissed in accordance with the provisions of Sections 84 and 85 AktG. Pursuant thereto, members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Pursuant to Article 6(1) of the Company's Articles of Association, the Management Board consists of at least two members. The Supervisory Board determines the number of management board members. It may appoint a Chairman and a Deputy Chairman of the Management Board in accordance with Section 84 of the German Stock Corporation Act [AktG] and Article 6(3) of the Articles of Association.

The members of the Supervisory Board are elected at the annual general meeting by a simple majority of votes for a maximum period of five years. At the annual general meeting, shareholders may decide on shorter-term appointments for individual members they elect, or for the Supervisory Board as a whole. Reappointment or renewal of appointment for a maximum of five years is permissible. Supervisory Board members can be removed by a simple majority of votes.

Pursuant to Section 179 (1) sentence 1 AktG, the Articles of Association are amended by shareholder resolution at the annual general meeting. Resolutions at the annual general meeting on amendments to the Articles of Association shall be passed by a simple majority of the votes cast and by a simple majority of the share capital represented at the time of the resolution, in accordance with Article 23 of the Articles of Association of the Company in conjunction with Section 179 (2) sentence 2 AktG unless otherwise prescribed by law. No use was made in the Articles of Association of the option of requiring a majority higher than a simple majority also in other cases.

Pursuant to Article 10(4) of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association that involve only the wording.

Powers of the Management Board, in particular with regard to issuing or repurchasing shares

AUTHORISED CAPITAL

Pursuant to a shareholder resolution at the annual general meeting on 15 May 2015, the Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by issuing new no-par value registered shares against cash or non-cash contributions on one or more occasions, by a maximum of EUR 1,925,693 (Authorised Capital 2015/I). This corresponds to approximately 1.5% of the current share capital. This authorisation applied from 15 September 2015 until 14 May 2020. No utilisation took place, so that the passage regarding the authorisation pursuant to the resolution of the Annual General Meeting of 30 December 2020 was again deleted from the Articles of Association of Tele Columbus AG.

CONDITIONAL CAPITAL

According to a shareholder resolution taken at the annual general meeting on 15 May 2015, the Company's share capital can be increased by a maximum of EUR 28,345,833 by issuing up to 28,345,833 new no-par value registered shares, contingent on the registered shares (Contingent Capital 2015/I). This authorisation expired on 14 May 2020 (midnight). No utilisation took place, so that the passage regarding the authorisation was again deleted from the Articles of Association of Tele Columbus AG in accordance with the resolution of the Annual General Meeting of 30 December 2020.

Significant agreements of the Company conditional on a change of control in the event of a takeover bid and the related implications

On 2 January 2015, Tele Columbus AG and some of its subsidiaries entered into a financing agreement with BNP Paribas, among others, as agent and security trustee. The credit agreement has been amended several times since. This financing agreement provides, among other things, for the granting of a term loan of KEUR 707,463 (Facility A; after a voluntary redemption payment of KEUR 597,537), a further term loan of KEUR 75,000 (Facility 75m), a further Term Loan of KEUR 40,000 (Facility 40m) and a revolving working capital facility in the amount of KEUR 10,000. In the event of a change of control, the agreement provides for an individual right of termination by the lenders. In the case of the bond issued in May 2018 in the amount of KEUR 650,000, there is also an individual right of termination on the part of the bondholders in the event of a change of control. A change of control occurs when a person, or persons acting in concert, (a) acquire(s) (directly or indirectly) more than 30% of the ordinary shares of the Company, (b) can exercise or control more than 30% of the voting rights present at an annual general meeting, and/or (c) acquire(s) the necessary powers to appoint or dismiss the majority of the members of the Supervisory Board of the Company elected by the shareholders. Termination results in an immediate claim to repayment on the part of the lenders. Their obligation to participate in future drawdowns under the loans (except in the case of rollover drawdowns) ceases to apply.

On 16 February 2021, Tele Columbus announced that an amendment agreement to the terms and conditions of the bond, issued in 2018, was entered into to allow the acquisition of shares in Tele Columbus by Kublai GmbH without triggering a change of control under the terms and conditions of the bond. Furthermore, Tele Columbus has contractually secured sufficient funds to repay the relevant lenders or to replace their relevant loan commitments at the relevant time to the extent that lenders under the loan agreements of Tele Columbus AG are entitled to terminate their loan commitments as a result of a change of control. Furthermore, no event of default or default under the Loan Agreements of Tele Columbus AG has occurred or is continuing as of the date of this confirmation of the Change of Control Waiver. All obligations and conditions agreed with the lenders under the credit agreements of Tele Columbus AG in the context of the waivers dated 16 February 2021 regarding the right of termination upon the occurrence of a change of control can be fulfilled at the respective relevant time.

Compensation report

Compensation of the Management Board

Compensation system of the Management Board

The Supervisory Board determines appropriate compensation for the individual members of the Management Board. The appropriateness of compensation is determined according to the duties and services rendered as well as the Company's position. The total compensation may not exceed the usual compensation without good cause and is regularly reviewed through peer group comparison. The compensation structure is geared towards sustainable corporate development.

Members of the Management Board in financial year 2020 were Timm Degenhardt (Board Member until 31 March 2020, Chief Executive Officer (CEO) until 31 January 2020), Eike Walters (CFO) and Dr Daniel Ritz (Chief Executive Officer (CEO) from 1 February 2020). As a contract of employment and service continued to be in place until 31 August 2020 for Timm Degenhardt following his withdrawal from the Management Board, Timm Degenhardt was released from his performance obligation under this contract of employment and service with effect from 1 April 2020.

The compensation of Management Board members takes into account the size of Tele Columbus AG, its economic and financial position, its success and future prospects, the customary amount and structure of management compensation at comparable companies and the internal salary structure. The Supervisory Board has also taken into account the relationship between Management Board compensation and the compensation of senior managers and the workforce as a whole, and how it has developed over time. Further criteria are the individual duties and services rendered by members of the Management Board. The structure and appropriateness of compensation of the Management Board is reviewed regularly by the Supervisory Board.

In this regard, the Supervisory Board has in part adjusted the compensation of members of the Management Board in order to reflect the current duties and services of the Company and of its current situation and orientation in Management Board compensation. These adjustments are already reflected in Dr Daniel Ritz's service contract. As concerns Eike Walters, the Supervisory Board has similarly agreed an amendment to his service contract, including his Management Board compensation. The revised service contract takes effect from 1 January 2021. As such, the service contract concluded in 2018, last amended on 19 November 2020, and the associated compensation continues to be applicable to this compensation report for financial year 2020. Consequently, where individual contractual provisions demand, the explanatory notes on the compensation will differentiate between the individual members of the Management Board.

The total compensation of the members of the Management Board consists of three fundamental components: the basic compensation plus fringe benefits, a short-term performance-linked compensation component relating to the financial year, and a long-term variable compensation component. In addition, some of the members of the Management Board participate in the matching stock programme (MSP) of the Company. In determining the variable compensation, care was taken to create incentives for sustainable and long-term corporate development. Both positive and negative developments were also taken into account.

Basic compensation

Members of the Management Board receive an annual fixed basic compensation, which is paid in twelve equal monthly instalments regardless of performance at the end of the month and represents the fixed compensation component.

In addition to this, the Management Board members have a contractual entitlement to fringe benefits and non-cash benefits, which primarily include the use of a company car or compensation for such a car and the payment of premiums for accident and health insurance. These costs were assessed according to tax regulations.

Short-term variable compensation component

The Management Board members are entitled to a short-term performance-based compensation component in the form of an annual bonus. This component is paid within one month following adoption of the Company's consolidated financial statements for the relevant financial year by the Supervisory Board. The maximum amount of the variable compensation component for a financial year is 75% of the fixed annual salary of the CEO and 66.25% of the CFO's, depending on the individual target achievement of the Management Board member concerned. The individual target achievement essentially relates to the following parameters: normalised EBITDA or EBITDA, CAPEX, revenue, free cash flow, customer loyalty, strategic positioning, employee satisfaction and leadership skills. In addition, there is a discretionary component provided by the Supervisory Board in some instances. Target achievement is based on a weighting which is governed by individual agreements and in the past was defined for Timm Degenhardt and Eike Walters as follows: 30% for the normalised EBITDA, 20% for revenue, 15% each for CAPEX and free cash flow as well as 10% each for customer loyalty and the discretionary component. The current agreement with Dr Daniel Ritz provides for the following weighting: 20% for the EBITDA, 20% for the strategic positioning, 15% each for revenue and customer loyalty and 10% each for CAPEX, employee satisfaction and leadership skills.[6)]

The target values for the financial assessment bases are derived from the annual consolidated budget approved by the Supervisory Board. The customer loyalty component is determined by the Supervisory Board in good faith in writing in consultation with the respective Management Board member. The employee satisfaction and leadership conduct are derived on the basis of employee surveys and 360° Feedback, respectively. With regard to strategic positioning, the Supervisory Board conducts a qualitative assessment. In addition, the discretionary component may be granted by the Supervisory Board at its own discretion.

In the event that a member of the Management Board is not entitled to compensation for the whole financial year on which settlement is based, it is calculated on a pro rata basis.

[6)] Effective as of 1 January 2021, the short-term variable compensation component for Eike Walters was revised and now similarly relates to reported EBITDA, among other factors, and not to adjusted EBITDA.

Long-term variable compensation component (LTIP)

Management Board members participate in a long-term incentive plan (LTIP). The LTIP is part of the Management Board's variable compensation, which focuses on sustainably positive corporate development and creates a long-term incentive for the Management Board member to promote the success of the company.

LTIP (EBITDA)

The members of the Management Board Timm Degenhardt and Eike Walters are promised a gross amount (LTI instalment) in each financial year based on the bonus percentages set in their service contract and subject to and depending on achievement of predefined performance targets. At the end of three financial years (i.e. the performance period), the assessment bases and the respective degree of target achievement are determined for the performance targets. The gross amount (long term incentive – LTI) corresponding to the degree of achievement to be paid to the Management Board member is then determined. The performance targets and the bases of assessment are the average values of the annually calculated group EBITDA adjusted for the relative increase and decrease in CAPEX during the performance period.

A performance period begins on the first day of the financial year for which the LTI instalment is being awarded and ends at the end of the second financial year following the financial year for which the LTI instalment was awarded. A claim to LTI payments is established with the approval of the consolidated financial statements by the Supervisory Board for the last financial year of the performance period. Any LTI must be settled and paid to the Management Board member within one month of approval of the consolidated financial statements. The maximum variable long-term compensation of each Management Board member is limited to 150% of basic compensation on the date of payment of the respective LTIP. If the average adjusted EBITDA on the date of payment of the LTI falls below 85% of the adjusted average target EBITDA, this compensation component is not granted. The minimum compensation for an LTI instalment is therefore EUR 0.00 for each Management Board member.

If a Management Board member leaves service before the end of 24 months of a performance period, that member has no entitlement to an LTI. If 24 months of the performance period of an LTI instalment have already lapsed on the date of termination of service, the board member is entitled to an LTI for this LTI instalment on a pro rata basis subject to satisfaction of the performance measurement conditions. If a Management Board member joins the Company during the course of a financial year, the Supervisory Board decides whether and, where applicable, with which reduced instalment the Management Board member will participate in the LTI instalment for that current financial year.

LTIP (SHARE PRICE)[7)]

After three financial years (performance period), the Board Member, Dr Daniel Ritz, is promised a gross amount which is contingent upon an increase in the Company's share price. The increase in the share price corresponds to the ratio of the share price at the end of the performance period (end price) and at the beginning of the performance period (opening price) subtracted by 1 and is determined based on the volume-weighted average closing price over the most recent 90 Xetra trading days directly preceding the two respective effective dates. In the course of this calculation, unusual effects on the share price (e.g. corporate actions) are neutralised.

Variable long-term compensation is capped at KEUR 6,000 (share price increase ≥ 400%) and may not fall below KEUR 0 (share price increase < 50%) and, insofar as accrued, is to be allocated to the Management Board member, less taxes and social security contributions (net amount), within one month of the closing price being determined. This involves half of the net amount being paid in cash and half in Company shares. Accordingly, Dr Daniel Ritz does not participate in the Company's additional matching stock programme (MSP). In the event of a change of control, the Management Board Member may make a written request for early settlement of the LTI bonus.

[7)] Effective as at 1 January 2021, Eike Walters will also receive an LTIP going forward which, as is the case in the explanatory notes made here, is contingent upon an increase in the Company's share price. Nevertheless, the originally agreed LTI instalments for 2018, 2019 and 2020 shall continue to apply until the end of the respective performance period.

Should the Management Board member leave the Company before the end of the performance period, the LTI bonus shall be dependent upon the grounds for their withdrawal. Insofar as a member of the Management Board is dismissed for good cause, the Management Board Member breaches significant duties to the Company or independently resigns from their office without good cause, the Board Member shall forfeit their entitlement to an LTI bonus. Should no such case exist, the Management Board Member shall continue to have a pro rata entitlement to the variable long-term compensation.

This LTI bonus is agreed once. Management Board members shall have no entitlement to further instalments or other long-term bonuses during the term of this service contract.

Long-term share-based variable compensation component (MSP)

Long-term share-based variable compensation takes the form of a matching stock programme (MSP). The MSP creates a long-term incentive for the Management Board member to promote the success of the Company. To this end, the members of the Management Board are allocated a number of options determined by the Supervisory Board in advance in each financial year subject to and dependent on corresponding personal investment by the Management Board member in the Company. After the end of four financial years (i.e. the holding period), the Management Board member may exercise these options in accordance with other conditions. This compensation component came into effect in financial year 2015.

The number of shares that can be held by Management Board members (i.e. qualifying shares) is 50,000 for Timm Degenhardt and 25,000 for the CFO. The members of the Management Board are obliged to hold these qualifying shares in a blocked custody account in their own name for the duration of their participation in the MSP. However due to the termination agreement, the blocking notice for Timm Degenhardt was lifted effective as at 31 March 2020. During the term of the respective service contract, the Management Board member will receive from each of the MSP's five annual instalments a specific number of options for each qualifying share held in the blocked custody account on the relevant reporting date.

As part of personnel changes in the Management Board during financial year 2020, instalments 3 to 6 (2017 to 2020) for Timm Degenhardt were fully settled as at 31 December 2020 and no longer exist. Instalments 1 to 3 (2015 to 2017) relate to former members no longer active on the Management Board. It is to be added in this context that the subscription rights arising from instalment 1 expired without substitution after the reporting date (at the end of the exercise period in January 2021). With respect to the active members of the Management Board, Eike Walters was allocated instalments 4 to 6 (2018–2020) as part of the matching stock programme.[8)]

[8)] Effective as of 1 January 2021, the MSP is no longer an integrative component of Eike Walter´s Management Board compensation. Despite this, the MSP instalments allocated up to 31 December 2020 shall continue to apply until the expiry of the respective period.

The number of options per qualifying share is 4.5. Instalment 4 for Eike Walters was allocated on 28 September 2018. The other instalments were each allocated on 23 January of the subsequent years.

The options for an instalment may be exercised after the holding period has expired, provided that the weighted average of the share price during the preceding 60 stock exchange trading days immediately prior to exercising the respective option exceeds the respective exercise threshold. The relevant exercise threshold is determined by the Supervisory Board when allocating the respective instalment and amounts to at least 130% of the exercise price. In contrast, an exercise threshold of 120% was defined for instalments 4 to 6.

The options exercised for an instalment are converted into a euro amount, equal to the difference between the closing share price on the last stock exchange trading day before receipt of the exercise notification and the exercise price of the respective instalment multiplied by the number of options exercised (i.e. gross profit on options). The net profit on options remaining to the Management Board member after deduction of statutory contributions and personal taxes is in turn allocated to the respective Management Board member in the form of shares. The Management Board member is obliged not to sell the shares acquired in this manner for a period of twelve months.

The gross profit on options for a member of the Management Board determined after exercising the option is limited to a maximum of 400% of his/her annual base salary on the date the respective MSP instalment is paid out.

The options of an MSP instalment become vested monthly after allocation. If a Management Board member discontinues his/her services for the Company before the exercise or expiry of his/her options as a result of expiration of the agreed contract term, death, permanent incapacity to work, retirement, or due to effective extraordinary termination on the part of the Management Board member, he/she and/or his/her heirs may exercise the vested options in the event of his/her departure even after he/she has departed. By contrast, all options not yet vested shall expire. If the service contract for a member of the Management Board is terminated for other reasons, all vested and unvested options not exercised on the date of legal termination of service shall expire.

If a Management Board member joins the Company during a financial year, the Supervisory Board shall decide whether and, where applicable, with which reduced instalment the Management Board member is entitled to participate in the MSP for that current financial year. In the matter at hand, Dr Daniel Ritz is not additionally participating in the MSP.

Other commitments

The Company maintains a Directors and Officers Liability Insurance Policy (D&O Insurance) for members of the executive bodies of Tele Columbus AG. It is concluded and/or renewed annually. D&O insurance covers the personal liability risk should members of executive bodies be made liable for financial losses when exercising their duties. The policy for financial year 2020 includes a deductible for members of the Management Board and the Supervisory Board which complies with the provisions of the German Stock Corporation Act and the German Corporate Governance Code.

The members of the Management Board do not participate in the existing company pension plan. The CEO therefore receives, for the duration of his service contract, an annual amount of 7.5% of his respective current annual salary either in the form of direct insurance (life insurance) or a pension relief fund to his benefit.

Furthermore, a one-off special bonus agreement was concluded with Dr Daniel Ritz and Eike Walters, respectively, regarding a planned transaction concerning the targeted investment of an infrastructure investor (transaction bonus). Should this transaction go ahead and the Company receives new equity capital, the Management Board members shall each be awarded a transaction bonus of KEUR 100.

Payments in the event of termination of a service contract

The service contracts of Management Board members do not provide for termination benefits in the event of premature termination of contract without good cause.

However, pursuant to the German Corporate Governance Code, the contracts provide that in the event payment for premature termination of the contract without good cause should be agreed, such termination benefits be limited to a maximum of two years‘ annual compensation (“severance cap") and not exceed the value of the compensation for the remaining term of that service contract. Calculation of the severance cap is to be based on the total compensation for the past financial year and, where appropriate, also on the expected total compensation for the current financial year. If the residual term of the Management Board service contract is less than two years, the termination benefits must be calculated pro rata temporis.

If the service contract is terminated for good cause to be justified by the member of the Management Board, no payments are made to that member of the Board.

In the event of premature termination of a Management Board member's activity due to a change of control, the following has been contractually agreed with Timm Degenhardt and with Eike Walters. The Management Board member shall have the right to terminate his/her service contract within a period of six months after the change of control by giving six months' notice prior to the end of any month and to resign from his/her office as a member of the Management Board (i.e. "CoC termination"). In the event of CoC termination due to change of control, the Management Board member shall receive his/her contractual compensation for the remaining term of the service contract in the form of a one-off payment (i.e. "CoC termination benefit"), but no more than a maximum of two years' annual compensation. While the matching stock programme is not calculated in the annual compensation of Timm Degenhardt (payments under the MSP are unlimited), this exception does not apply to the CFO. Calculation of the one-off termination benefit is to be based on the total compensation for the past financial year and, where appropriate, also on the expected total compensation for the current financial year. In relation to Eike Walters, it should be added that the Supervisory Board has reached an amendment agreement with the CFO such that the aforementioned contractual provisions in the event of a change of control are deleted without replacement from his prevailing service contract in 2020 with effect from 19 November 2020.

All members of the Management Board are generally subject to a post-contractual non-compete clause for a period of 18 months after termination of their service contract. During the period of the non-compete obligation, the Management Board member concerned shall receive compensation amounting to 50% of his/her most recent fixed annual compensation. Other actual and hypothetical income of the Management Board member will be deducted from this compensation, insofar as this (in addition to the compensation) exceeds the amount of the most recently received annual fixed salary by more than 10%.

The policies set out above also provide for the remuneration which was agreed with Timm Degenhardt within the framework of his termination agreement. Timm Degenhardt remains entitled to the benefits as agreed upon with the contractually agreed payment terms until the final termination of his service contract. For the calculation of the annual bonus for financial year 2019, 108% was determined as the overall personal target achievement level across all targets. The annual bonus thus amounts to EUR 323,250. For financial year 2020, the basis for the annual bonus was set at a 100% target achievement level and thus amounts to EUR 200,000. As regards the long-term incentive plan, it was agreed that Timm Degenhardt's vested entitlements for the 2017 LTIP of EUR 311,101 and the 2018 LTIP of EUR 367,294 be paid and that Timm Degenhardt shall waive any further entitlements arising from the LTIP. Mr Degenhardt was compensated for his entitlements under the matching stock programme, firstly by the blocking notice for the qualified shares being lifted and, secondly, by settling any and all entitlements under the MSP in awarding him an amount of EUR 253,887. With regard to the post-contractual non-compete obligation, the aforementioned contractual conditions shall apply with the result that Timm Degenhardt receives a monthly sum of EUR 25,000 as compensation for this obligation. However, the Company dispensed with the post-contractual non-compete obligation prematurely, such that Timm Degenhardt received compensation solely for the months of September, October and November 2020 at EUR 25,000 each.

Overview of the total compensation of the Management Board

The total compensation granted to the members of the Board of Management for financial year 2020 amounted to KEUR 3,775 (PY: KEUR 2,254). Of this amount, KEUR 1,092 (PY: KEUR 850) was attributable to non-performance-linked compensation components, KEUR 79 (PY: KEUR 60) to other non-performance-linked benefits, KEUR 671 (PY: KEUR 450) to short-term performance-linked compensation components, KEUR 833 (PY: KEUR 311) to long-term variable compensation components (LTIP), KEUR 1,072 (PY: KEUR 283) to share-based compensation under the MSP and LTIP, and KEUR 28 to other payments or contractual benefits (PY: KEUR 300).

The members of the Management Board were also active in the parent company and/or subsidiaries of the Company. The compensation awarded for activities on the Management Board of the Company also covers these activities.

The individual, total compensation of the individual members of the Management Board, broken down into the respective components, is shown in the following table for financial year 2020. The first table shows the target compensation for the reporting year. The second table shows the actual payments made for that financial year.

Value of benefits granted for the 2020 financial year

	Dr Daniel Ritz (since 01.02.2020)			**Eike Walters**		
	2020	2020 (min)	2020 (max)	2020	2020 (min)	2020 (max)
Fixed salary	641,666.67	641,666.67	641,666.67	300,000.00	300,000.00	300,000.00
Fringe benefits [1]	58,772.67	58,772.67	58,772.67	7,800.00	7,800.00	7,800.00
Subtotal	**700,439.34**	**700,439.34**	**700,439.34**	**307,800.00**	**307,800.00**	**307,800.00**
Year-specific variable compensation [2]	320,833.33	0.00	481,250.00	150,000.00	0.00	198,750.00
Transaction bonus [3]	0.00	0.00	0.00	0.00	0.00	0.00
Multiple year compensation: LTIP (3 years) [4]	0.00	0.00	0.00	154,535.26	0.00	450,000.00
Equity-based compensation (LTIP) [5]	632,546.00	0.00	6,000,000.00	296,154.00	0.00	4,000,000.00
Equity-based compensation (MSP) [6]	0.00	0.00	0.00	104,461.12	0.00	1,200,000.00
Other benefits [7]	15,000.00	0.00	15,000.00	0.00	0.00	0.00
Subtotal	**968,379.33**	**0.00**	**6,496,250.00**	**705,150.38**	**0.00**	**5,848,750.00**
Pension expenses	0.00	0.00	0.00	0.00	0.00	0.00
Total compensation	**1,668,818.67**	**700,439.34**	**7,196,689.34**	**1,012,950.38**	**307,800.00**	**6,156,550.00**

[1] Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, and the conclusion and payment of contributions towards various insurance and pension benefits.
[2] The one-year variable compensation will be paid in 2021. Allocations were made to provisions accordingly in 2020.
[3] As compensation was granted subject to both conditions precedent (achieving the transaction conditions and executing the transaction) and on conditions subsequent (remaining in the Company until the transaction is executed) that were not yet fulfilled as at 31 December 2020, no figures are presented.
[4] The amount stated for Eike Walters corresponds with the 2018 LTIP instalment amount recorded under provisions, the performance period for which ended on 31 December 2020, meaning that the associated activities were fully rendered.
[5] The amount stated here corresponds to the total fair value of the LTIP at the grant date. Consequently, this figure comprises both the part of the LTIP granted directly in shares and the part paid in cash. By definition, both components represent share-based remuneration as either they involve the provision of equity instruments or the remuneration amount is dependent upon the price of equity instruments. The value shown for Eike Walters represents the total fair value of the share-based LTIP at the grant date, which corresponds to the conclusion of the new Executive Board service agreement. However, the LTIP granted relates to the performance period from 1 January 2021 to 14 July 2024.
[6] The value of the grant shown here is not comparable with the information from the notes to the consolidated financial statements, as the entire option value of the 6th instalment is taken into account here.
[7] Other compensation includes relocation expenses.

Value of benefits granted for the 2020 financial year

	Timm Degenhardt (CEO until 31.01.2020; Member of the Board of Management until 31.03.2020)		
	2020	2020 (min)	2020 (max)
Fixed salary [1]	150,000.00	150,000.00	150,000.00
Fringe benefits [2]	12,825.00	12,825.00	12,825.00
Subtotal	**162,825.00**	**162,825.00**	**162,825.00**
Year-specific variable compensation [3]	200,000.00	200,000.00	200,000.00
Multiple year compensation: LTIP (3 years) [4]	678,395.00	678,395.00	678,395.00
Equity-based compensation (MSP) [5]	38,677.50	38,677.50	38,677.50
Other benefits [6]	13,016.00	13,016.00	13,016.00
Subtotal	**930,088.50**	**930,088.50**	**930,088.50**
Pension expenses	0.00	0.00	0.00
Total compensation	**1,092,913.50**	**1,092,913.50**	**1,092,913.50**

[1] The amount stated here solely takes into account the pro rata fixed compensation as member of the Management Board until 31 March 2020. As such, this does not include the fixed compensation resulting for the period until 31 August 2020 in which he was released from the contract of employment and service.
[2] Fringe benefits include pro rata expenses and/or non-cash benefits as member of the Management Board until 31 March 2020, such as the provision of a company car, and the conclusion and payment of contributions towards various insurance and pension benefits.
[3] The one-year variable compensation for financial year 2020 was contractually defined as part of the termination agreement and a target achievement of 100%.
[4] The multi-year variable compensation was contractually defined and paid as part of the termination agreement for the 2017 LTIP with EUR 311,101 and for the 2018 LTIP with EUR 367,294.
[5] The amount stated for the 6th instalment (2020) solely takes into account his pro rata/vested entitlement and is based on the fair value measurement which was conducted as part of the termination agreement at the end of January 2020, i.e. coinciding with the allocation date of the 6th instalment. The contractually fixed total settlement amount of EUR 253,887 for Timm Degenhardt arising from the MSP programme was determined on the basis of this fair value measurement; this amount is the sum total of the fair values of all remaining instalments 3 to 6 (2017 to 2020).
[6] Other benefits include reimbursement for legal fees and account management fees.

Value of benefits granted for the 2019 financial year

	Timm Degenhardt			Eike Walters		
	2019	2019 (min)	2019 (max)	2019	2019 (min)	2019 (max)
Fixed salary	600,000.00	600,000.00	600,000.00	250,000.00	250,000.00	250,000.00
Fringe benefits [1]	52,224.00	52,224.00	52,224.00	7,800.00	7,800.00	7,800.00
Subtotal	**652,224.00**	**652,224.00**	**652,224.00**	**257,800.00**	**257,800.00**	**257,800.00**
Year-specific variable compensation [2]	300,000.00	0.00	450,000.00	150,000.00	0.00	165,625.00
Multiple year compensation: LTIP (3 years) [3]	0.00	0.00	0.00	0.00	0.00	0.00
Equity-based compensation (MSP) [4]	188,509.48	0.00	188,509.48	94,254.74	0.00	94,254.74
Other benefits [5]	300,000.00	0.00	300,000.00	0.00	0.00	0.00
Subtotal	**788,509.48**	**0.00**	**938,509.48**	**244,254.74**	**0.00**	**259,879.74**
Pension expenses	0.00	0.00	0.00	0.00	0.00	0.00
Total compensation	**1,440,733.48**	**652,224.00**	**1,590,733.48**	**502,054.74**	**257,800.00**	**517,679.74**

[1] Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, and the conclusion and payment of contributions towards various insurance and pension benefits.
[2] The one-year variable compensation was paid in 2020. Allocations were made to provisions accordingly in 2019.
[3] As compensation was granted subject to conditions precedent (achievement of certain targets and benefits becoming vested after 24 months) that were not yet fulfilled as at 31 December 2019, no figures are presented.
[4] The value of the granted compensation shown is not comparable to the disclosures in the notes to the consolidated financial statements, as here the total option value of the 5th instalment is taken into account.
[5] Other compensation includes a sign-on bonus.

Inflow for the 2020 financial year

	Dr Daniel Ritz (since 01.02.2020)	Eike Walters	Timm Degenhardt (CEO until 31.01.2020; Member of the Board of Management until 31.03.2020)
	2020	2020 (min)	2020 (max)
Fixed salary [1]	641,666.67	300,000.00	150,000.00
Fringe benefits [2]	63,147.67	7,800.00	12,825.00
Subtotal	**704,814.34**	**307,800.00**	**162,825.00**
Year-specific variable compensation [3]	0.00	125,625.00	523,250.00
Transaction bonus	0.00	0.00	0.00
Multiple year compensation: LTIP (3 years) [4]	0.00	0.00	678,395.00
Equity-based compensation (LTIP)	0.00	0.00	0.00
Equity-based compensation (MSP) [5]	0.00	0.00	253,887.00
Other benefits [6]	15,000.00	0.00	13,016.00
Subtotal	**15,000.00**	**125,625.00**	**1,468,548.00**
Pension expenses	0.00	0.00	0.00
Total compensation	**719,814.34**	**433,425.00**	**1,631,373.00**

1) The amount stated here for Timm Degenhardt solely takes into account the payment of pro rata fixed compensation as member of the Management Board until 31 March 2020. As such, this does not include the payment of fixed remuneration resulting from the period until 31 August 2020 in which he was released from the contract of employment and service.
2) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car or compensation for such a car, contributions towards various insurance and pension benefits. In the case of Timm Degenhardt, fringe benefits are accounted for on a pro rata basis as member of the Management Board until 31 March 2020.
3) The one-year variable compensation for Eike Walters relates to 2019 and was paid in the first quarter of 2020. The payment of the one-year variable compensation for Timm Degenhardt comprises the bonus for financial year 2019 (EUR 323,250) and the bonus for financial year 2020 (EUR 200,000). The latter was contractually defined as part of the termination agreement.
4) The multi-year variable compensation for Timm Degenhardt was contractually agreed on and paid as part of the termination agreement for the 2017 LTIP at an amount of EUR 311,101 and for the 2018 LTIP at an amount of EUR 367,294.
5) The amount stated for Timm Degenhardt corresponds with the amount agreed on under the termination agreement which the Management Board member received as a settlement for any and all entitlements under the matching stock programme.
6) Other benefits include relocation expenses and reimbursement for account management fees and legal fees.

Inflow for the 2019 financial year

	Timm Degenhardt	Eike Walters
	2019	2019
Fixed salary	600,000.00	250,000.00
Fringe benefits [1]	52,224.00	7,800.00
Subtotal	**652,224.00**	**257,800.00**
Year-specific variable compensation [2]	192,020.45	48,125.00
Multiple year compensation: LTIP (3 years)	0.00	0.00
Equity-based compensation (MSP)	0.00	0.00
Other benefits [3]	300,000.00	0.00
Subtotal	**492,020.45**	**48,125.00**
Pension expenses	0.00	0.00
Total compensation	**1,144,244.45**	**305,925.00**

[1] Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car or compensation for such a car, contributions towards various insurance and pension benefits.
[2] The one-year variable compensation for 2018 was paid in the first quarter of 2019.
[3] Other compensation includes a sign-on bonus.

The Management Board members have an interest in the Company's long-term success through the matching stock programme (MSP) and LTIP. Options granted under this programme are allocated as follows:

Share-based Payment (LTIP)

	Dr Daniel Ritz, CEO (since 01.02.2020)		Eike Walters	
	Fair value at grant date	Number of options	Fair value at grant date	Number of options
Outstanding options at 1 January				
Granted options during the year	KEUR 633	1,000,000	KEUR 296	1,000,000
Forfeited options during the year	–	–	–	–
Exercised option during the year	–	–	–	–
Expired options during the year	–	–	–	–
Outstanding options as of 31 December	KEUR 633	1,000,000	KEUR 296	1,000,000
Exercisable options as of 31 December	–	–	–	–

Matching Stock Program (MSP)

	Eike Walters, CFO								
	Tranche 4			Tranche 5			Tranche 6		
	Weighted average price	Fair value of options upon grant	Number of options	Weighted average price	Fair value of options upon grant	Number of options	Weighted average price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	EUR 2.81	KEUR 82	112,500	EUR 3.07	KEUR 94	112,500	–	–	–
Granted options during the year	–	–	–	–	–	–	EUR 3.02	KEUR 105	112,500
Forfeited options during the year	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	–	–	–	–	–	–
Outstanding options at 31 December	EUR 2.81		112,500	EUR 3.07		112,500	EUR 3.02	–	112,500
Exercisable options per 31 December	–	–	–	–	–	–	–	–	–

Matching Stock Program (MSP)

	Timm Degenhardt											
	Tranche 3			**Tranche 4**			**Tranche 5**			**Tranche 6**		
	Weighted average price	Fair value of options upon grant	Number of options	Weighted average price	Fair value of options upon grant	Number of options	Weighted average price	Fair value of options upon grant	Number of options	Weighted average price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	EUR 7.78	KEUR 204	78,889	EUR 2.81	KEUR 164	225,000	EUR 3.07	KEUR 189	225,000	–	–	–
Granted options during the year	–	–	–	–	–	–	–	–	–	EUR 3.00	KEUR 39 [1)]	225,000
Forfeited options during the year [2)]	–	–	78,889	–	–	225,000	–	–	225,000	–	–	225,000
Exercised options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding options at 31 December	–	–	–	–		–	–		–	–		–
Exercisable options per 31 December	–	–	–	–	–	–	–	–	–	–	–	–

[1)] The amount stated for the 6th instalment (2020) solely takes into account his pro rata/vested entitlement and is based on the fair value measurement which was conducted as part of the termination agreement at the end of January 2020, i.e. coinciding with the allocation date of the 6th instalment.

[2)] The presentation here reflects the fact that Mr Degenhardt's matching stock programme entitlements arising from the termination agreement have been paid and as such he has no longer any subscription rights as at 31 December 2020.

As in the prior year, no advances were paid to Management Board members in financial year 2020, and there were no loans.

Compensation of the Supervisory Board

Supervisory Board compensation system

The compensation of the Supervisory Board is governed by Article 18 of the Articles of Association of Tele Columbus AG. Members of the Supervisory Board receive fixed annual compensation in the amount of KEUR 33 (PY: KEUR 33). The Chairman of the Supervisory Board receives KEUR 75 annually (PY: KEUR 75).

Membership and chairmanship of committees are remunerated separately. Each member of the Audit Committee receives an additional KEUR 4 (PY: KEUR 4). The Chairman of the Supervisory Board receives an additional remuneration of KEUR 12 (PY: KEUR 12). The Chairman of the Executive Committee receives an additional amount of KEUR 5 (PY: KEUR 5). If a member of the Supervisory Board is not part of the Supervisory Board or a committee for the entire financial year, compensation is reduced proportionally to the time of service. For attending meetings of the Supervisory Board and its committees, the members of the Supervisory Board receive attendance fees in the amount of KEUR 1 (PY: KEUR 1) per meeting day. Participation by way of video or telephone link is considered participation in this sense.

Tele Columbus AG reimburses members of the Supervisory Board for expenses incurred in exercising their supervisory board functions as well as value added tax on their compensation.

Members of the Supervisory Board are also included in the company D&O insurance policy maintained by Tele Columbus AG with an appropriate deductible, in accordance with the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The premiums are paid by Tele Columbus AG.

Overview of the total compensation of the Supervisory Board

The total compensation of members of the Supervisory Board in financial year 2020 amounted to KEUR 289 (PY: KEUR 341) (excluding VAT). Of this amount, KEUR 240 (PY: KEUR 226) was attributable to fixed compensation for activities on the Supervisory Board. Compensation for committee work amounted to KEUR 25 (PY: KEUR 24). In financial years 2020 and 2019, Tele Columbus AG entities did not pay or grant any compensation or other benefits to members of the Supervisory Board for personally rendered services, in particular advisory and agency services. Nor were members of the Supervisory Board granted any advances or loans. The compensation of members of the Supervisory Board for financial years 2020 and 2019 is shown in the following tables:

Compensation of member of the supervisory board 2020

EUR	Fixed compensation	Compensation for commitee work	Attendance fees	Total compensation
Claus Beck	33,000.00	0.00	4,000.00	37,000.00
Hüseyin Dogan	33,000.00	4,000.00	4,000.00	41,000.00
Dr Susan Hennersdorf	33,000.00	4,000.00	4,000.00	41,000.00
Stefan Rasch	33,000.00	0.00	4,000.00	37,000.00
Dr Volker Ruloff (Chairman)	75,000.00	5,000.00	4,000.00	84,000.00
Michael Scheeren	33,000.00	12,000.00	4,000.00	49,000.00
Total	**240,000.00**	**25,000.00**	**24,000.00**	**289,000.00**

Compensation of member of the supervisory board 2019 – since September 2019

EUR	Fixed compensation	Compensation for commitee work	Attendance fees	Total compensation
Claus Beck	11,000.00	0.00	4,000.00	15,000.00
Hüseyin Dogan	11,000.00	1,333.33	4,000.00	16,333.33
Dr Susan Hennersdorf	11,000.00	1,333.33	4,000.00	16,333.33
Stefan Rasch	11,000.00	0.00	4,000.00	15,000.00
Dr Volker Ruloff (Chairman)	25,000.00	0.00	4,000.00	29,000.00
Michael Scheeren	11,000.00	4,000.00	4,000.00	19,000.00
Total	**80,000.00**	**6,666.66**	**24,000.00**	**110,666.66**

Compensation of member of the supervisory board 2019 – until August 2019

EUR	Fixed compensation	Compensation for commitee work	Attendance fees	Total compensation
Christian Boekhorst	22,000.00	6,000.00	15,500.00	43,500.00
Franck Donck (Chairman until 2 April 2019)	18,750.00	1,250.00	3,500.00	23,500.00
Dr Susan Hennersdorf	22,000.00	2,666.67	11,000.00	35,666.67
André Krause (Chairman since 3 April 2019)	39,500.00	7,416.67	18,000.00	64,916.67
Yves Leterme	22,000.00	–	6,500.00	28,500.00
Catherine Mühlemann	22,000.00	–	12,000.00	34,000.00
Total	**146,250.00**	**17,333.34**	**66,500.00**	**230,083.34**

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

Berlin, 22 March 2021
Tele Columbus AG, Berlin

The Management Board

Consolidated Financial statements for the financial year ended 31 December 2020

Content

Consolidated income statement

KEUR	Note	2020	2019
Revenue	E.1	479,913	499,405
Own work capitalised	E.2	24,625	22,591
Other income	E.3	7,110	9,393
Total operating income		*511,648*	*531,389*
Cost of materials	E.4	−147,847	−170,945
Employee benefits	E.5	−80,437	−77,736
Other expenses	E.6	−53,836	−68,528
EBITDA		**229,528**	**214,180**
Depreciation/amortisation and impairment	E.7/E.12	−354,207	−184,177
EBIT		**−124,679**	**30,003**
Equity method income (+) / loss (−)		73	−168
Interest income and similar income	E.8	83	91
Interest expense and similar expense	E.8	−64,707	−62,576
Other financial income (+) / loss (−)	E.9	2,981	−4,112
Profit (+) / Loss (−) before tax		*−186,249*	*−36,762*
Income taxes	E.10	410	1,261
Net loss		**−185,839**	**−35,501**
attributable to shareholders of Tele Columbus AG		−188,169	−37,550
attributable to non-controlling interests		2,330	2,049
Basic earnings per share in EUR	F.5	−1.48	−0.29
Diluted earnings per share in EUR	F.5	−1.48	−0.29

The following notes are an integral component of these consolidated financial statements.
EBITDA stand for earnings before interests, taxes, depreciation and amortisation and EBIT stand for earnings before interests and taxes.

Consolidated statement of profit or loss and other comprehensive income

KEUR	2020	2019
Net loss	*−185,839*	*−35,501*
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of gains (+)/ losses (−) on defined benefit plans (after deferred of taxes)	98	−168
Other comprehensive income	**98**	**−168**
Total comprehensive income	**−185,741**	**−35,669**
of which attributable to:		
Shareholders of Tele Columbus AG	*−188,071*	*−37,718*
Non-controlling interests	2,330	2,049

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

Consolidated statement of financial position

Assets

KEUR	Note	31 December 2020	31 December 2019
Non-current assets			
Property, plant, and equipment	E.11	712,663	669,166
Intangible assets	E.11	1,117,462	1,273,939
Investments accounted for using the equity method	B.1.2	441	414
Trade and other receivables	E.14.1	6	11
Other assets	E.14.3	4	6
Other financial receivables	E.14.2	3,517	688
Accruals and deferrals (non-financial)	E.14.3	2,402	1,937
Deferred tax assets	E.10	137	4,096
Derivative financial instruments	F.3	5,876	3,262
		1,842,508	**1,953,520**
Current assets			
Inventories	E.13	5,451	5,586
Trade and other receivables	E.14.1	52,423	61,785
Receivables from related parties	F.2.2	250	11
Other financial receivables	E.14.2	6,711	1,976
Other assets	E.14.3	7,882	17,197
Current tax assets	E.10	2,674	4,672
Cash and cash equivalents	F.4	61,890	10,128
Accruals and deferrals (non-financial)	E.14.3	5,127	3,549
Assets held for sale	E.11	–	2
		142,408	**104,906**
Total assets		**1,984,916**	**2,058,426**

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

Equity and liabilities

KEUR	Note	31 December 2020	31 December 2019
Equity			
Share Capital	E.15	127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		−627,109	−439,512
Equity attributable to shareholders of Tele Columbus AG		*121,285*	*308,882*
Non-controlling interests		10,215	9,697
		131,500	318,579
Non-current liabilities			
Pensions and other long-term employee benefits	E.16	10,241	10,531
Other provisions	E.18	2,393	2,070
Liabilities to banks and from the bond issuance	E.19	1,447,867	1,404,430
Trade and other payables	E.20	46	46
Other liabilities	E.23	681	–
Other financial liabilities	E.22	45,493	20,207
Lease liabilities [1)]	F.1.3	139,667	86,777
Accruals and deferrals (non-financial)	E.21	3,874	4,270
Deferred tax liabilities	E.10	18,390	27,544
Derivative financial instruments	F.3	11,165	11,045
		1,679,818	**1,566,920**

Current liabilities			
Other provisions	E.18	14,077	8,992
Liabilities to banks and from the bond issuance	E.19	14,533	27,745
Trade and other payables	E.20	71,830	75,878
Payables due to related parties	F.2.2	818	580
Other liabilities	E.23	18,761	23,824
Other financial liabilities	E.22	10,286	5,078
Lease liabilities [1]	F.1.3	29,469	22,179
Income tax liabilities	E.10	9,318	6,895
Accruals and deferrals (non-financial)	E.21	4,506	1,759
		173,598	**172,929**
Total equity and liabilities		**1,984,916**	**2,058,428**

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

[1] In the reporting year, the disclosure of lease liabilities was changed. Lease liabilities are presented separately in order to more appropriately present the obligations from leases and the associated outflow of resources from the leases.
The previous year's amounts were adjusted accordingly for reasons of comparability.

Consolidated statement of cash flows

KEUR	Note	2020	2019
Cash flow from operating activities		–	–
Net loss		*−185,839*	*−35,501*
Net financial income or expense	F8, F9	61,643	66,597
Income taxes	E.10	−410	−1,261
Equity method income/loss	B.3	−73	168
Earnings before interest and taxes (EBIT)		*−124,679*	*30,003*
Depreciation and amortisation	E.7	354,207	184,177
Equity-settled share-based employee benefits	E.17	474	623
Loss (+) / gain (−) on sale of property, plant, and equipment	E.6	−1,054	−1,069
Increase (−) / decrease (+) in:			
Inventories	E.13	136	3,035
Trade and other receivables (including contract assets) and other assets not classified as investing or financing activities	E.14.1 E.14.2	17,476	1,180
Accruals and deferrals (non-financial)	E.14.3	−2,042	726
Increase (+) / decrease (−) in:			
Trade payables and other liabilities not classified as investing or financing activities	E.21.1 E.23	−10,130	1,030
Provisions	E.18	−3,804	463
Accruals and deferrals (non-financial) including contract liabilities	E.21.2	2,351	−1,853
Income tax paid	E.10	−1,327	−8,920
Cash flow from operating activities		**231,608**	**209,396**

KEUR	Note	2020	2019
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1,544	1,069
Acquisition of property, plant and equipment	E.11	−76,313	−99,057
Acquisition of intangible assets	E.12	−35,238	−50,776
Interest received		19	85
Payments for the acquisition of companies, net of cash acquired		–	−6,716
Cash flow from investing activities		**−109,988**	**−155,395**
Cash flow from financing activities			
Payment of financial lease liabilities and service concession liabilities	F.4	−35,449	−23,753
Dividends paid	F.4	−1,811	−2,007
Proceeds from loans, bonds and short or long-term borrowings from banks	F.4	40,000	13,299
Transaction costs with regard to loans and borrowings	F.4	−3,305	−1,225
Repayment of short or long-term borrowings	F.4	−14,379	−2,072
Interest paid	F.4	−54,804	−54,381
Cash flow from financing activities		**−69,748**	**−70,139**
Cash and cash equivalents at the end of the period			
Net increase (+) / decrease (−) in cash and cash equivalents		51,872	−16,139
Cash and cash equivalents at the beginning of the period		10,128	26,288
Cash and cash equivalents at the end of the period		62,000	10,149
Increase (+) / decrease (−) from release of restricted cash and cash equivalents during the period		−110	−20
Free cash and cash equivalents at the end of the period		**61,890**	**10,128**

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

Consolidated statement of changes in equity

For the fiscal year 2020 **KEUR**	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 2020	**127,556**	**620,838**	**−112,345**	**−325,274**	**−1,893**	**308,882**	**9,697**	**318,579**
Profit (+) / loss (−)	–	–	–	−188,169	–	−188,169	2,330	−185,839
Other comprehensive income (+)/(−)	–	–	–	–	98	98	–	98
Total comprehensive income	**–**	**–**	**–**	**−188,169**	**98**	**−188,071**	**2,330**	**−185,741**
Dividends	–	–	–	–	–	–	−1,812	−1,812
Changes in non-controlling interests	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	–	–	–
Equity settled share-based employee benefits	–	–	474	–	–	474	–	474
Balance at 31 December 2020	**127,556**	**620,838**	**−111,871**	**−513,443**	**−1,795**	**121,285**	**10,215**	**131,500**

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

For the fiscal year 2019 **KEUR**	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 2019	**127,556**	**620,838**	**– 112,968**	**–287,725**	**–1,725**	**345,976**	**8,692**	**354,668**
Profit (+) / loss (–)	–	–	–	–37,549	–	–37,549	2,049	–35,500
Other comprehensive income (+)/(–)	–	–	–	–	**–168**	–168	–	–168
Total comprehensive income	**–**	**–**	**–**	**–37,549**	**–168**	**–37,717**	**2,049**	**–35,668**
Dividends	–	–	–	–	–	–	–2,007	–2,007
Changes in non-controlling interests	–	–	–	–	–	–	963	963
Other changes	–	–	–	–	–	–	–	–
Equity settled share-based employee benefits	–	–	623	–	–	623	–	623
Balance at 31 December 2019	**127,556**	**620,838**	**–112,345**	**–325,274**	**–1,893**	**308,882**	**9,697**	**318,579**

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

| **Notes to the consolidated financial statements**

Notes to the consolidated financial statements

A. General information

A.1 Introduction

Tele Columbus AG, as the parent company, registered at Kaiserin-Augusta-Allee 108, 10553 Berlin, has been listed on the Frankfurt Stock Exchange (Prime Standard) since 23 January 2015.

A.2 Description of operating activities

The companies of Tele Columbus AG are fibre-optic network operators operating primarily in the eastern German federal states of the federal republic of Germany. The Group's core business is operating and managing broadband cable equipment, in some cases using own satellite receiving equipment for providing residential apartment complexes of various housing companies and their tenants with television and radio signals, internet as well as telephony services. Operation of the equipment includes servicing, maintenance, customer care and collection. In addition to operating cable networks, the companies of Tele Columbus AG also offer B2B and construction services. Their B2B business comprises products to provide carrier companies with bandwidth services and business client networking, products to provide business clients with Internet and telephony in addition to network monitoring and data centre marketing. Construction services include the installation of fibre optic networks or connecting residential areas to its own backbone.

A.3 Basis of preparation of the financial statements

Applying Section 315e of the German Commercial Code (HGB), the consolidated financial statements of Tele Columbus AG as at 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The consolidated financial statements comprise the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes for financial year 2020 and for the comparative period of 2019.

The functional currency of the combined financial statements is the euro. Unless otherwise stated, all figures are presented in thousands of euros (KEUR). Because amounts are disclosed in thousands of euros, standard commercial rounding may result in rounding differences. In some cases, such rounded amounts and percentages may not correspond 100% to the stated sums when added together, and subtotals in tables may differ slightly from non-rounded figures in other sections of the consolidated financial statements due to standard commercial rounding.

With regard to the financial information contained in the consolidated financial statements, a dash ("–") means that the item in question is not applicable and a zero ("0") means that the respective figure has been rounded to zero.

The consolidated financial statements were prepared and released by the Management Board of Tele Columbus AG on 22 March 2021.

These consolidated financial statements are prepared on the going concern assumption.

The consolidated financial statements and the combined management report have been published in the German Federal Gazette (Bundesanzeiger).

B. Scope of consolidation

B.1 Consolidation methods

B.1.1 SUBSIDIARY

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

In preparing the financial statements, all internal Group balances, income and expenses as well as all unrealised gains and losses from transactions within the reporting entity were eliminated in the course of consolidation.

B.1.2 MINORITY INTERESTS (NON-CONTROLLING INTERESTS)

Minority interests (non-controlling interests) are measured at the acquisition date with the proportionate share of the acquired subsidiary's net assets.

Changes in Tele Columbus AG's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B.1.3 LOSS OF CONTROL

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

B.1.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interests of the companies of Tele Columbus AG in financial assets accounted for using the equity method include investments in associates and joint ventures.

Associates are companies in which Tele Columbus AG has a significant influence, but not control or joint control in respect to financial and business policy. A joint venture is an arrangement by which Tele Columbus AG exercises joint governance with rights to its net assets, but not to the assets' value or the obligation for the venture's liabilities.

Associates and joint ventures are initially recognised at cost, which includes the transaction costs. After initial recognition, the consolidated financial statements contain Tele Columbus AG's share in the profit or loss and in other comprehensive income until the time when the significant influence or joint control ends. Loss allocations and impairments may result in negative equity values. This is monitored on an ongoing basis.

B.2 Changes in the consolidated group

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

Capital share

in %	2020	2019
ANTEC Servicepool GmbH, Hanover	76.00	76.00
ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH, Cottbus [1]	100.00	100.00
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51.00	51.00
BIG Medienversorgung GmbH, Mönchengladbach [1]	100.00	100.00
Cable Plus GmbH, Berlin [1]	100.00	100.00
Cabletech Kabel- und Antennentechnik GmbH, Unterföhring [1]	100.00	100.00
FAKS Frankfurter Antennen- und Kommunikationsservice Gesellschaft mit beschränkter Haftung, Frankfurt (Oder) [1]	100.00	100.00
Funk und Technik GmbH Forst, Forst (Lausitz) [1]	100.00	100.00
HLkomm Telekommunikations GmbH, Leipzig [1]	100.00	100.00
kabel.digital.service gmbh, Frankfurt (Oder) [1]	100.00	100.00
Kabelcom Rheinhessen GmbH, Unterföhring [1]	100.00	100.00
Kabelcom Rhein-Ruhr GmbH, Unterföhring	– [7]	90.00
Kabelcom.Digital GmbH, Lippstadt	100.00	100.00
Kabelmedia.Net-Netzbetrieb GmbH, Lippstadt	100.00	100.00
KABELMEDIA GmbH Marketing und Service, Essen [1]	100.00	100.00
KKG Kabelkommunikation Güstrow GmbH, Güstrow [1]	100.00	100.00
KSP-Kabelservice Prenzlau GmbH, Prenzlau	90.00	90.00
Lehmensiek Kabelnetze & Antennentechnik GmbH, Lübeck [1]	100.00	100.00
Martens Deutsche Telekabel GmbH, Hamburg [1]	100.00	100.00
MDCC Magdeburg-City-Com GmbH, Magdeburg	51.02	51.02

Capital share

in %	2020	2019
MEDIACOM Kabelservice GmbH, Offenbach am Main	98.96	98.96
"Mietho & Bär Kabelkom" Kabelkommunikations-Betriebs GmbH, Cottbus [1]	100.00	100.00
MKG-Medienkommunikationsgesellschaft mbH, Essen	100.00	100.00
NEFtv GmbH, Nuremberg [1]	100.00	100.00
pepcom GmbH, Unterföhring [1]	100.00	100.00
pepcom Mitteldeutschland GmbH, Leipzig [1]	– [9]	100.00
pepcom Nord GmbH, Unterföhring [1]	– [8]	100.00
pepcom Projektgesellschaft mbH, Unterföhring [1]	100.00	100.00
Kabelfernsehen München ServiCenter GmbH	100.00	100.00
pepcom West GmbH, Unterföhring [1]	– [10]	100.00
PrimaCom Berlin GmbH, Leipzig [1]	100.00	100.00
PrimaCom Holding GmbH, Leipzig [1]	100.00	100.00
REKA Regionalservice Kabelfernsehen GmbH, Kamenz [1]	100.00	100.00
RFC Radio-, Fernseh- u. Computertechnik GmbH, Chemnitz [1]	100.00	100.00
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin [1]	– [11]	100.00
Tele Columbus Betriebs GmbH, Berlin [1]	100.00	100.00
Tele Columbus Cottbus GmbH, Cottbus [1]	100.00	100.00
Tele Columbus Geschäftskunden Vertriebs GmbH, Berlin	100.00	100.00
Tele Columbus Hessen GmbH, Berlin [1]	– [3]	100.00
Tele Columbus Kabel Service GmbH, Berlin [1]	100.00	100.00

Capital share

in %	2020	2019
Tele Columbus Multimedia GmbH, Berlin [1]	100.00	100.00
Tele Columbus Netze Berlin GmbH, Berlin [1]	–[6]	100.00
Tele Columbus NRW GmbH, Berlin	74.90	74.90
Tele Columbus Ost GmbH, Berlin [1]	–[5]	100.00
Tele Columbus Sachsen-Anhalt GmbH, Berlin [1]	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Berlin [1]	100.00	100.00
Tele Columbus Vertriebs GmbH, Berlin [1]	100.00	100.00
Tele Columbus Verwaltungs GmbH, Berlin [1]	–[4]	100.00
Teleco GmbH Cottbus Telekommunikation, Cottbus [1]	100.00	100.00
Tele-System Harz GmbH, Blankenburg [1]	100.00	100.00
TKN Telekabel-Nord GmbH, Unterföhring [1]	100.00	100.00
WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring [1]	–[12]	100.00
WTC Wohnen & TeleCommunication Verwaltung GmbH, Unterföhring [1]	100.00	100.00
WWcon Wärme-Wohnen-Contracting GmbH, Berlin [1]	–[3]	100.00

[1] For the 2020 financial statements, the company used the exemption provision of sections 264 (3) and 264b HGB.
[2] The share in Kabelcom Rhein-Ruhr GmbH, Unterföhring, was increased from 90% to 100% and as at 1 January 2020, Kabelmedia GmbH Marketing und Service, Essen, was merged with Tele Columbus Kabel Service GmbH, Berlin.
[3] With entry in the commercial register on 30 June 2020, the entities Tele Columbus Hessen, Berlin, and WWcon Wärme-Wohnen-Contracting GmbH, Berlin, were merged into Tele Columbus Multimedia GmbH, Berlin, through transfer of their entire assets by dissolution without liquidation.
[4] With entry in the commercial register on 10 August 2020, Tele Columbus Verwaltungs GmbH, Berlin, was merged into Tele Columbus Ost GmbH, Berlin, through transfer of its entire assets by dissolution without liquidation.
[5] With entry in the commercial register on 10 August 2020, Tele Columbus Ost GmbH, Berlin, was merged into Tele Columbus Multimedia GmbH, Berlin, through transfer of its entire assets by dissolution without liquidation.
[6] With entry in the commercial register on 11 August 2020, Tele Columbus Netze Berlin GmbH, Berlin, was merged into Tele Columbus Multimedia GmbH, Berlin, through transfer of its entire assets by dissolution without liquidation.
[7] With entry in the commercial register on 7 September 2020, Kabelcom Rhein-Ruhr GmbH, Unterföhring, was merged into Kabelfernsehen München ServiCenter GmbH, Unterföhring, through transfer of its entire assets by dissolution without liquidation.
[8] With entry in the commercial register on 9 September 2020, pepcom Nord GmbH, Unterföhring, was merged into Kabelfernsehen München ServiCenter GmbH, Unterföhring, through transfer of its entire assets by dissolution without liquidation.
[9] With entry in the commercial register on 17 September 2020, pepcom Mitteldeutschland GmbH, Leipzig, was merged into KMW GmbH, Unterföhring, through transfer of its entire assets by dissolution without liquidation.
[10] With entry in the commercial register on 21 September 2020, pepcom West GmbH, Unterföhring, was merged into Kabelfernsehen München ServiCenterGmbH, Unterföhring, through transfer of its entire assets by dissolution without liquidation.
[11] With entry in the commercial register on 30 November 2020, Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin, was merged into Tele Columbus Multimedia GmbH, Berlin, through transfer of its entire assets by dissolution without liquidation.
[12] With entry in the commercial register on 17 November 2020, WTC Wohnen & TelecCommunication GmbH & Co. KG, Unterföhring, was merged into WTC Wohnen & TelecCommunication Verwaltung GmbH, Unterföhring, through transfer of its entire assets by dissolution without liquidation.

With regard to the list of shareholdings in accordance with Section 313 (2) no. 4 HGB, please refer to the appendix to the 2020 annual financial statements of Tele Columbus AG.

The following table shows information about subsidiaries with minority interests before group adjustments financial year 2020:

For the 2020 financial year **KEUR**	MDCC Magdeburg City-Com GmbH, Magdeburg	ANTEC Servicepool GmbH	Other minority interests	Total
Non-controlling interests in %	*48.98*	*24.00*	–	
Non-currents assets	14,788	1,251	1,008	
Current assets	1,061	359	2,390	
Non-current liabilities	–5,287	–342	–116	
Current liabilities	–3,655	–224	–1,967	
Total of proportionate net assets	*6,907*	*1,044*	*1,315*	*9,266*
Revenue	27,384	4,951	4,812	
EBITDA	13,563	1,401	3,328	
Expenses and income not considered in EBITDA	–9,605	–1,252	–1,379	
Total comprehensive income	**3,958**	**149**	**1,949**	**6,056**
Non-controlling interests allocated to EBITDA	6,643	336	544	7,523
Income and expenses not considered in EBITDA attributable to non-controlling interests	–4,704	–300	–260	–5,264
Cash flow from operating activities	3,298	475	1,009	
Cash flow from investing activities	–1,171	–693	24	
Cash flow from financing activities	–4,433	–	–1,201	
of which dividends to non-controlling interests	–1,592	–	–219	–1,811
Net increase (+) / decrease (–) in cash and cash equivalents	**–2,306**	**–218**	**–168**	**–2,692**

For the 2019 financial year **KEUR**	MDCC Magdeburg City-Com GmbH, Magdeburg	ANTEC Servicepool GmbH	Other minority interests	Total
Non-controlling interests in %	*48.98*	*24.00*	–	
Non-currents assets	17,370	1,318	163	
Current assets	2,227	337	1,990	
Non-current liabilities	−8,401	342	−111	
Current liabilities	−4,636	304	−1,666	
Total of proportionate net assets	*6,560*	*2,301*	*376*	*9,237*
Revenue	26,160	5,093	4,236	
EBITDA	12,738	1,442	1,457	
Expenses and income not considered in EBITDA	−9,299	−1,255	−512	
Total comprehensive income	**3,439**	**187**	**945**	**4,571**
Non-controlling interests allocated to EBITDA	6,239	346	237	6,822
Income and expenses not considered in EBITDA attributable to non-controlling interests	−4,555	−301	−79	−4,935
Cash flow from operating activities	22,746	309	1,908	
Cash flow from investing activities	−17,988	−485	−253	
Cash flow from financing activities	−5,188	−60	−1,125	
of which dividends to non-controlling interests	−1,666	–	−161	
Net increase (+) / decrease (−) in cash and cash equivalents	**−430**	**−236**	**530**	**−136**

B.3 Interests in investments accounted for using the equity method

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

Associates	**Capital Share in %**	
	31 December 2020	31 December 2019
AproStyle AG, Dresden	**25.10**	25.10
Deutsche Netzmarketing GmbH, Köln	**20.00**	20.00
TV Produktions- und Betriebsgesellschaft GmbH & Co. KG, Jena	**40.00**	40.00
TV Produktions- und Betriebsverwaltungs GmbH, Jena	**40.00**	40.00

Joint ventures	**Capital Share in %**	
	31 December 2020	31 December 2019
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	**50.00**	50.00

The carrying amount of investments in associates as at 31 December 2020 totals KEUR 406 (31 December 2019: KEUR 414) and mainly results from the investment in AproStyle AG, Dresden.

KEUR	31 December 2020	31 December 2019
Carrying amount of investment in associates	**406**	414
Share of:		
Loss from continuing operations	**–8**	–168
Other comprehensive income	**–**	–
Comprehensive income	**–8**	–168

In addition, the equity method income also includes an effect of KEUR 47 resulting from Deutsche Netzmarketing GmbH.

The carrying amount of interests in joint ventures as at 31 December 2020 totalled KEUR 35 (31 December 2019: KEUR 0).

KEUR	31 December 2020	31 December 2019
Carrying amount of joint ventures	**35**	0
Share of:		
Loss from continuing operations	**35**	0
Other comprehensive income	**–**	–
Comprehensive income	**35**	0

Tele Columbus has a residual interest in the net assets of GlasCom Salzlandkreis GmbH, Staßfurt-Brumby, and therefore classified this company as a joint venture.

C. Basis of accounting

Disclosure and measurement

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

D. Accounting policies

D.1 Significant estimation uncertainty and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires assessment, estimates and assumptions that have a direct impact on the application of accounting policies. The reported amounts of assets and liabilities, the contingent assets and liabilities presented on the reporting date and the revenue and expenses recognised during the reporting period are also affected. Although 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.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Impairment testing of the carrying amount of non-financial assets (31 December 2020: KEUR 889,660; 31 December 2019: KEUR 1,039,597):
  At the end of each reporting period, the companies of Tele Columbus AG assess whether there is objective evidence of impairment of non-financial assets. Goodwill is not amortised or depreciated, but are impairment-tested annually instead. There are no other assets with an indefinite useful life. For impairment testing of goodwill according to IAS 36 as at 31 December 2020, the fair value less costs to sell for each cash-generating unit was used as the recoverable amount. Fair value less costs to sell was measured pursuant to IFRS 13 based on unobservable inputs (level 3 inputs). The calculations use cash flow forecasts based on financial plans approved by the management. The forecasts contain significant key assumptions on the development of the customer base and the market price for different, but also on capital expenditures. The discount rate depends on the composition and development of the peer group.

- Definition of measurement parameters for the recognition and subsequent measurement of property, plant and equipment (2020: KEUR 712,663; 2019: KEUR 669,166):
  The companies of Tele Columbus AG use various different measurement parameters for the recognition and subsequent measurement of property, plant and equipment (differentiation between maintenance and investment measures, capitalisation of own work, allocation to asset classes, grouping of utilisation units, delimitation of valuation units, assessment of future decommissioning measures, definition of useful lives and identification of events that lead to the performance of an impairment test). When defining the measurement parameters, management estimates on the basis of technical and economic experience are required.

- Accounting for rights of use (2020: KEUR 166,217; 2019: KEUR 104,544) and lease liabilities (2020: KEUR 169,136; 2019: KEUR 108,956):
  Upon entering into a contractual agreement, the Group must assess whether a contractual agreement constitutes or contains a lease. A lease exists if the fulfilment of the contract requires the use of an identifiable asset and the contractual agreement establishes control over the nature and purpose of the use of the identifiable asset for a certain period

of time in exchange for consideration (please refer to section D.2.4 Leases). The lease terms of a lease are negotiated individually and include a variety of conditions, such as termination or renewal options. In determining the term of leases, management considers all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Term changes resulting from the exercise of renewal and termination options are included in the term only if renewal or non-exercise of a termination option is reasonably certain at the provision date. The assessment is reassessed when a significant event or change in circumstances occurs that is within its control. Furthermore, lease payments are discounted at the interest rate inherent in lease or, if not readily determinable, at the Group's incremental borrowing rate. The determination of the incremental borrowing rate is subject to assumptions and estimates. The Group uses a credit risk equivalent yield curve based on market data, which is also adjusted for the various asset classes.

- Consideration of the default risk for trade receivables (book value 2020: KEUR 18,625; book value 2019: KEUR 17,318):
  Trade receivables are presented in the balance sheet net of expected credit losses (ECL). In determining the allowance, Tele Columbus incorporates forward-looking macroeconomic factors as well as management estimates, which in turn are based on past experience. In addition, individual characteristics of customers are also taken into account by the Group as part of the default estimate.

- Assessment of provisions (book value 2020: KEUR 16,470; book value 2019: KEUR 11,062):
  When recognising and measuring provisions, significant assumptions and estimates must be made concerning the probability and extent of the inflow or outflow of benefits. In particular, for asset retirement obligations, which account for the majority of non-current other provisions, it is necessary to estimate the expenses expected to be incurred to restore the assets to their original condition at the end of the lease term.

- Measurement of defined benefit obligations (book value 2020: KEUR 10,241; book value 2019: KEUR 10,531)
  The defined benefit plans are measured on the basis of the projected unit credit method and are subject to various actuarial assumptions and expectations regarding future increases in salaries and pension payments as well as employee turnover and mortality rates.

D.2 Significant accounting policies

D.2.1 INTANGIBLE ASSETS

Acquired intangible assets are recognised at cost in the statement of financial position. Internally generated intangible assets are carried at cost if they comply with the requirements of IAS 38.

Intangible assets with finite useful lives are generally amortised over their estimated useful life (between 3 and 15 years) using the straight line method from the time of their operational readiness. Acquired customer bases are amortised over a useful life between 7 und 8 years taking account of minimum contract terms.

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

Expenses for the acquisition of new customers are capitalised in accordance with IFRS 15 if they are payments that are directly related to the conclusion of the contract. They are amortized over their estimated useful lives. Costs of obtaining contracts include costs of initiating the contract (mainly sales commissions to employees in the direct and indirect sales channel) and contract performance costs. These are capitalised if it can be assumed that the costs will be compensated by future revenues from the contract. Contract initiation costs are additional costs that would not have been incurred if the contract had not been concluded. Contract fulfilment costs are directly attributable costs incurred after the inception of the contract that are incurred for the purpose of fulfilling the contract, but which are incurred prior to the inception of the contract and are not capitalised under a different standard. Tele Columbus exercises the option to generally recognise contract costs whose amortisation period would not exceed one year as an expense. Contract acquisition costs and contract performance costs are presented separately under intangible assets.

Contract acquisition costs and contract fulfilment costs have a useful life of 36 and 31 months respectively. Contract acquisition costs and contract fulfilment costs are subject to separate impairment requirements under IFRS 15, which require an impairment loss to be recognised if the carrying amount is greater than the remaining consideration that can be generated from the underlying contracts, less costs associated with the delivery of the performance obligation that have not been expensed.

Goodwill is not amortised but tested annually for impairment. Further tests are performed if there are indications of impairment.

An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The impairment test is performed on the basis of the corresponding cash-generating units. There are three CGUs to which goodwill has been allocated and is reviewed by management: TV (relates to the "TV" product segment), Internet and Telephony (relates to the "Internet and Telephony" product segment) and HLkomm (relates in particular to the business customer segment of the "Other" segment). These three CGUs represent the smallest identifiable group of assets that generate cash inflows largey independent of other (groups of) assets since the Group's central network infrastructure is the core operating asset needed to provide the services of the respective segment. The central network infrastructure cannot be allocated to customer groups or regions within a segment.

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

Amortisation expenses and impairment losses are recognised in the "Amortisation" item in the income statement.

Gains and losses on disposals are recognised in the "Other income" or "Other expenses" item.

The Group recognises an intangible asset under a service concession arrangement when it has the right to use the infrastructure facility.

An intangible asset received as consideration for the rendering of construction or upgrade services under a service concession arrangement is measured on initial recognition at fair value in accordance with the fair value of the services performed. After initial recognition, the intangible asset is measured at cost including capitalised borrowing costs and less accumulated amortisation and accumulated impairment losses.

D.2.2 BUSINESS COMBINATIONS

For business combinations, capital is consolidated by applying the acquisition method pursuant to IFRS 3. Assets and liabilities of the newly acquired subsidiaries that are identified when preparing the opening balance are recognised at fair value. These also include identified intangible assets and contingent liabilities. The remaining difference corresponds to goodwill. Non-controlling interests in the acquired company are recognised at fair value.

D.2.3 PROPERTY, PLANT AND EQUIPMENT

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

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

Property, plant and equipment are generally depreciated straight-line over a period of 3 to 15 years. The cable network infrastructure comprises technical equipment with an estimated useful life of between 8 and 15 years. If there is a licence agreement, then the remaining term of the licence agreement represents the upper limit for the useful life.

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

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

The impairment test is performed at the level of the three CGUs “TV”, “Internet and Telephony” and “HLkomm” (for the definition of the CGUs, please refer to D.2.1). If there are indications of impairment for a CGU and if the reconverable amount is below the carrying amount of the CGU, the carrying amount of the goodwill of the CGU is impaired. Any resulting impairment loss reduces the carrying amount of the other assets of the CGU on a proportionate basis. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

Costs for maintenance and repair are recognised in the period in which they are incurred. Costs for property, plant and equipment are recognised as an asset if it is likely that the associated future economic benefits flowing to the company will exceed the benefits that would have been possible without the acquisition.

Straight-line depreciation expenses and impairment losses are recognised as “Depreciation” in the income statement.

Gains and losses on asset disposals are recognised through profit or loss in the “Other income” or “Other expenses” item. We refer to section D.2.8 Other provisions regarding the asset retirement obligations.

D.2.4 LEASES

The Group assesses whether a contract constitutes or includes a lease upon contract inception. This is the case if the contract entitles control over the use of an identified asset for a period of time in exchange for consideration. To identify whether the contract includes the right to control an identified asset, the Group uses the definition of a lease according to IFRS 16 as its base.

AS LESSEE

At the commencement date or modification of the contract containing lease components, the contractually agreed remuneration based on the stand-alone selling price has to be distributed. The Group has, however, decided to refrain from separation of non-lease components for all asset categories and instead to recognise lease and the non-lease components as one single lease component.

At the commencement date, the Group recognises an asset for the right-of-use asset granted and a lease liability The right-of-use asset is initially measured at cost commensurate with the initial measurement of the lease liability, adjusted by the payments made on or before the commencement date plus any initial direct costs and estimated costs for the dismantling or removal of the underlying assets or the restoration of the underlying assets or site where the asset is located, less any received lease incentives.

Subsequently the right-of-use asset is depreciated straight line from the commencement date to the end of the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term or the costs of the right-of-use asset take account of the Group exercising a purchase option. In this case, the right-of-use assets is depreciated over the useful life of the underlying assets, which has been determined in line with the rules for property, plant and equipment. In addition, the right-of-use asset is continually tested for impairment where necessary and adjusted by specified remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments not yet made at the commencement date, discounted with the interest rate underlying the lease or, if this cannot be readily determined, at the incremental borrowing rate of the Group.

The Group uses a credit-risk appropriate yield curve based on market data to determine its incremental borrowing rate, which was adjusted further for the various asset categories.

The lease payments incorporated in the measurement of the lease liability include:

- fixed payments, including de facto fixed payments
- variable lease payments which are linked to an index or (interest) rate, initially measured using the applicable index or (interest) rate at the commencement date
- amounts, which are expected to be paid based on a residual value guarantee, and
- the exercise price of a purchase option, if the Group is reasonably certain to exercise this, lease payments for an extension option if the Group is reasonably certain to exercise this and penalty payment for early termination of the lease, unless the Group is reasonably certain that the lease will not be terminated early.

The lease liability is measured at net carrying amount using the effective interest method. The lease liability is remeasured if the future lease payments change due to a change in the index or (interest) rate, if the Group adjusts its estimate of the expected payments in the context of a residual value guarantee, if the Group changes its assessment of a purchase, extension or termination option being exercised or a de facto fixed lease payment changes.

In the event of such remeasurement of the lease liability, a commensurate adjustment to the carrying amount of the right-of-use asset is made or is made through profit or loss where the carrying amount of the right-of-use asset has been reduced to zero.

The Group‘s main leasing arrangements include:
- Fibre leases: with terms between 2 and 20 years, including renewal option
- Office buildings: with terms between 1 and 30 years, including renewal option
- Technical infrastructures in the form of data centres: with terms of 20 years including renewal option

SHORT-TERM LEASES AND LEASES WHICH ARE BASED ON LOW VALUE ASSETS

The Group has decided not to report right-of-use assets and lease liabilities for leases based on low value assets as well as for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

AS LESSOR

Where the Group acts as lessor, it classifies each lease either as a finance lease or operating lease at contract inception.

The Group makes an overall assessment to classify each lease based on whether the lease transfers substantially all risks and rewards of ownership of the underlying assets. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. For the purposes of this assessment, the Group takes account of specific indicators, such as whether the lease includes the major part of the economic life of the asset.

The Group is a lessor primarily in the area of leasing network infrastructure (dark fibre). The corresponding lease payments from dark fibre operating leases are recognised by the Group as income on a straight-line basis over the term of the lease. Assets held under finance leases are presented in the balance sheet as a lease receivable in the amount of the net investment in the lease. Over the term of the lease, interest income is recognised in the financial result on a straight-line basis.

With regard to customer premise equipment (hereinafter also referred to as “CPE”), in which equipment such as modems or receivers are provided to customers, the Group has adjusted its accounting in the current reporting year to industry practice, so that a corresponding comparability with competitors is ensured and thus more decision-relevant information can be derived on this basis.

Consequently, the CPE is no longer presented as an operating lease and the provision of customer premise equipment is accounted for in accordance with the requirements of IFRS 15, as the equipment only provide the customer with access to the Group‘s services (TV or Internet and telephone service lines). The main functionality of the devices is the reception and processing of the corresponding signals. The customer has no control over these core functionalities. Hereby, the provision of the CPE (e.g. modems or receivers) does not constitute a separately identifiable performance obligation, as these are an integral part of the respective TV, telephone or Internet services. Accordingly, the adjustment of the presentation to reflect industry standards leads merely to a reclassification within the revenue categories. Please also refer to the section D.2.10 Recognition of revenue.

The absolute amount of total revenue and the presentation of customer premise equipment under property, plant and equipment are not affected by this, neither in the reporting year nor in previous years.

D.2.5 INVENTORIES

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

D.2.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. As defined in IAS 32 and IFRS 9, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

a) Recognition and initial measurement

Financial assets and liabilities are recognised for the first time when an entity becomes party to the contractual provisions of the financial instrument. Regular-way purchases and sales of financial instruments are recognised on the trade date, i.e. the date on which the companies of Tele Columbus AG commit to purchasing the asset. Regular-way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned. With the exception of derivative financial instruments, financial assets are recognised as at their settlement date. If there are acquisitions or sales of financial assets in the ordinary course of business, these are accounted for in accordance with settlement date accounting.

On initial recognition, financial instruments are measured at fair value. Financial instruments that are not categorised as “at fair value through profit or loss” in the context of classification are recognised at fair value including the acquisition or issue of directly attributable transaction costs. Trade receivables excluding a significant financing component are measured at their transaction price.

b) Classification and subsequent measurement

On initial recognition of financial assets, Tele Columbus AG makes an allocation to one of the following measurement categories: “at amortised cost”, “at fair value through other comprehensive income – debt”, “at fair value through other comprehensive income – equity” and “at fair value through profit or loss”. With the exception of equity instruments, financial assets are allocated to the measurement categories irrespective of the identified business model under which the assets are held and the characteristics of the contractual cash flows.

Financial assets are allocated to the category “at amortised cost” if they are held as part of a business model whose objective is to hold assets and the payments are solely interest and principal and are made on specified dates.

The otherwise possible fair value option is currently not being exercised.

Financial assets are allocated to the category “at fair value through other comprehensive income – debt” if they are held under a business model whose objective is to hold and sell assets and if the payments are solely interest and principal payments and are made on specified dates.

All other financial assets that are not classified as “at amortised cost” or “at fair value through other comprehensive income – debt” as described above are measured at fair value through profit or loss.

The business model is assessed at the portfolio level of the individual financial assets and their objectives. The Group has currently identified the “hold” business model for the financial instruments held.

Financial assets under the “hold” business model and thus in the category “at amortised cost” particularly include trade receivables, cash and cash equivalents and other financial receivables and assets.

Equity instruments are generally measured at fair value. On initial recognition of an equity instrument that is not held for trading, Tele Columbus AG can irrevocably decide to present the change in fair value in other comprehensive income (“at fair value through other comprehensive income – equity”). This decision is made for each individual instrument. The option is not currently exercised. There were no corresponding equity instruments or investments in the financial year.

Financial liabilities are generally classified in the category “at amortised cost”, irrespective of other criteria. If certain conditions are met on initial recognition, a different accounting treatment can be used. In addition to recognition at amortised cost, measurement at fair value through profit or loss is also possible. Derivatives must always be measured at fair value through profit or loss, and it is also possible to exercise the option “at fair value through profit or loss”. This option is not currently exercised. For issued loan commitments, the expected credit losses are also determined if certain conditions are met.

Subsequent measurement of financial assets is based on the following measurement categories:

- “Fair value through profit or loss”:
  Gains and losses and any interest income and dividends on financial assets that are measured at fair value through profit or loss are recognised in profit or loss.

- “At amortised cost”:
  Financial assets measured at amortised cost are measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognised in profit or loss. In addition, gains and losses that arise on derecognition are also recognised in profit or loss.

- “At fair value through other comprehensive income – debt”:
  Other debt instruments are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains or losses, and impairment losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, aggregate gains and losses are reclassified to profit or loss. The described matter is not applicable to Tele Columbus at all.

- “At fair value through other comprehensive income – equity”:
  Other equity instruments are measured at fair value. Dividends that do not clearly compensate for part of the investment costs are recognised through profit or loss in the income statement. Other net gains and losses are recognised in other comprehensive income and cannot be reclassified to the income statement.

Subsequent measurement of financial liabilities is based on the following measurement categories:

- “Fair value through profit or loss”:
  Gains and losses and any interest expenses on financial liabilities that are measured at fair value through profit or loss are recognised in profit or loss.
- “At amortised cost”:
  Financial liabilities measured at amortised cost are measured using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. In addition, gains and losses that arise on derecognition are also recognised in profit or loss.

Embedded derivatives that are required to be separated are separated from the respective host contracts in accordance with IFRS 9 and are accounted for as separate instruments under the category “fair value through profit or loss”. The embedded derivatives of the companies of Tele Columbus AG exist in connection with loan agreements and the bond.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments.

c) Derecognition

Financial assets are derecognised when the contractual rights to cash flows from the financial asset have expired or the rights to receive the contractual cash flows from a transaction in which substantially all the risks and rewards incidental to ownership are transferred to a third party or are neither transferred nor retained and there is no control over the financial asset.
A financial liability is derecognised from the statement of financial position when it is repaid, i.e. when the obligation under the liability is discharged or cancelled, or when the financial liability has expired. When the financial liability is derecognised, the difference between the previous carrying amount and the consideration paid (including non-cash assets or liabilities) is recognised in profit or loss.

When there is a substantial modification of terms for existing financial liabilities, the existing financial liability based on the previous terms is treated as extinguished, and the financial liability is recognised based on the changed terms at fair value.

d) Impairment of financial assets

Simplified approach
For trade receivables and contractual assets, a simplified approach is used to determine the impairment in the amount of the lifetime credit loss over the remaining term. The simplified approach is also used for trade receivables and contractual assets that contain a financing component in accordance with IFRS 15, as well as for receivables from leases. The (net) carrying amount of these instruments represents the maximum credit risk in each case.

If, in the case of trade receivables, there is objective evidence that not all amounts due will be received in accordance with the originally agreed invoice terms, an impairment loss is recognized using an allowance account (provision for impairment losses). A derecognition of the receivables takes place when they are classified as uncollectible.

Objective evidence of impairment includes, for example, significant financial difficulties of the debtor, default or delinquency in payments, reduction in creditworthiness, insolvency or other reorganization proceedings of the debtor. The asset is derecognised if legal recovery measures are considered to be largely unsuccessful.

Tele Columbus considers a default event to be when a counterparty is unable to fulfil its contractual obligations in respect of a financial instrument. At this point, there is a probability of default of 100% and the contractual cash flows are no longer expected to be collected. In addition, the portfolio is written down, adjusted for possible collateral. Further information on default events is presented in section F.3.2.3 Credit risk.

In determining expected credit losses and assessing the change in the relative probability of default, Tele Columbus takes into account forward-looking macroeconomic factors as well as debtor-specific and industry-specific characteristics. Further information on the determination of expected credit defaults and the assessment of the relative change in the probability of default is provided in section F.3.2.3 Credit risk.

The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognised in profit or loss. Where a similar risk structure exists, trade receivables are assessed for uncollectability on a portfolio basis. A portfolio combines receivables with a similar risk structure. Estimated credit losses as well as specific allowances are determined based on the age structure of the receivables as well as past credit loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, this reversal shall not result in a carrying amount of the financial asset at the date of the reversal that exceeds the amortized cost that would have been determined had no impairment loss been recognised. The reversal of the impairment loss is recognised in profit or loss.

General approach
All other financial instruments are subject to the general impairment model, which is generally subject to the following three levels:

Level 1: All relevant financial instruments are initially allocated to level 1. The present value of the expected losses from possible defaults within the next twelve months after the reporting date ("12-month expected credit losses") is recognised as an expense. The interest income in connection with the financial instrument is calculated by multiplying its gross carrying amount at the start of the period by the effective interest rate calculated as at the time of its addition. Consequently, the effective interest method is applied on the basis of the carrying amount before taking account of risk provisions.

Level 2: Financial instruments that have a significantly increased credit risk in comparison to their addition date are allocated to level 2 of the impairment model. The impairment loss corresponds to the present value of the expected losses from possible defaults over the contractual remaining term of the financial instrument ("lifetime expected credit losses"). Interest income is calculated in the same way as in level 1.

Level 3: If objective evidence of impairment of the financial instrument can be observed in addition to significantly increased credit risk, the loss allowance continues to be measured based on the present value of the expected credit losses from possible default events over the remaining term of the financial instrument ("lifetime expected credit losses"). In contrast to levels 1 and 2, however, interest income is collected on the basis of the net carrying amount, i.e. the gross carrying amount less risk provisions, taking account of the original effective interest rate.

The carrying amount of the financial asset is reduced through use of an allowance account (provision for impairment). The impairment loss is recognised in profit or loss. Financial assets with similar risk exposures are checked for recoverability on a portfolio basis. A portfolio combines financial assets with a similar risk structure. Expected credit losses (bucket 2) are determined on the basis of the maturity structure of financial assets and experience with credit losses in the past.

If, in one of the following reporting periods, the amount of the impairment loss decreases and this decrease can be objectively attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. This reversal may not result in the carrying amount of the financial assets exceeding the carrying amount at amortised cost that would have resulted had the impairment not been recognised at the date of reversing the impairment. The amount of the reversal is recognised in profit or loss.
To determine a significantly increased credit risk relative to initial recognition, Tele Columbus takes account of suitable information that is available without requiring excessive costs or effort.

Financial instruments in the general approach are subject to a significantly increased credit risk in the event of a (relative) change in the probability of default of more than 20%, and a significantly increased credit risk is assumed at the latest when the financial instrument is more than 90 days past due. Please refer to section F.3.2.3 Credit risk for more details on accounts receivable risk.

For cash, the exemption for financial instruments with a low credit risk is utilised where possible as at the reporting date. A low credit risk is judged on the basis of country and debtor ratings and outlooks, among other information. The requirements for financial instruments with a low credit risk are considered to be satisfied for cash with at least one investment-grade rating (AAA to BBB- at Standard & Poor's), meaning that the credit risk does not need to be tracked for financial instruments with a low credit risk. For materiality reasons, Tele Columbus does not recognise impairment on cash.

D.2.7 EMPLOYEE BENEFITS

Employee benefits include benefits due in the short-term as well as benefits due after employment has been terminated, other long-term benefits and termination benefits.

Post-employment benefits are classified as either defined benefit plans or defined contribution plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised as an expense in the period in which the benefit is provided. A liability for the anticipated payable amount is recognised if the companies of Tele Columbus Group currently have a legal or constructive obligation to pay this amount due to work performed by the employee in the past and if the amount of the obligation can be estimated reliably.

SHARE-BASED PAYMENT ARRANGEMENTS

The fair value of the equity-settled share-based payment programmes granted to employees at the grant date is generally recognised as an expense over the vesting period with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of claims for which the related service conditions and non-market performance conditions are expected to be met, so that the amount ultimately recognised is based on the number of claims that meet the related service conditions and non-market performance conditions at the vesting date. For share-based payments with non-vesting conditions, the fair value of the share-based payment is measured at the date of granting in order to take these conditions into account and no adjustments are made for any differences between the anticipated results and the actual results.

The fair value of the amount payable to employees in respect of stock appreciation rights that are settled in cash is recognised as an expense with a corresponding increase in the liability over the period in which the employees become unconditionally entitled to those payments. The liability is remeasured at each reporting date and at the settlement date based on the fair value of the stock appreciation rights. Any changes in the liability are recognised in profit or loss.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (e.g. a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The pension insurance represents such a defined contribution plan. The amounts are recognised in personnel expenses.

DEFINED BENEFIT PLANS

Defined benefit pension plans are post-employment benefit plans other than defined contribution plans, under which the respective companies are required to provide the agreed benefits to current and former employees.

Defined benefit plans are measured by using the projected unit credit method, which is based on various assumptions and expectations regarding future increases in salaries and pension payments as well as employee turnover and mortality. The obligations are measured by independent qualified actuaries once a year. The accumulated defined benefit obligations are recognised under personnel expenses, interest expenses and other expenses.

Should there be plan assets for defined benefit plans, which are used exclusively to secure retirement benefit obligations, such plan assets are measured at fair value and recognised on a net basis at the value of the pension provisions by using the projected unit credit method. Assets that are not netted are reported as other financial receivables.

Gains and losses resulting from changes in actuarial assumptions as well as the difference between standard and actual interest on plan assets are recognised in other comprehensive income.

AGREEMENTS FOR PARTIAL RETIREMENT BENEFITS

In certain cases, employees of some companies are offered agreements for partial retirement benefits. Such provisions are measured at their present value, considering benefit entitlements of employees based on years of service.

ANNIVERSARY OBLIGATIONS

Employees of some companies receive jubilee or other long-service benefits upon having served the company for a certain number of years. Such provisions are measured at their present value, considering benefit entitlements of employees based on years of service.

BENEFITS RESULTING FROM TERMINATION OF EMPLOYMENT

Termination benefits are expensed when the companies of Tele Columbus AG can no longer withdraw the offer of such benefits. They are discounted if they are not expected to be fully settled within twelve months of the reporting date.

D.2.8 OTHER PROVISIONS

According to IFRS, a provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the companies of Tele Columbus Group expect that some or all of the expenditure required to settle a provision will be reimbursed, then the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received. Where the effect of the time value of money is material, provisions relating to future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, to the extent applicable.

In some cases, the Group is obliged on the basis of existing lease agreements (e.g. in relation to the headquarters building) to restore the leased assets or premises to their original condition at the end of the respective lease term. A provision has been recorded for the present value of the estimated expenditure required to remove any leasehold improvements or to restore the premises to their original condition. These costs have been capitalised as part of the cost of property, plant and equipment and are being depreciated over the shorter of the lease term and the useful life of the leased assets.

D.2.9 ACCRUALS AND DEFERRALS (NON-FINANCIAL)

Investment grants and prepayments from customers for services rendered after the reporting date are recognised as deferred income. In some cases, government grants are also awarded (e.g. to compensate for economic efficiency gaps in development areas), which are also taken into account as deferred income and for which there are usually no unfulfilled conditions or other success uncertainties. They are released to sales (customer prepayments) or other income (investment grants) in accordance with the contractually agreed term.

D.2.10 RECOGNITION OF REVENUE

In the case of multi-component transactions (e.g. Internet, telephony and TV), the total transaction price of the combined contract is allocated to the individual, separate performance obligations on the basis of the pro-rata stand-alone selling prices. The stand-alone selling price of each individual component is stated as a ratio of the sum of the stand-alone selling prices of the contractual performance obligations.

A contract asset is recognised if Tele Columbus has recognised revenue due to the fulfilment of a contractual performance obligation before the customer has made a payment or (regardless of due date) the preconditions for invoicing, and thus the recognition of a receivable, are in place. Typically, this occurs in the course of revenue smoothing due to discounts granted at the start of an end customer contract and for construction work.

A contract liability is recognised if the customer has made a payment or a receivable from the customer is due before Tele Columbus has satisfied a contractual performance obligation and thus recognised revenue. Typically, this occurs by way of paid provision fees and other advance one-off payments of the customer which do not constitute a consideration for a separate performance obligation. Contract liabilities are usually reported in the position “Accruals and deferrals (non-financial)”.

For each contract with a customer, contract liabilities are netted with the contract assets.

When a contract is concluded in the B2C segment, Tele Columbus charges the customer a one-off installation fee that is not reimbursed. Installation does not constitute a separate performance obligation. Furthermore, the customer is not granted any material rights with the installation fee. The installation fee is categorised as a non-refundable upfront fee. Pursuant to IFRS 15, these upfront payments are recognised as a liability and – in line with the transfer of the service to the customer – recognised as revenue over the contract term. Companies can choose not to include a financing component at the level of the individual contract for materiality reasons.

The majority of revenue arises from customers which have already terminated the original contract term and have received performance under contract extensions with a maximum term of one year. No information is provided on the remaining performance obligations as at 31 December 2020 that have an original expected duration of one year or less.

The carrying amount of the contract costs included in the statement of financial position as at 31 December 2020 was KEUR 32,753 (2019: KEUR 27,897) and mainly consists of sales commissions to third-party dealers in direct and indirect distribution channels and to employees.

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION METHODS

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a good or service to a customer.

The following provides information on the type and point in time at which the performance obligation from contracts with customers is satisfied, including significant payment terms, and the associated revenue recognition principles for the individual products and/or services of the Group.

ANALOGUE, INTERNET/TELEPHONY, ADDITIONAL DIGITAL SERVICES

The customer is provided with the analogue connection, the internet/telephone connection and the additional digital service during the contract period. The provision of customer premise equipment (e.g. modems or receivers) does not constitute a separately identifiable performance obligation, as these are an integral part of the respective TV, telephone or Internet services.

Revenue is recognised pursuant to IFRS 15 over time. Revenue recognition corresponds to the provision of services for the customer (output-based method). If the aforementioned services are performed in different reporting periods under a single agreement, the fee is divided between the services on the basis of the relative stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group offers the services in separate transactions. If no list prices are available, the stand-alone selling prices are estimated in accordance with the requirements of IFRS 15.

OTHER TRANSMISSION FEES AND FEED-IN FEES

Revenue for other transmission fees and various feed-in fees (comprise payments for the feed-in of the broadcaster's programming signals into the cable networks of the TC Group and their onward transmission via the cable networks of the TC Group to the connected residential units. They are recognised over the contract term. The invoicing intervals (monthly, quarterly or annual) depend on the negotiated contractual terms. Revenue is recognised on a monthly basis and is estimated regarding the requirements of IFRS 15, which means that the estimate of variable parts of the transaction price is constrained in line with the requirements in IFRS 15.56-58.

CONSTRUCTION WORK

Construction services include installing fibre-optic networks, connecting residential areas to the Group's own backbone, and expanding or modernising coaxial or glass infrastructure in residential buildings owned by the customer. Construction services are recognised over the performance period. The length of the performance period depends on the scope of the respective construction service. At individual contractually agreed payment dates, Tele Columbus issues an invoice to the customer in line with the stage of completion of the construction service. Advance payments are also contractually agreed with the customer on an individual basis.

Revenue is recognised pursuant to IFRS 15 over time. An input-based method (cost-to-cost method) is used for revenue recognition. Advance payments received are recognised under contract liabilities.

Revenue associated with construction or build-out services under a service concession arrangement is recognised on a time-apportioned basis.

This is done in line with the Group's accounting policy for the recognition of revenue from construction contracts. Revenue from operating or service activities is recognised in the period in which the services are rendered by the Group. If the service concession arrangement includes more than one performance obligation, then the consideration received is allocated based on the relative stand-alone selling prices of the individual services provided.

NETWORK CAPACITY

Major customers are provided with a contractually agreed bandwidth (transfer capacity) for transmitting data via Tele Columbus infrastructure (networks).
Pursuant to IFRS 15 revenue is recognised over time. Revenue recognition corresponds to the provision of services for the customer (output-based method).

ONE-OFF FEES FOR BUSINESS CUSTOMERS

The item includes revenue from the installation of individual facilities at the customer.

Revenue is recognised at the date of service provision in accordance with IFRS 15.

HARDWARE SALES

Revenue from the sale of hardware is recognised when control of the specific hardware has been transferred, i.e. generally upon delivery of the hardware, which represents the date of fulfillment of the performance obligation.

D.2.11 FAIR VALUE MEASUREMENT ACCORDING TO IFRS 13

The companies of Tele Columbus AG measure their derivative financial instruments at fair value. The measurement model used is based on a calculation of fair value on the basis of different yield curves and assumed decision trees to take account of different scenarios. For detailed explanations, please refer to F.3.2 Risk management in the area of financial instruments.

In addition, the fair value of financial assets and liabilities measured at amortised cost is reported in section F.3.2 Risk management in the area of financial instruments.

The general responsibility for monitoring all significant fair value measurements, including level 3 inputs to measure fair value, lies directly with the finance and accounting department of the company preparing the statements, which reports directly to the Management Board. The management of Tele Columbus regularly reviews the most important inputs and measurement parameters. If information from third parties – such as quoted prices from price information services – is used to determine fair value, the management assesses the evidence obtained from the third parties in terms of the compliance of these measurements with IFRS requirements, including the fair value hierarchy level to which these measurements are assigned.

In determining the fair value of an asset or liability, the companies of Tele Columbus AG use data observable in the market insofar as possible. The inputs used to determine fair value are assigned to different levels of the fair value hierarchy in line with the valuation technique applied:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If there are transfers between individual levels of the fair value, these are assessed as having taken place at the end of the reporting period. Derivatives are generally reported in level 2. In 2020, there were no transfers between level 1 and level 2 of the fair value hierarchy.

D.2.12 INCOME TAXES

CURRENT INCOME TAXES

Current income tax assets and liabilities are measured at the amount at which a refund from the tax authority or a payment to the tax authority is expected; they are not discounted. The respective amount is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The Group operates only in Germany and generates its taxable income there.

Current taxes relating to items that are accounted for directly in equity are not recognised in the income statement but rather in equity. The management regularly assesses individual tax issues to determine whether there is scope for interpretation in view of the applicable tax regulations. If necessary, tax provisions are recognised.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised using the liability method for all temporary differences between the carrying amount of the assets/liabilities recognised for tax purposes and the carrying amount according to IFRS.

Deferred tax liabilities for temporary differences are recognised for all taxable temporary differences, with the exception of deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in the context of a transaction that was not a business combination and did not impact either the profit for the period under commercial law or the taxable profit at the time of the transaction. In addition, deferred tax liabilities from taxable temporary differences in connection with investments in subsidiaries, associates and interests in joint arrangements also are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognised only to the extent that it is probable that the respective taxable entity (company or reporting entity) will generate sufficient taxable profit against which the deductible temporary differences and unused tax losses can be utilised. There is an exception to this in the case of deferred tax assets from deductible temporary differences that arise from the initial recognition of an asset or liability in the context of a transaction that is not a business combination and that did not impact either the profit for the period under commercial law or the taxable profit at the time of the transaction. The same applies to deferred tax assets from deductible temporary differences in connection with investments in subsidiaries, associates and interests in joint arrangements if it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable profit will not be available against which the temporary differences can be used.

The value of deferred tax assets is based on future taxable income generated by the taxable entity (company or reporting entity) and is reviewed annually. If it is no longer probable that sufficient taxable income will be generated against which the deferred tax assets can be used at least in part, then the recognition for the deferred tax assets is corrected to the appropriate level.

| **Notes to the consolidated financial statements**

Management regularly reviews the positions in the tax returns with regard to situations where the applicable tax law allows for different interpretations and considers whether it appears probable that the tax authority will accept an uncertain tax treatment. The Group assesses the impact of uncertainty arising from uncertain tax treatments using either the most likely amount or the expected value, whichever is more appropriate for predicting the resolution of the uncertainty.

Deferred tax assets and liabilities are measured using the tax rates expected to be valid for the period in which an asset is realised or a liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are recognised under non-current assets or liabilities. If changes in assets and liabilities are reported in other comprehensive income or directly in equity, the change in the corresponding deferred tax assets or liabilities is also recognised in other comprehensive income or separately in equity.

Deferred tax benefits acquired as part of a business combination that do not satisfy the criteria for separate recognition at the acquisition date are recognised in subsequent periods, provided they result from new information about facts and circumstances that existed at the acquisition date. The adjustment is either treated as a decrease in goodwill (provided it does not exceed goodwill) if it arises during the measurement period or is recognised in profit or loss.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority either for the same taxable entity or for different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to recover the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

D.2.13 ASSETS HELD FOR SALE

Assets held for sale are classified as such if their carrying amount will be recovered principally through a highly probable sale transaction within the next twelve months rather than through continuing use. These assets are measured at the lower of their carrying amount and their fair value less costs to sell and are classified as assets held for sale. In this case, depreciation is no longer recognised. Impairment is recognised on these assets if their fair value less costs to sell is lower than their carrying amount. In the event of a subsequent increase in fair value less costs to sell, the previously recognised impairment loss is reversed. The amount of the reversal is limited to that of the impairment loss previously recognised for the assets in question. If the requirements for classification as assets held for sale are no longer met, the assets can no longer be reported as held for sale. In the reporting period, assets held for sale were recognised at the lower of their carrying amount and their fair value less costs to sell at the start of the active search for the buyer. The assets are available for immediate sale on terms that are usual and customary for the sector; a sale is therefore highly probable.

D.3 Compliance with IFRS

The following accounting standards and interpretations were adopted for the first time in these financial statements:

Standard/Interpretation		Effective as at
Amendments to conceptual framework	Amendments to references to the conceptual framework in IFRS Standards	1 January 2020
Amendments IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IFRS 16	COVID-19-Related Rent Concession	1 June 2020

The standards and interpretations listed above had no material impact on the consolidated financial statements as at 31 December 2020. The following table shows the main new or revised standards (IAS/IFRS) and interpretations (IFRIC) that are not required to be applied until subsequent financial years and that the companies of Tele Columbus AG do not intend to apply early. Unless otherwise indicated, their effects on the consolidated financial statements are currently being examined. The overview is divided into provisions that have already been endorsed by the EU and provisions that have not yet received EU endorsement. Unless otherwise stated, the adoption date refers to the effective date as specified in the EU endorsement:

Standard/Interpretation		Effective as at[1]	Publication of endorsement by the EU Commission
Amendments to IAS 1	Classification of Liabilities as current or non-current	1 January 2023	pending
Amendments to IAS 1	Accounting policies	1 January 2023	pending
Amendments to IAS 8	Definition of estimation uncertainties	1 January 2023	pending
Amendments to IFRS 16	Extension of COVID-19 special rules beyond 30 March 2021	1 January 2021	pending
Amendments to IFRS 17	Insurance contracts	1 January 2023	pending
Amendments to IAS 16	PP&E: Proceeds before intended use	1 January 2022	pending
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	pending
Amendments to IAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022	pending
Amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (from 27 August 2020)	Amendments to reference interest rate	1 January 2021	14 January 2021
Amendments IFRS 4	Insurance contracts	1 January 2021	16 December 2021
AIP 2018–2020	IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022	pending
Amendments to IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	pending	pending

[1] Financial years beginning on or after the date indicated.

It is expected that amendments to IFRSs will not have a significant impact on the financial reporting of the companies of Tele Columbus AG.

| **Notes to the consolidated financial statements**

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

E.1 Revenue

	2020				
KEUR	TV	Internet & Telephony	Business Customers	Other	Total
Revenue from contracts with customers	**243,608**	**164,418**	**58,490**	**10,041**	**476,557**
Analogue	185,056	–	–	–	185,056
Internet/telephony	–	146,277	14,506	–	160,783
Receiver [1)]	10,026	6,129	–	–	16,155
Additional digital services	29,254	–	–	–	29,254
Other transmission fees and miscellaneous feed-in charges	15,490	9,965	–	–	25,455
Construction services	–	–	–	9,833	9,833
Network capacity	–	–	17,085	–	17,085
Computing centre	–	–	3,290	–	3,290
One-off fees for business customers	–	–	8,652	–	8,652
Antenna/maintenance	1,197	599	–	200	1,996
Hardware sales	87	55	14,704	–	14,846
Other	2,498	1,393	253	8	4,152
Revenue from renting	**–**	**–**	**3,356**	**–**	**3,356**
Network infrastructure rent	–	–	3,356	–	3,356
Revenues according to segment reporting	**243,608**	**164,418**	**61,846**	**10,041**	**479,913**

KEUR	2019 TV	Internet & Telephony	Business Customers	Other	Total
Revenue from contracts with customers	**253,487**	**160,518**	**49,805**	**29,288**	**493,099**
Analogue	196,180	–	–	–	196,180
Internet/telephony	–	142,683	14,133	–	156,816
Receiver [1)]	10,073	5,815	–	–	15,887
Additional digital services	29,754	–	–	–	29,754
Other transmission fees and miscellaneous feed-in charges	14,236	10,118	–	–	24,354
Construction services	–	–	–	28,725	28,725
Network capacity	–	–	13,301	–	13,301
Computing centre	–	–	3,547	–	3,547
One-off fees for business customers	–	–	10,126	–	10,126
Antenna/maintenance	901	788	–	563	2,252
Hardware sales	61	36	8,398	–	8,495
Other	2,283	1,078	300	–	3,662
Revenue from renting	**–**	**–**	**6,307**	**–**	**6,307**
Network infrastructure rent	–	–	6,307	–	6,307
Revenues according to segment reporting	**253,487**	**160,518**	**56,112**	**29,288**	**499,405**

1) In the financial year the presentation of revenue was adjusted to industry practice. Accordingly, the position "receiver" is now reported as revenue from contracts with customers and no longer as revenue from renting. The previous year's presentation was adjusted for reasons of comparability.

The presentation of other revenue was expanded in 2020 to include business customers. The previous year was presented accordingly.

The revenues of the companies of Tele Columbus AG mainly comprise monthly subscription fees and, to a small extent, one-off installation and connection charges for basic analogue and digital cable television as well as premium ancillary digital services. They also include fees for high-speed internet access and telephony charges. Other revenue includes other transmission fees and feed-in fees paid as consideration for the distribution of programmes to the companies of Tele Columbus AG, as well as construction services.

| **Notes to the consolidated financial statements**

Non-recurring items include gains on disposal due to finance leases in the amount of KEUR 4,163 (2019: KEUR 0).

In the financial year 2020, revenue of KEUR 810 was recognised, which was included in the carrying amount of contract liabilities of KEUR 1,279 as at 31 December 2019.

E.2 Own work capitalised

Own work capitalised in the amount of KEUR 24,625 in 2020 (2019: KEUR 22,591) mainly comprises expenses for work performed by our own employees in connection with expanding the cable network.

E.3 Other income

KEUR	2020	2019
Gains on disposal of non-current assets	1,422	1,805
Income from dunning fees	721	1,049
Income from the reversal of provisions	481	928
Income from marketing subsidies	451	417
Income from sale	154	264
Other income from reduction/reversal of valuation allowance on receivables	–	–4
Miscellaneous other income	3,881	4,934
	7,110	**9,393**

Payments and increases in value that are not directly related to the corporate purpose are recognised in other income. Miscellaneous other income consists of various individual items.

E.4 Cost of materials

KEUR	2020	2019
Cost of raw materials and supplies	–850	–1,524
Cost of purchased services/goods	–146,997	–169,421
	–147,847	**–170,945**

Costs of raw materials, supplies and operating materials were for goods used for doing repair and maintenance work.

The cost of purchased services and goods mainly relates to fees for the reception of signals, construction services, maintenance costs, commissions, electricity and other services as well as changes in inventories of customer terminals.

E.5 Employee benefits

KEUR	2020	2019
Wages and salaries	–66,610	–63,913
Social contributions and expenses for pension provisions	–12,016	–11,476
Other personnel costs	–1,811	–2,347
	–80,437	**–77,736**

Expenses for German pension insurance plans amounted to KEUR 5,756 in 2020 (2019: KEUR 5,320).

E.6 Other expenses

KEUR	2020	2019
Legal and advisory fees	−11,790	−19,200
Advertising	−10,559	−10,880
IT costs	−9,270	−6,974
Miscellaneous other expenses	−3,677	−5,252
Occupancy costs	−3,488	−5,161
Impairment on receivables	−2,954	−5,396
Communication costs	−2,826	−2,999
Vehicle costs	−2,785	−2,676
Office supplies and miscellaneous administrative expenses	−1,693	−1,054
Insurance, fees and contributions	−1,645	−1,725
Maintenance	−977	−1,478
Incidental bank charges	−954	−942
Travel expenses	−850	−1,654
Losses on disposal of non-current assets	−368	−736
Expenses relating to other periods	–	−2,401
	−53,836	**−68,528**

E.7 Amortisation, depreciation and impairment losses

Depreciation, amortisation and impairment losses of intangible assets, property, plant and equipment and right-of-use asset amounted to KEUR 354,207 (2019: KEUR 184,177), of which KEUR 149,937 (2019: KEUR 0) was attributable to impairments. In the reporting year, impairment losses were recognised exclusively on goodwill.

Amortisation includes an amount of KEUR 18,675 (2019: KEUR 13,722) for costs to obtain and costs to fulfil a contract.

E.8 Interest income and expenses

KEUR	2020	2019
Interest and similar income	83	91
Interest and similar income	**83**	**91**
Interest expenses	−57,817	−56,000
Expenses resulting from compounding of loans and bond (Senior Secured Notes) under the effective interest rate method	−6,890	−6,481
Expenses resulting from revaluation of interest caps	–	−95
Interest and similar expenses	−64,707	−62,576
	−64,624	**−62,485**

The interest paid mainly relates to liabilities to banks and liabilities arising from the senior secured notes.

E.9 Other finance income/costs

KEUR	2020	2019
Value adjustment due to earn-out liability	130	145
Other valuation effects due to loans and bonds	–	864
Value adjustment of embedded derivatives	2,851	−5,122
Total other financial income/costs	**2,981**	**−4,112**

The presentation of other valuation effects from loans and bonds was changed in 2020. The presentation is made in interest expense.

E.10 Income tax expense

KEUR	2020	2019
Income from deferred taxes	5,237	9,254
Current tax expenses, current year	−3,154	−4,046
Current tax results, previous years	−1,673	−3,947
Total tax result	**410**	**1,261**

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

KEUR	2020	2019
Earnings before tax (EBT)	−186,249	−36,762
Group's tax rate	30.82%	30.82%
Expected tax expense (−) / income (+)	**57,402**	**11,330**
Adjustments of temporary differences	443	–
Effects due to changes in tax rates	–	−1,589
Adjustments for changes in recognition	−6,713	−1,300
Trade tax additions/subtractions	−2,118	−2,101
Non-deductible expenses	−304	−443
Non-taxable income	–	–
Effect from impairment of goodwill	−46,500	–
Consolidation effects	–	−656
Taxes for previous years	−1,673	−3,947
Other differences	−127	−33
Reported income tax expense (−) / income (+)	**410**	**1,261**

The overall tax rate of 30.82 % (2019: 30.82 %) corresponds to the tax rate of Tele Columbus AG.

Because of the potential risk of retrospective tax payments due to a tax audit at subsidiary level, the Tele Columbus AG as the parent company and other tax debtors recorded liabilities for uncertain income tax payments.

"Adjustments for changes in recognition" result particularly from not capitalising interest carryforwards as well as from corrections of loss carried forwards to lower values.

In the financial year, amortisation of goodwill was carried out, which had no effect on current and deferred taxes and thus led to a corresponding effect in the reconciliation statement.

Deferred tax assets and liabilities are recognised for the following types of temporary differences and loss carryforwards:

KEUR	31. Dezember 2020	31. Dezember 2019
Property, plant, and equipment	6,853	6,875
Financial assets (without derivatives) and other assets	5,451	15,815
Intangible assets	7,535	9,567
Tax loss and interest carry forwards	13,127	12,689
Derivatives	3,441	3,091
Liabilities and provisions	11,888	12,839
Offset	−48,158	−56,781
Deferred tax assets	**137**	**4,096**
Property, plant, and equipment	−6,059	−4,240
Intangible assets	−39,716	−55,033
Receivables and other assets	−4,549	−2,813
Liabilities and provisions	−14,413	−21,542
Derivatives	−1,811	−695
Offset	48,158	56,781
Deferred tax liabilities	**−18,390**	**−27,544**
Change	5,193	8,208
of which through profit or loss	5,237	9,254
thereof recognised by consolidation (current assets)	–	–
thereof recognised by consolidation (intangible assets)	–	−1,378
of which offset against other comprehensive income (provisions)	**−44**	**332**

The deferred tax assets and liabilities recognised in other comprehensive income result from measurement differences in pension provisions.

All other changes in deferred tax items were recognised as deferred income tax expense/income.

The Group has construction projects which recognition of income is recognised over time in accordance with IFRS 15, but in contrast to the tax law under IFRS. Accordingly, inventories are capitalised for tax purposes and advance payments received are recognised as liabilities, whereas receivables are recognised under IFRS. In the previous year, there was a corresponding increase in deferred tax items for "financial assets (without derivatives) and other assets" and "liabilities and provisions". In the past financial year, on the other hand, fewer construction projects of this kind were carried out or the ongoing projects from the previous year were completed, which led to a corresponding decrease in deferred taxes.

Deferred tax assets for property, plant and equipment and intangible assets particularly result from higher amounts recognised for these assets in supplementary statements of financial position and from the effects of intercompany profit elimination within the Group. Deferred tax assets in connection with liabilities and provisions result in particular from provisions for impending losses that are not tax deductible and from the recognition of liabilities from lease contracts.

Deferred tax liabilities particularly result from the identification of intangible assets (particularly the customer base) in the context of acquisitions and from the fair value measurement of property, plant and equipment performed in connection with this.

No deferred tax assets were recognised on the following temporary differences, tax loss carryforwards and interest carryforwards:

KEUR	31. Dezember 2020	31. Dezember 2019
Temporary differences	–	–
Trade tax loss carry-forwards	52,695	43,028
Corporate tax loss carry-forwards	140,041	130,450
Interest carry-forwards	220,620	208,507

The overview also includes pre-group trade tax loss carryforwards (KEUR 43,028), corporate income tax loss carryforwards (KEUR 130,450) and interest carryforwards (KEUR 70,979) from subsidiaries. This information was not included in the previous year and led to a corresponding adjustment.

Not included in the recognition basis for deferred taxes are 5% of the differences between the recognition of the pro-rata equity of the subsidiaries and the lower corresponding investment valuations recognised in the financial statements for tax purposes (outside basis differences) of KEUR 912 (2019: KEUR 1,026). A realisation is currently not planned. On disposal, 5% of the sales proceeds would be subject to taxation.

E.11 Property, plant and equipment and intangible assets

The following tables show the movements in carrying amounts of property, plant and equipment and intangible assets in the year from 1 January to 31 December 2020, and for the comparative period from 1 January to 31 December 2019.

Movements in intangible and fixed assets during the financial year 2020

KEUR	Acquisition costs					Accumulated depreciation/amortisation and impairment						Net carrying amounts	
	1 Jan. 2020	Additions	Disposals	Reclasses	31 Dec. 2020	1 Jan. 2020	Scheduled additions	Impairment	Disposals	Reclasses	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
I. Intangible assets													
1. Goodwill	1,312,116	–	–	–	1,312,116	272,519	–	149,937	–	–	422,456	889,660	1,039,597
2. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	156,318	33,391	516	9,324	198,517	84,543	23,566	–	583	–	107,526	90,991	71,775
3. Internally developed software	2,521	–	–	46	2,567	874	63	–	–	–	937	1,630	1,647
4. Customer bases [1]	343,255	–	–	−3,200	340,055	215,876	33,182	–	–	−572	248,486	91,569	127,378
5. Customer commissions [1]	118,664	20,903	–	3,200	142,767	90,767	18,675	–	–	572	110,014	32,753	27,897
6. Advance payments	5,645	15,497	1,273	−9,010	10,859	–	–	–	–	–	–	10,859	5,645
	1,938,519	69,791	1,789	360	2,006,881	664,579	75,486	149,937	583	–	889,419	1,117,462	1,273,939
II. Property, plant, and equipment													
1. Properties and buildings	26,707	12,497	1,047	–	38,157	4,499	5,354	–	154	–	9,699	28,458	22,209
2. Plant and equipment	1,377,210	111,493	15,962	23,601	1,496,342	809,617	116,911	–	5,789	−4	920,735	575,607	567,592
3. Other, operating, and office equipment	50,457	2,832	1,605	804	52,488	26,221	6,520	–	1,589	4	31,156	21,332	24,236
4. Assets under development and advance payments	55,266	58,814	1,912	−24,765	87,403	137	–	–	–	–	137	87,266	55,129
	1,509,640	185,636	20,526	−360	1,674,390	840,474	128,785	–	7,532	–	961,727	712,663	669,166
	3,448,159	**255,427**	**22,315**	**–**	**3,681,271**	**1,505,053**	**204,271**	**149,937**	**8,115**	**–**	**1,851,146**	**1,830,125**	**1,943,104**

[1] In the reporting year, the presentation of contract costs that can be capitalised under IFRS 15 was harmonised. Accordingly, the costs to fulfil a contract are no longer shown in the item "customer bases", but now uniformly together with the costs to obtain a contract, under "customer commissions".

Movements in intangible and fixed assets during the financial year 2019

KEUR	Acquisition costs							Accumulated depreciation/amortisation and impairment								Net carrying amounts	
	1 Jan. 2019	Adjust-ments to opening balance IFRS 16	Additions from changes in consoli-dated entities	Additions	Disposals	Reclasses	31 Dec. 2019	1 Jan. 2019	Adjust-ments to opening balance IFRS 16	Sche-duled additions	Impair-ment	Disposals	Disposals from changes in consoli-dated entities	Reclas-ses	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
I. Intangible assets																	
1. Goodwill	1,307,746	–	4,370	–	–	–	1,312,116	272,519	–	–	–	–	–	–	272,519	1,039,597	1,035,226
2. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	112,063	–	83	22,881	151	21,446	156,318	67,649	–	17,038	–	145	–	1	84,543	71,775	44,413
3. Internally developed software	2,474	–	–	–	–	46	2,521	823	–	53	–	–	–	–	874	1,647	1,651
4. Customer bases	332,282	–	4,478	6,536	41	–	343,255	181,783	–	34,135	–	41	–	–	215,876	127,378	150,499
5. Customer commissions	98,340	–	–	19,082	−1,243	–	118,664	75,802	–	13,722	–	−1,243	–	–	90,767	27,897	22,538
6. Advance payments	4,407	–	–	21,846	171	−20,436	5,645	–	–	–	–	–	–	–	–	5,645	4,407
	1,857,312	–	*8,931*	*70,345*	*−880*	*1,056*	*1,938,519*	*598,576*	–	*64,948*	–	*−1,057*	–	*1*	*664,579*	*1,273,939*	*1,258,734*
II. Property, plant, and equipment																	
1. Properties and buildings	3,063	16,361	–	8,240	958	–	26,706	1,181	–	3,923	–	605	–	–	4,499	22,209	1,883
2. Plant and equipment	1,226,661	8,014	1,187	51,742	8,118	97,724	1,377,210	705,230	1,467	108,393	–	5,357	115	–	809,617	567,592	521,431
3. Other, operating, and office equipment	46,246	555	111	2,361	2,144	3,327	50,456	24,519	−3,705	6,913	–	1,506	–	–	26,221	24,236	21,727
4. Assets under development and advance payments	94,450	–	46	67,649	4,773	−102,107	55,265	51	–	–	85	–	–	–	137	55,129	94,399
	1,370,420	24,930	1,344	129,993	15,993	−1,056	1,509,640	730,981	−2,238	119,229	85	7,468	115	–	840,474	669,166	639,440
	3,227,732	**24,930**	**10,275**	**200,338**	**15,113**	**–**	**3,448,159**	**1,329,557**	**−2,238**	**184,177**	**85**	**6,411**	**115**	**1**	**1,505,053**	**1,943,104**	**1,898,173**

E.12 Impairment testing of intangible assets and goodwill

The annual impairment test on goodwill and on intangible assets under development pursuant to IAS 36 was performed as at 31 December 2020.

E.12.1 RESULT OF IMPAIRMENT TESTING OF GOODWILL

CASH-GENERATING UNITS (CGUS)

Goodwill is tested at the smallest identified CGU level identified at the time of acquisition: There are three CGUs to which goodwill has been allocated and which are reviewed by management: TV (relates to the "TV" product segment), Internet and Telephony (relates to the "Internet and Telephony" product segment) and HLkomm (relates in particular to the business customer area of the "Other" segment).

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

KEUR	31 December 2020	31 December 2019
TV	245,573	395,511
Internet und Telephony	594,019	594,019
HLkomm	50,068	50,068
Total	**889,660**	**1,039,598**

If the carrying amount of a CGU including goodwill exceeds the recoverable amount, an impairment loss is recognised in accordance with IAS 36. The recoverable amount is the higher of fair value less costs to sell and value in use. As of December 31, 2020, the recoverable amount of the TV CGU was the fair value less cost to sell. As this was below the carrying amount as of December 31, 2020, there was an impairment of goodwill of the TV CGU in the amount of KEUR 149,937 (2019: KEUR 0). The impairment of the TV CGU takes into account the change in management's assessment of the growth opportunities that can be achieved in the medium and long term and is based, among other things, on the continued decline in the number of customers in the TV business. For the TV CGU, which corresponds to the TV reporting segment, the impairment test resulted in a recoverable amount of KEUR 692,582.

As in the previous year, fair value was determined based on the weighted average cost of capital (WACC) in line with the discounted cash flow (DCF) method. This measurement method is based on the financial planning approved by the management for each segment/ CGU over a detailed planning horizon of four years, which is also used for the purposes of managing the segments. The key ratios in this regard are EBITDA (based on revenue and cost development) and investment planning (capex).

Starting with normalised EBITDA and capex – i.e. the key performance indicators – the inputs used for normalisation of EBITDA were again added, and free cash flow after tax was determined (taking account of investment planning and planned changes in working capital, among other things), which is the key variable used for the DCF method during the detailed planning period.

For the period after the detailed planning, a projected sustainable cash flow is derived for each CGU based on the last year of the detailed planning, taking account of planned growth rates of 0.50% (2019: 1.00%) for the CGU TV and 1.00% (2019: 1.25%) for the CGU Internet and Telephony and 1.25% (2019: 1.25%) for the CGU HLkomm.

The assumptions made were derived from sector comparisons and historical experience.

The discount rate was determined based on a risk-free basic interest rate of −0.16% (2019: 0.20%) and relevant industry parameters. The WACC after taxes is 4.73% (2019: 5.55%) for both the TV and the Internet and Telephony CGUs, while the WACC before taxes is 6.92% (2019: 7.60%) for the TV CGU and 6.28% (2019: 7.40%) for the CGU Internet and Telephony. With regard to the CGU HLkomm, a WACC of 7.43% (2019: 7.62%) after taxes and 10.74% (2019: 10.29%) before taxes was calculated. The difference in the interest rate compared to the TV and the Internet and Telephony CGU reflects the elevated risk of this business, particularly with business customers.

SENSITIVITY ANALYSIS

The impairment test for goodwill is based on the material assumptions presented in the preceding section. For the sensitivity analysis, the management accordingly defined which changes in these assumptions were possible on the basis of experience and could potentially lead to an impairment loss. In accordance with IAS 36, the calculations were performed on the assumption that these changes did not result in any further changes in parameters (ceteris paribus). In the normal course of business, such changes are correlated with other factors and indicate changes in the way in which the management manages the company.

The following tables show the changes considered possible in relation to the CGUs that could lead to impairment of goodwill (in the case of the CGU Internet and Telephony and the CGU HLkomm) or could increase impairment of goodwill (in the case of the CGU TV) in this scenario. In addition, the following table shows the maximum level of change in the assumption that would not be expected to result in impairment (threshold).

Sensitivities TV

KEUR	31 December 2020	31 December 2019
Assumption: increase in Interest rate by 1% or 3% to 5.73% or 7.73% (Prior year: Increase of interest rate by 1% or 3% to 6.55% or 8.55%)		
possible impairment of carrying amount	−277,000/ −425,774	−150,972/ −340,514
threshold of change in% points	–	0.04
Assumption: decrease in long-term EBITDA of 15% (prior year: of 15%) to an EBITDA margin of 34% (prior year: of 37%)		
possible impairment of carrying amount	−313,226	−169,674
threshold of change in % points	–	−0.57
Assumption: no long-term growth, i.e. growth-rate of 0% (prior year: 0%)		
possible impairment of carrying amount	−206,956	−114,435
threshold of change in % points	–	−0.05

Sensitivities Internet und Telephony

KEUR	31 December 2020	31 December 2019
Assumption: increase in Interest rate by 1% or 3% to 5.73% or 7.73% (Prior year: Increase of interest rate by 1% or 3% to 6.55% or 8.55%)		
possible impairment of carrying amount	−212,450/ −459,941	−183,542/ −402,987
threshold of change in % points	0.04	0.02
Assumption: decrease in long-term EBITDA of 15% (prior year: of 15%) to an EBITDA margin of 34% (prior year: of 37%)		
possible impairment of carrying amount	−292,095	−221,206
threshold of change in % points	−0.60	−0.25
Assumption: no long-term growth, i.e. growth-rate of 0% (prior year: 0%)		
possible impairment of carrying amount	−183,642	−175,749
threshold of change in % points	−0.05	−0.02

The estimated recoverable amount of the CGU Internet and Telephony exceeds its carrying amount by KEUR 12,248 (2019: KEUR 3,821) and was the starting point for sensitivity and threshold analysis.

Sensitivities HLkomm

KEUR	31 December 2020	31 December 2019
Assumption: increase in Interest rate by 1% or 3% to 8.43% or 10.43%		
possible impairment of carrying amount	−4,058/ −31,438	– –
threshold of change in % points	0.77	–
Assumption: decrease in long-term EBITDA of 15% to an EBITDA margin of 42%		
possible impairment of carrying amount	−64,658	–
threshold of change in % points	−3.00	–

The estimated recoverable amount of the CGU HLkomm exceeds its carrying amount by KEUR 16,188 and was the starting point of sensitivity and limit analysis.

For the CGU HLkomm, there were no possible scenarios for any of the parameters in the previous year that could lead to impairment of goodwill if assumptions were changed. This also applies to the assumption regarding the long-term growth rate in the current reporting year.

Furthermore, there are no changes of assumptions that management considers to be feasible within a year and which would lead to an impairment of goodwill.

E.12.2 RESULT OF IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

There were no impairment indicators for the intangible assets (excluding goodwill).

E.13 Inventories

KEUR	31 December 2020	31 December 2019
Raw materials and supplies	4,802	5,465
Work in progress	649	121
Inventories	**5,451**	**5,586**

Inventories comprise of network materials, electronic and mechanical components, spare parts for repairs and maintenance, end-customer hardware and, to a small extent, work in progress.

Impairment losses on inventories are reported in the cost of materials. In financial year 2020, impairment losses amounted to KEUR 350 (2019: KEUR 379).

As in the previous year, the majority of the inventories at the beginning of the period were recognised as expenses in the reporting period.

E.14 Current and non-current assets

Current and non-current assets comprise trade receivables, other financial receivables and other assets, prepaid expenses and derivative financial instruments.

E.14.1 TRADE RECEIVABLES

KEUR	31 December 2020	31 December 2019
Trade and other receivables – gross	71,054	79,113
thereof contract assets	6,959	3,570
Impairment losses	–18,625	–17,317
Trade and other receivables – net	**52,429**	**61,796**

Trade receivables mainly include receivables from subscription fees and from signal delivery, transmission and feed-in fees.

Trade receivables include contract assets according to IFRS 15 of KEUR 6,959 (31.December 2019: KEUR 3,571). Contract assets are attributable to customer contracts. The decline in the financial year is mainly due to completion and invoicing of a construction phase. The increase is a result of a promotion where customers received six months of discounts.

In addition, there are trade receivables from related parties in the amount of KEUR 250 (31 December 2019: KEUR 11).

E.14.2 OTHER FINANCIAL ASSETS

Other financial receivables mainly consist of lease receivables, cash deposits for the debit limit, rent deposits, and claims from employer pension liability insurance for pensions that do not quality as plan assets (refer to E.16 Pension plans and other long-term employee benefits). In addition, the other financial assets also include a payment deposit for services already received.

The lease receivables of KEUR 2,700 (2019: KEUR 0) are due within one year in the amount of KEUR 180, between one and five years in the amount of KEUR 900, and over five years in the amount of KEUR 1,620.

E.14.3 OTHER NON-FINANCIAL ASSETS AND ACRUALS AND DEFERRALS

Other assets mainly include advance payments.

Accruals and deferrals mainly consist of payments in connection with insurance policies and maintenance contracts.

E.14.4 IMPAIRMENT OF CURRENT AND NON-CURRENT FINANCIAL ASSETS

Impairment losses are netted in the item “Other expenses”.

Impairment losses on trade receivables were mostly recognised in line with the dunning level and maturity structure. Movements in the allowances for trade receivables were as follows:

KEUR	2020	2019
Impairment losses at beginning of the year	**17,317**	**14,023**
Additions	5,357	6,106
Use of allowance	−1,413	−2,101
Reversal	−2,636	−710
Impairment losses at closing balance	**18,625**	**17,318**

No impairment losses were recognised for the contract assets included in trade and other receivables and cash and cash equivalents.

As in the previous year, no impairment losses were recognised on other short- and long-term financial assets.

E.15 Equity

The share capital of EUR 127,556,251 consists of 127,556,251 no-par-value registered shares with a nominal value of EUR one per share and is fully paid. No treasury shares were held as at the reporting date. Compared to the previous year, there were no changes in the share capital or in the treasury shares held. There has been no change in the number of shares compared to the previous year.

AUTHORISED CAPITAL

In accordance with the resolution of the annual general meeting on 15 May 2015, the Management Board is authorised to increase the Company’s share capital with the approval of the Supervisory Board on one or more occasions by a total not exceeding EUR 1,925,693 by issuing new no-par value registered shares against contributions in cash or in kind (Authorised Capital 2015/I). This corresponds to around 1.5% of the current share capital. This authorisation applied from 15 September 2015 until 14 May 2020. No utilisation took place, so that the passage regarding the authorisation pursuant to the resolution of the Annual General Meeting of December 30, 2020 was again deleted from the Articles of Association of Tele Columbus AG.

CONTINGENT CAPITAL

In accordance with the resolution of the annual general meeting on 15 May 2015, the Company’s share capital can be increased contingently by up to EUR 28,345,833 by issuing up to EUR 28,345,833 new registered no-par value shares (Contingent Capital 2015/I). This authorisation expired on 14 May 2020 (midnight). No utilisation took place, so that the passage regarding the authorisation pursuant to the resolution of the Annual General Meeting of December 30, 2020 was again deleted from the Articles of Association of Tele Columbus AG.

REVALUATION RESERVE IAS 19

The revaluation reserve consists of the following components:

31 December 2020 **KEUR**	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	−3,264	1,469	−1,795
	−3,264	**1,469**	**−1,795**

31 December 2019 **KEUR**	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	−3,319	1,426	−1,893
	−3,319	**1,426**	**−1,893**

OTHER CHANGES IN EQUITY

The equity item “Other changes in equity” mainly comprises effects that historically resulted from the introduction of or changes to the Group structure in preparation for the Company’s Initial Public Offering. Since then, only changes in equity resulting from the Group’s share-based payment programmes have been recognised in other changes in equity. In the reporting year, an amount of KEUR 474 (2019: KEUR 623) from share-based remuneration was recognised in equity.

Movements in equity and distributions to non-controlling interests are shown in the consolidated statement of changes in equity.

E.16 Pension plans and other long-term employee benefits

There are pension entitlements for employees of individual companies that were acquired by Tele Columbus Group in previous financial years. Entitled employees or (former) managers can claim their pensions from the age of 60 onwards if they were employed by the same company for at least five years. Pension benefits can first be claimed between the age of 60 and 65. It is possible in some cases to claim a pension earlier against reduced payments.

Pension benefits may consist of fixed pension benefits and/or pension benefits dependent on salary progression for the person entitled to benefits. Pension benefits may also include disability benefits or a survivor‘s pension.

Some pension benefits are secured by so-called plan assets, which in the event of insolvency may only utilised only to satisfy the claims of the persons eligible for pension benefits.

The entitled employees do not make separate contributions to the pension plans. The amount of future payments is dependent, in particular, on the increase of pension entitlements when benefits fall due and on interest on plan assets. The defined benefit plans subject the companies of Tele Columbus AG to actuarial risks, such as longevity risk and interest-rate risk. The obligations arising from the plans are financed exclusively by the respective subsidiary.

The date at which pension entitlements are paid out depends on the individual contractual arrangements for the entitled employees. The point in time when payments commence is not pre-determined insofar as the person entitled to benefits has the possibility of influencing commencement within certain margins.

The period assumed for benefit payments is set by the 2018 guideline tables of Dr Klaus Heubeck.

The development of salaries and wages assumed does not have any significant influence on the amount of provisions or payments, as the majority of persons entitled to benefits have already started receiving them.

Long-term employee benefits comprise provisions for employee benefits, and provisions for jubilee or other long-service benefits.

KEUR	31 December 2020	31 December 2019
Pension commitments	8,129	8,651
Commitments for anniversaries	2,112	1,879
	10,241	**10,531**

Post-employment benefits and partial retirement, jubilee or other long-service benefits falling due in the subsequent financial year amount to KEUR 547 (2019: KEUR 534).

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

KEUR	31 December 2020	31 December 2019
Present value of defined benefit obligations (DBO)	9,539	10,084
Plan assets	−1,410	−1,433
Pension commitments	**8,129**	**8,651**

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

KEUR	31 December 2020	31 December 2019
Present value of defined benefit obligations (DBO) – capital-backed plans	2,907	3,058
Present value of defined benefit obligations (DBO) – non-capital-backed plans	6,632	7,026
	9,539	**10,084**

The present value of the pension obligations developed during the reporting period as follows:

KEUR	31 December 2020	31 December 2019
Present value of defined benefit obligations as of 1 January	10,084	9,291
Current service cost	14	11
Interest expense	81	154
Actuarial gains for adjustments made due to experience	−26	−39
Actuarial losses for adjustments made due to demographic changes	–	78
Actuarial gains/losses due to the Financial Adjustment	−50	1,824
Benefits paid	−564	−1,235
Present value of defined benefit obligations as of 31 December	**9,539**	**10,084**

As in the previous year, the present value is calculated based on a weighted average duration of 13 years. The duration is the weighted average remaining term for which pension benefits are paid to eligible persons.

The following table shows the movements in plan assets:

KEUR	31 December 2020	31 December 2019
Plan assets as of 1 January	1,433	1,471
Interest income from plan assets	13	15
Actuarial gains/losses	64	32
Benefits paid	−100	−86
Plan assets as of 31 December	**1,410**	**1,433**

Plan assets consist of employer pension liability insurance, the management and capital investment of which are the insurer's sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in shares and real estate. There is no particular concentration of risk in individual plan asset classes. As in the previous year, no employer contributions are expected in the following year.

The following expenses were incurred for post-employment benefits:

KEUR	2020	2019
Current service cost	−14	−11
Net interest expense	−68	−138
	−82	**−149**

Current service costs are recognised under employee benefits. The net interest expense is recognised under interest expenses.

The present value of the pension obligations is calculated based on the following significant assumptions (in the form of weighted averages):

in %	31 December 2020	31 December 2019
Interest rate	0.70	0.80
Anticipated increase in salaries and wages	0.02	0.02
Future pension increase	1.56	1.88
Fluctuation	0.00	0.00

In 2020, the interest derivation method changed. If the previous method had been retained, the interest rate would have been about 40 basis points lower and the provision would thus have been about KEUR 440 higher.

Under otherwise identical conditions, a potential change in one of the significant actuarial assumptions that could have been reasonably expected by the reporting date would have changed the defined benefit obligation as follows:

Sensitivity analysis[1]

	31 December 2020 Defined benefit obligation		31 December 2019 Defined benefit obligation	
KEUR	Increase	Decrease	Increase	Decrease
Discount rate (Increase/Decrease of 1%-point)	919	−1,103	1,001	−1,180
Future pension increase (Increase/Decrease of 0.25%-points)	−221	207	−232	219

[1] The sensitivities were determined irrespective of the plan assets.

Fluctuation and expected salary increases are considered to be insignificant estimates of sensitivity. The expected fluctuation and salary increase are not material due to the low proportion of active employees.

In addition to the plan assets, there are reinsurance entitlements of KEUR 1,562 (31 December 2019: KEUR 1,578), which do not qualify as plan assets within the meaning of IAS 19 and are thus recognised as other financial receivables.

E.17 Share-based payment

As at 23 January 2015, two share-based payment programmes for the long-term, sustainable corporate development of Tele Columbus AG came into effect: the Matching Stock Programme (hereinafter referred to as "MSP") for the Management Board and the Phantom Options Programme (hereinafter referred to as "POP") for selected managerial staff. The MSP and the POP create a long-term incentive to work towards the success of the company.

The share-based remuneration component under the Long Term Incentive Programme (LTIP), which is included in the Executive Board contract concluded with the new Chief Executive Officer in 2020, also contributes to the latter.

DESCRIPTION OF THE SHARE-BASED PAYMENT PROGRAMMES

Depending on the development of the share price and other vesting conditions, the MSP and POP grant the option of receiving shares in Tele Columbus AG.

The MSP requires an own investment in shares of the Tele Columbus AG (i.e. MSP shares). Each MSP share acquired entitles the bearer to receive 4.5 virtual shares (MSP phantom stocks) per allocated tranche. The number of subscription rights – in this case, MSP phantom stocks – is determined by the Supervisory Board.

MSP-shares are deposited in a blocked securities account for the entire duration of the programme. There are no further restrictions on disposal. The shares thus have full rights to participate in dividends and subscription rights. MSP Phantom Stocks are, however, subject to restriction of sale.

The payment programme is divided into five MSP tranches. Each tranche of the allocated MSP Phantom Stocks is subject to a vesting period of four years. The first time an MSP tranche was allocated was on 23 January 2015, with the vesting period ending on 22 January 2019. The second MSP tranche was allocated on 23 January 2016 and the vesting period will end on 22 January 2020. The other tranches are each allocated on 23 January of the subsequent years. However, the fourth tranche was allocated on 28 September 2018. Depending on the exercise conditions being met, an MSP tranche can be converted into taxable compensation. This compensation must be used to acquire shares in Tele Columbus AG. The shares are purchased at the prevailing market price on the exercise date and are subject to an exercise period of two years that begins when the vesting period ends. After the end of the exercise period, subscription rights that have not been exercised expire without substitution. Accordingly, the subscription rights from tranche 1 expired without replacement after the balance sheet date (with the expiry of the exercise period in January 2021). The exercise conditions of each allocated tranche depend on the share price development during the exercise blocking period. This is determined from the basis price, defined as the closing price of the company's share in XETRA trading or a similar trading system replacing Xetra on the Frankfurt Stock Exchange within the last trading day before the grant date, and the exercise price, defined as the average weighted closing share price (XETRA trading on the Frankfurt Stock Exchange) within the last 30 trading days before the beginning of the respective exercise period. The exercise hurdle is defined by the Supervisory Board when the respective tranche is allocated and amounts to at least 120% of the exercise price. If a dividend payment or another subscription right relates to the MSP Phantom Stocks, this amount is deducted from the respective base price.

Due to the partial change in Executive Board remuneration, the MSP will no longer be an integral part of Executive Board remuneration in the future, i.e. with effect from 1 January 2021. Nevertheless, all MSP tranches that have been or will be allocated by 31 December 2020 will continue to apply until the end of the respective term. In this context, the new remuneration structure has already been agreed with the new CEO, so that half of the payment of the long-term variable remuneration (Long Term Incentive Programme – LTIP) will be made in cash and half in shares of the company. The associated remuneration is dependent on the increase in the company's share price and generally accrues after three financial years (performance period). In the event of a change of control, the Executive Board member may request early settlement of the LTIP bonus by written declaration. If the Executive Board member leaves the Executive Board prematurely before the end of the performance period (three years) and is not dismissed for cause, or if the Executive Board member has not violated any material obligations to the company or resigns from office independently for cause, a pro rata entitlement to the remuneration remains in effect. Otherwise, the entitlement shall lapse without replacement.

The Phantom Options Programme for selected managers does not require an own investment in shares of Tele Columbus AG. Each participant is allocated a certain number of Phantom Options (i.e. POP-Tranche) by the Management Board after approval of the Supervisory Board. Further conditions of this programme resemble those of the MSP.

MEASUREMENT OF FAIR VALUE

The fair values of the issued subscription rights on the grant date were determined by an independent expert based on the binomial options pricing model (Cox-Ross-Rubinstein).

The inputs used in the measurement of the fair values of the equity-settled share-based payment plans incorporate the following assumptions:

Matching Stock Program (MSP)

	2015 Tranche 1	2016 Tranche 2	2017 Tranche 3	2018 Tranche 4	2019 Tranche 5	2020 Tranche 6
Fair value of the option	EUR 1.30	EUR 2.03	EUR 1.71	EUR 0.73	EUR 0.84	EUR 0.93
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.90	EUR 2.49	EUR 2.82	EUR 2.99
Exercise price	EUR 7.01	EUR 8.60	EUR 7.78	EUR 2.81	EUR 3.07	EUR 3.02
Expected volatility	25%	35.6%	31.2%	42.5%	45.0%	49.0%
Expected maturity	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	–	–	–	–	–	–
Hurdle	130%	130%	130%	120%	120%	120%
Cap	EUR 9.34	EUR 12.74	EUR 12.74	EUR 11.52	EUR 10.67	EUR 10,67
Risk-free interest rate (based on German Government Bonds)	– 0.1%	– 0.223%	– 0.362%	– 0.186%	– 0.327%	–0.558%

Phantom Options Program (POP)

	2015 Tranche 1	2016 Tranche 2	2016 Further	2017 Tranche 3	2018 Tranche 4	2019 Tranche 5	2020 Tranche 6
Fair value of the option	EUR 1.30	EUR 2.74	EUR 2.07	EUR 1.99	EUR 0.79	EUR 0.96	EUR 1.14
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.75	EUR 7.90	EUR 2.49	EUR 2.82	EUR 2.99
Exercise price	EUR 7.01	EUR 8.60	EUR 8.43	EUR 7.78	0.00	EUR 3.07	EUR 3.02
Expected volatility	25.0%	35.6%	35.6%	31.2%	41.5%	44.8%	49.%
Expected maturity	–	–	–	–	–	–	–
Expected dividends	–	–	–	–	–	–	–
Hurdle	130%	130%	130%	130%	120%	120%	120%
Cap	EUR 9.34	EUR 42.85	EUR 42.85	EUR 30.25	EUR 40.78	EUR 36.46	EUR 42.38
Risk-free interest rate (based on German Government Bonds)	– 0.1%	– 0.223%	– 0.223%	– 0.362 %	– 0.186%	– 0.327 %	–0.558%

Since half of the LTIP is granted in shares, this part is to be treated as equity-settled share-based payment. Accordingly, the fair value was determined and fixed at the grant date. The other half of the LTIP represents a cash-settled share-based payment, so that the fair value must be remeasured at each measurement date in addition to the initial recognition.

The input factors at the time of granting and at the measurement date of 31 December 2020 are therefore shown below.

Notes to the consolidated financial statements

Long Term Incentive Program

	Granted date	Valuation date
	01.02.2020	31.12.2020
Fair value of the option	EUR 0.63	EUR 0.53
Share price at valuation date	EUR 3.36	EUR 3.21
Expected volatility	58.6%	61.8%
Expected maturity	3 years	2 years
Expected dividends	–	–
Hurdle	–	–
Cap	EUR 6.00	EUR 6.00
Risk-free interest rate (based on German Government Bonds)	−0.718%	−0.740%

The expected volatility of the share price of Tele Columbus AG is based on its historical volatility since the IPO.

RECONCILIATION OF OUTSTANDING STOCK OPTIONS

The weighted average exercise prices and the number of share subscription rights for the MSP and the POP are as follows:

Matching Stock Program (MSP)	**Tranche 1**		**Tranche 2**		**Tranche 3**		**Tranche 4**		**Tranche 5**		**Tranche 6**	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding options at 1 January	–	255,313	–	182,813	–	177,327	–	337,500	–	337,500	–	–
Granted options during the year	–	–	–	–	–	–	–	–	–	–	EUR 3.02	337,500
Forfeited options during the year [1]	–	–	–	–	–	78,889	–	225,000	–	225,000	–	225,000
Exercised options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding options as of 31 December	–	255,313	–	182,813	–	98,438	–	112,500	–	112,500	EUR 3.02	112,500
Exercisable options as of 31 December	–	255,313	–	182,813	–	–	–	–	–	–	–	–

[1] The table reflects that the claims by Mr Degenhardt resulting from the Matching Stock Options programme are settled and that per 31 December 2020 no further subscription rights exist.

Phantom Options Program (POP)

	Tranche 1		Tranche 2		Further		Tranche 3		Tranche 4		Tranche 5		Tranche 6	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding options at 1 January	–	92,744	–	162,500	–	25,000	–	330,000	–	490,000	–	480,000	–	–
Granted options during the year	–	–	–	–	–	–	–	–	–	–	–	–	EUR 3.02	490,000
Forfeited options during the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	25,000	–	–	–	–	–	–	–	–	–	–
Outstanding options as of 31 December	–	92,744	–	162,500	–	25,000	–	330,000	–	490,000	–	480,000	EUR 3.02	490,000
Exercisable options as of 31 December	–	92,744	–	162,500	–	–	–	–	–	–	–	–	–	–

The subscription rights of the 1st tranche outstanding as at 31 December have a weighted average contractual term of four years, those of the second to sixth tranches of five years.

As a result of the MSP and POP programmes, an amount of KEUR 592 (2019: KEUR 623) was recognised as personnel expenses and in equity, as the programmes are to be settled with equity instruments. On the other hand, an effect of KEUR 215 was taken into account in equity, resulting from the departure of the former Chairman of the Executive Board, whose claims from the Matching Stock Programme were settled in cash due to the separation agreement, so that the effects of previous years' tranches previously recognised in equity were derecognised. The difference from the settlement amount of KEUR 39 was recognised as an expense.

The MSP and POP programme thus resulted in a total change in equity of KEUR 377.

Due to the LTIP, an amount of KEUR 178 (2019: KEUR 0) was recognised as personnel expenses. Of this, an amount of KEUR 97 (2019: KEUR 0) was recognised in equity, as the settlement is to be made through equity instruments. Together with the MSP and POP programme, the Group' s total change in equity from share-based payment is KEUR 474.

The remaining amount of KEUR 81 (2019: KEUR 0) from the LTIP was recognised as a liability, as this is a cash-settled share-based payment.

| **Notes to the consolidated financial statements**

E.18 Other provisions

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

KEUR	1 Januar 2020	Reclassification	Utilisation	Reversal	Additions	Discounting/ unwinding of discount	31 December 2020	of which non-current	of which current
Additional claim for tax audit risks	6,382	–	50	–	598	–	**6,930**	–	6,930
Restructuring	256	–	256	–	101	–	**101**	–	101
Litigation provisions	451	–	120	10	680	–	**1,001**	–	1,001
Asset retirement	1,611	–	167	–	163	1	**1,608**	1,603	5
Onerous contracts	119	–	118	–	444	–	**445**	339	106
Retention requirements	486	–27	1	11	4	–	**451**	451	–
Termination benefits	–	–	–	–	–	–	**–**	–	–
Warranty provision	503	–	–	–	59	–	**562**	–	562
Miscellaneous	1,254	–1,254	–	–	5,372	–	**5,372**	–	5,372
	11,062	**–1,281**	**712**	**21**	**7,421**	**1**	**16,470**	**2,393**	**14,077**

The companies of Tele Columbus AG have recognised provisions for possible obligations to make additional payments for the settlement of future costs from tax audits at the level of individual subsidiaries.

The litigation provisions mainly relate to disputed claims.

The provisions for asset retirement obligations mainly relate to the Company's headquarters in Berlin.

Miscellaneous other provisions also include the estimated costs for services already received for which a payment deposit was made in the reporting year.

E.19 Liabilities to banks and from the bond issuance

KEUR	31 December 2020	31 December 2019
Long-term liabilities to banks and from the bond issuance	1,447,867	1,404,430
Short-term liabilities to banks and from the bond issuance	14,533	27,745
	1,462,400	**1,432,175**

Current and non-current liabilities comprise credit facilities concluded by Tele Columbus AG under the senior facilities agreement and senior secured notes (bond) of KEUR 1,459,831 (2019: KEUR 1,428,489) and other individual loans and liabilities of subsidiaries in the amount of KEUR 2,569 (2019: KEUR 3,686).

E.19.1 LIABILITIES TO BANKS FROM THE SENIOR FACILITIES AGREEMENT

The following credit facilities are available to the Group under the senior facilities agreement: KEUR 707,463 (A2 term loan facility), KEUR 75,000 (75m term loan).

In addition, Tele Columbus AG refinanced a revolving credit line of KEUR 50,000 existing under the Senior Facilities Agreement in August 2020. The new financing consists of a term loan of KEUR 40,000 (Term Loan 40m) and a revolving credit line of KEUR 10,000. The margin is 5.00% p.a. plus Euribor. Furthermore, the financing includes a EURIBOR floor at 0%.

The margin is 3.00% p.a. plus EURIBOR for the A2 facility and 4.25% p.a. for the 75m term loan. In addition, the loan agreements include a EURIBOR floor of 0% for all facilities. For the unused parts of the revolving facility, a commitment fee amounting to 35% of the applicable margin is calculated, which is payable on a quarterly basis. Furthermore, a duration fee in the amount of 1% of the credit volume for the term loans above KEUR 750 is to be paid in 2020 and 2021.

The revolving credit was not used as at the reporting date. For the loans, there is a choice between a one-month, three-month or six-month EURIBOR. As at the reporting date, the A2 term loan facility and Term Loan 40m were based on the six-month EURIBOR while the 75m term loan was based on the three-month EURIBOR.

In addition, the Company Tele Columbus AG has accounted for KEUR 650,000 from senior secured notes issued in May 2018 with an interest coupon of 3.875% p.a.

The floors in relation to the EURIBOR and the repayment options are embedded derivatives (hybrids) and are subject to the requirement of separate disclosure and measurement stipulated in IFRS 9.

As at the reporting dates, the balances of credit facilities and senior secured notes (including outstanding interest) were as follows:

KEUR	31 December 2020	31 December 2019
Term Loan Facility A2 (term ending on 15 October 2024)	702,595	699,276
Senior Secured Notes (term ending on 2 May 2025)	645,531	643,740
Term Loan Facility 75m (term ending on 18 October 2023)	73,236	72,502
Term Loan Facility 40m (term ending on 11 August 2022)	38,469	–
Revolving Credit Facility (RCF) (term ending on 11 August 2022)	–	12,972
	1,459,831	**1,428,489**

In accordance with the share and interest pledge agreement dated 3 May 2018, interests in affiliated companies are pledged as collateral for liabilities to banks (Term Loan Facility A2, Term Loan Facility 75m, Term Loan Facility 40m) as well as Senior Secured Notes). Pledges on interests in affiliated companies may be enforced if the conditions underlying the pledge were in place and the collateralised financial instruments were also terminated. In addition, loans of the companies of Tele Columbus AG are collateralised with trade receivables. The covenant agreements within the financing contracts were met in 2020.

The value of the loan collateral pledged as at the respective reporting date were as follows:

KEUR	31 December 2020	31 December 2019
Shares in affiliates	1,560,478	1,595,232
Trade receivables	4,852	4,852
	1,565,330	**1,600,084**

E.19.2 OTHER LIABILITIES TO BANKS

There are other individual contractual loan agreements and liabilities between subsidiaries of Tele Columbus AG and banks. As at the reporting date, these result in financial liabilities of KEUR 2,569 (2019: KEUR 3,686). The term of these loan agreements/liabilities varies between 15 and 58 months. Fixed interest rates between 1.15% p.a. and 2.72% p.a. have been agreed for the loans.

E.20 Trade payables and other liabilities

KEUR	31 December 2020	31 December 2019
Trade payables and other payables	71,876	75,924

Trade payables mainly comprise liabilities in connection with signal delivery contracts, services, and supplies and services that had been performed by the reporting date but not invoiced.

E.21 Accruals and deferrals (non-financial)

E.21.1. CONTRACT LIABILITIES

The total of all contract liabilities as at 31 December 2020 amounts to KEUR 320 (2019: KEUR 1,279).

Of this amount, KEUR 302 (2019: KEUR 469) is included in accruals and deferrals and KEUR 18 (2019: KEUR 810) in trade and other payables.

E.21.2. OTHER ACCRUALS AND DEFERRALS

A significant part of the deferred income results from grants from cities and municipalities for the expansion of fibre optic networks. At the end of the year, all conditions associated with the government grants were met.

The position also includes an accrual from a sale and leaseback transaction.

E.22 Other financial liabilities

Other financial liabilities mainly relate to service concession agreement (refer to F.1.5 Expansion and operation of infrastructure network in the district of Plön). Other non-current financial liabilities amount to KEUR 45,493 (2019: KEUR 20,207) and other current liabilities amount to KEUR 10,286 (2019: KEUR 5,078).

E.23 Other liabilities

Other liabilities mainly relate to personnel-related provisions.

F. Other explanatory information

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

F.1.1 PURCHASE COMMITMENTS

Purchase commitments in connection with investments amounted to KEUR 99,173 as at the reporting date (2019: KEUR 86,320).

F.1.2 AVALS

The guarantees of KEUR 7,243 (2019: KEUR 6,146) mainly consist of rent guarantees and guarantees for licence agreements. In accordance with IFRS requirements, KEUR 6,958 (2019: KEUR 5,861) of these guarantees are not included in the statement of financial position.

F.1.3 LEASES

AS LESSEE

The Tele Columbus Group has a large number of leases, for which, almost exclusively, acts as lessee. A significant portion of leases account for the leasing of local and regional transmission lines (fibre leases). Furthermore, the Group leases buildings and premises on a large scale. These serve to accommodate offices for administrative staff, retail stores for end customers and in some instances also technical equipment (data centres).

For lease contracts in which the Group is lessee in financial year 2020 the amounts presented hereinafter.

Right-of-use assets from leases are presented as property, plant and equipment in the balance sheet. The values for financial year 2020 have developed as follows:

KEUR	Carrying amount as of 1 January 2020	Additions to rights-of-use-assets	Disposals to right-of-use-assets	Depreciation	Carrying amount as of 31 December 2020
Buildings	20,466	12,581	−977	−5,347	26,723
Plant and equipment					
thereof transmission lines	76,480	70,678	−9,151	−24,984	113,023
thereof technical infrastructure	5,378	21,105	−194	−1,348	24,941
Other, operating and office equipment					
thereof office equipment	674	14	−4	−416	268
thereof workstation and IT infrastructure	1,314	137	–	−708	743
thereof vehicles	232	534	−26	−222	518
Total	**104,544**	**105,049**	**−10,352**	**−33,025**	**166,217**

KEUR	Carrying amount as of 1 January 2019	Additions to rights-of-use-assets	Disposals to right-of-use-assets	Depreciation	Carrying amount as of 31 December 2019
Buildings	15,711	9,231	−564	−3,911	20,467
Plant and equipment					
thereof transmission lines	66,135	28,265	−4,996	−12,924	76,480
thereof technical infrastructure	6,061	4,635	–	−5,318	5,378
Other, operating and office equipment					
thereof office equipment	1,087	856	−601	−668	674
thereof workstation and IT infrastructure	1,512	640	–	−838	1,314
thereof vehicles	–	283	–	−51	232
Total	**90,506**	**43,910**	**−6,161**	**−23,710**	**104,544**

The maturities of the lease liabilities as of December 31, 2020 are as follows:

31 December 2020 **KEUR**	31 December 2020	31 December 2019
Less than one year	29,469	22,179
Between one and five years	81,771	59,159
More than five years	57,896	27,618
	169,136	**108,956**

Future lease obligations from short-term leases and leases based on low-value assets as of 31 December 2020 are as follows:

31 December 2020 **KEUR**	Short-term leases	Leases based on low-value assets	Total
Less than one year	1,356	232	1,588
Between one and five years	–	122	122
More than five years	–	19	19
	1,356	**373**	**1,729**

31 December 2019 **KEUR**	Short-term leases	Leases based on low-value assets	Total
Less than one year	1,767	251	2,018
Between one and five years	–	146	146
More than five years	–	18	18
	1,767	**415**	**2,182**

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

For short-term leases and leases based on low value assets, lease payments are expensed on a straight-line basis over the lease term.

KEUR	31 December 2020	31 December 2019
Depreciation expense for right-of-use-assets [1]	33,025	23,711
Interest expenses for leasing liabilities [2]	4,031	3,511
Short-term lease expenses [3]	3,684	4,087
Expenses for leases based on low-value assets [3]	379	380
Expenses for variable lease payments that were not included in the measurement of lease liabilities [3]	632	1,115
	41,751	**32,804**

[1] Included in "Depreciation"
[2] Included in "Interest and similar expenses"
[3] Included in "Material costs" and "Other operating expenses"

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS[1]

KEUR	31 December 2020	31 December 2019
Cash outflows for leases	42,566	32,240
	42,566	**32,240**

[1] The following was designated by the Group:
- payments for the repayment portion of the lease liability as financing activity
- payments for the interest portion of the lease liability as financing activity
- payments made under short-term leases, payments for leases where the underlying asset is a low-value asset and variable lease payments that have been excluded from the measurement of the lease liability as operating activities.

Leases entered into by the Group as a lessee, but which have not yet commenced, will, as things stand at present, result in future additional cash outflows amounting to KEUR 165 per year for the next ten years.

Sale-and-leaseback transactions were only insignificant in financial year 2020. Based on the current status, there are also no extensive sale-and-leaseback transactions planned for financial year 2021.

AS LESSOR

In a few cases, the Tele Columbus Group also acts as a lessor. This relates to the leasing of network infrastructure (dark fibre), which is included in the fixed assets under technical equipment. In the financial year 2020, rental income from operate leases of KEUR 3,356 (2019: KEUR 6,307) as well as finance leases of KEUR 4,163 (2019: KEUR 0) was generated in connection with the network infrastructure. In this respect, these only make a minor contribution to the Group's total revenue. In line with the actual development of the past years and taking into account the contractual circumstances, the Group expects that the dark fibre operating leases will also lead to lease payments in the respective future periods that correspond approximately to the current level of the financial year 2020.

F.1.4 OTHER FINANCIAL OBLIGATIONS

In addition to the leases described above, the Group has other financial obligations (mainly from service contracts).

Future minimum payments from these contractual relationships have the following maturities:

KEUR	31 December 2020	31 December 2019
Less than one year	24,119	24,342
Between one and five years	11,115	18,215
More than five years	4,077	643
	39,311	**43,200**

In financial year 2020, expenses from other financial obligations amounted to KEUR 30,959 (2019: KEUR 28,656).

F.1.5 EXPANSION AND OPERATION OF INFRASTRUCTURE NETWORK IN THE DISTRICT OF PLÖN

On February 28, 2017, Tele Columbus Group concluded a service concession agreement with the "Zweckverband Breitbandversorgung im Kreis Plön" ("ZBP" – the grantor of the concession) for the construction and operation of an empty pipe and fibre optic network in the area of the Plön district. The Tele Columbus Group has been commissioned with the planning and expansion of the passive broadband network. The agreement runs until December 31, 2041 and the last section was completed and released for use on December 31, 2020. Under the terms of the agreement, ZBP will successively purchase the completed passive broadband network. Tele Columbus Group leases and operates the completed and sold network from the "Zweckverband" and is also responsible for ongoing maintenance. Tele Columbus, as the leaseholder, is responsible for the delivery of multimedia services to the end customers connected to the broadband network.

Tele Columbus pays the "Zweckverband Breitbandversorgung Plön" a rent which is linked to the net investment costs in the network infrastructure (purchase price) made by the lessor and amounts to a certain percentage of the net investments made by the lessor in the respective calendar year. The lease payable under this procedure shall be recalculated taking into account the investment costs incurred for each investment year. No rent shall be charged in the calendar year in which the investments are made. In the first calendar year following the investment, the rent shall be 1.5%, in the second calendar year thereafter 3.0% and for each subsequent calendar year 6.8%.

The service concession agreement contains a five-year renewal option, which must be notified by the lessee (Tele Columbus) at least 25 months before the end of the contract. After expiry of the contract, the licensor has the choice of using the network itself or selling it. In case of sale, the lessee has a right of first refusal. The extraordinary right of termination remains unaffected.

In the period from January 1 to December 31, 2020, the Group recognised revenues from construction services of KEUR 9,833 with a profit of KEUR 2,335.

The Group recognised an intangible asset of KEUR 48,371 with a useful life until December 31, 2041, which represents the present value of future lease payments for the completed section 1. The financial liabilities in connection with the intangible asset recognised in the balance sheet amounted to KEUR 48,476 as of December 31, 2020 (2019: KEUR 18,978). Interest expenses amount to KEUR 1,086 and depreciation to KEUR 1,016.

As of December 31, 2020, Tele Columbus Group has only concluded the service concession agreement described above.

F.2 Related party disclosures

F.2.1 LEGAL RELATIONSHIPS

Related parties as defined in IAS 24 are all subsidiaries, associates and joint ventures of the companies of Tele Columbus AG, as well as companies with a significant influence over the companies of Tele Columbus AG.

In addition to the Management Board members, persons who are related parties of the companies of Tele Columbus AG also include the members of the Supervisory Board.

F.2.2 TRANSACTIONS WITH RELATED PARTIES

Transactions by the companies of Tele Columbus AG included in the financial statements with Tele Columbus AG and its subsidiaries are regarded as transactions with related parties.

The following overview shows receivables and payables with related parties:

KEUR	31 December 2020	31 December 2019
Entities with significant influence		
Receivables (current)	228	–
Payables (current)	354	205
Associates		
Payables (current)	161	24
Joint ventures		
Receivables (current)	22	11
Related persons		
Payables (current)	303	352

Receivables from and payables to related parties pertain to services exchanged in the context of operating activities and primarily relate to AproStyle AG, Dresden, and companies of the United Internet Group.

Current liabilities to related parties comprise the remuneration of the Supervisory Board.

F.2.3 EXPENSES AND INCOME FROM RELATED-PARTY TRANSACTIONS

The following overview shows expenses and income from related-party transactions. The terms and conditions of these transactions were at arm's length.

KEUR	2020	2019
Entities with significant influence		
Sale of goods and services	1,653	1,620
Acquisition of goods and services	–4,115	–4,324
Other income (+) / expenses (–)	–2	–29
Associates		
Acquisition of goods and services	–3,208	–4,295
Joint ventures		
Sale of goods and services	187	81
Other income (+) / expenses (–)	**12**	**12**

F.2.4 INFORMATION ON MANAGEMENT REMUNERATION

In the financial year 2020 the Management Board in key positions at Tele Columbus AG consists of the following individuals:

Name	Financial year 2020	Member of management since/until
Daniel Ritz	Chief Executive Officer	since 1 February 2020 member of Management Board and Chief Executive Officer
Timm Degenhardt	Chief Executive Officer	since 1 September 2017 until 31 March 2020 member of Management Board; since 1 January 2018 until 31 January 2020 Chief Executive Officer
Eike Walters	Chief Financial Officer	since 25 June 2018 member of Management Board; since 15 July 2018 Chief Financial Officer

Remuneration of the Management Board

In the current year, the members of the Management Board were granted a total remuneration of KEUR 3,775 (2019: KEUR 1,943), The presentation of the system of Mangement Board remuneration as well as individualised remuneration information of the Executive Board are presented in the remuneration report, which is part of the management report.

The remuneration granted includes a total of 337,500 share options from the Matching Stock Program (MSP) with a fair value of KEUR 144 (2019: KEUR 283) at the time of granting. The fair value includes 225,000 share options for the former CEO with a value of KEUR 39, which represents the pro rata entitlement or entitlement earned in 2020 and is based on the fair value calculation carried out in the course of the separation agreement. In addition to the MSP, a bonus was agreed with the members of the Management Board as part of the variable long-term remuneration (Long Term Incentive Program – LTIP), half of which will be paid in shares of the company and half in cash. The fair value at the time of the granting of the share-based LTIP programme totalled KEUR 929 (2019: KEUR 0).

Expenses of KEUR 2,538 (2019: KEUR 2,042) were recognised for the remuneration of the Executive Board in the reporting year, broken down as follows:

KEUR	2020	2019
Benefits due in the short term	2,057	1,360
Other benefits due in the long term	196	503
Share based payments	285	179
Total	**2,538**	**2,042**

The obligations to the Management Board include outstanding balances for short-term and long-term variable remuneration (bonuses) payable to Management Board members amounting to a total of KEUR 1,014 (previous year: KEUR 1,275).

For the share-based payments, which are settled in cash, liabilities of KEUR 81 (previous year: KEUR 0) were recognised.

There were no other material transactions, such as rendering services or granting loans, between the companies of Tele Columbus AG and the members of the Management Board of Tele Columbus AG and their close family members.

The Supervisory Board's remuneration claim in the current year amounts to KEUR 289 (2019: KEUR 341).

F.3 Financial instruments and risk management

F.3.1 CARRYING AMOUNTS AND NET INCOME FROM FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments, broken down by IFRS 9 category, were as follows as at 31 December 2020:

Financial instruments by category under IFRS 9 in KEUR

Measurement category IFRS 9		31 December 2020	31 December 2019
Financial assets			
At Fair Value through profit or loss	Derivate Financial Instruments	5,876	3,262
Total		**5,876**	**3,262**
Measured at amortised cost	Receivables from related parties	250	11
	Trade receivables and other financial receivables	62,662	64,467
	Cash and cash equivalents	61,890	10,128
Total		**124,802**	**74,606**
Financial liabilities			
At Fair Value through profit or loss	Derivate Financial Instruments	11,165	11,045
Total		**11,165**	**11,045**
Measured at amortised cost	Liabilities to banks and due bond issuance	1,462,400	1,432,175
	Liabilities to associates and related parties	818	580
	Trade payables	71,876	75,924
	Other financial liabilities	55,779	25,286
Total		**1,590,873**	**1,533,964**
No classification	Lease liabilities [1]	169,136	108,956
Total		**169,136**	**108,956**

[1] Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6 (b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IFRS 16.

The carrying amounts of the financial assets and liabilities, broken down by items of the statement of financial position, and the hierarchical classification of fair values in accordance with IFRS 13 as at 31 December 2020 and as at 31 December 2020 were made in level 2. It does not contain any information on fair value for financial assets and financial liabilities.

The fair value of the liability to banks and from bonds amounted to KEUR 1,483,552 as of the reporting date (previous year: KEUR 1,410,230). Where possible, the fair value is measured using prices available on the market for the respective instrument. For instruments for which no direct market price is available, the fair value is calculated on the basis of a DCF model, taking into account risk-free market data and the TC-specific credit risk.

The fair value of the other financial liabilities amounted to KEUR 61,454 as of the reporting date (previous year: KEUR 27,790).

The fair values described here exclude embedded derivatives, as these are accounted for and measured separately.

Short-term financial instruments, such as trade receivables, trade liabilities, cash and cash equivalents and receivables and liabilities from related parties are recognised at their respective carrying amount. This represents a reasonable approximation of fair value due to their short maturities.

The loan agreements include embedded derivatives with interest rate floors and repayment options. Although they do not have the economic function of a derivative for the entities of Tele Columbus AG, they are required to be separated under IFRS 9 and are therefore classified as separate instruments (at fair value through profit or loss). The instruments are linked to the loan agreements. The model for the valuation of derivatives subject to separation determines the fair value of the entire contracted loan split into a host contract and the embedded derivative. The valuation is based on the "Hull White Two Factor" model using yield curves for risk-free and risky assets. The model was also calibrated to "swaption" volatilities and to the fair value of the underlying liability.

The following table shows the changes in value of liabilities from credit facilities and senior secured notes and the associated derivatives:

KEUR

Nominal value of credit facilities and bond as of 31 Dec 2019	**1,445,762**
Provision of Rev. Facility 40m in 2020	40,000
Release of existing Re. Facility in 2020	–13,299
Nominal value of credit facilities and bond as of 31 Dec 2020	**1,472,463**
Fair value of embedded derivatives financial debts as of 31 Dec 2019	–11,045
Fair value of embedded derivatives financial assets as of 31 Dec 2019	3,262
Fair value of embedded derivative (Facility 40m) in 2020	–356
Change in other financial result	2,850
Other changes	–
Fair value of embedded assets financial debts as of 31 Dec 2020	**–11,165**
Fair value of embedded derivatives financial assets as of 31 Dec 2020	**5,876**

As at 31 December 2020, the fair value of the embedded derivatives (measurement level 2) amounted to KEUR –5,289 (2019: KEUR –7,783).

In the event of a 0.5 percentage point increase in credit risk, the fair value of the embedded derivatives would amount to KEUR 167 (2019: KEUR –9,294).

In the event of a 0.5 percentage point decrease in credit risk, the fair value of the embedded derivatives would amount to KEUR –8,786 (2019: KEUR –3,375).

The table below shows the net result in relation to the corresponding financial instrument classification:

1 Jan. to 31 Dez. 2020 **KEUR**	**Gains (+) / losses (–) through profit and 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	–	–	– 2,850[1]	2,850
Financial assets measured at amortised costs	83	– 2,954	–	– 2,871
Financial liabilities measured at amortised costs	– 60,694	–	–	– 60,694
Total	**– 60,611**	**– 2,954**	**2,850**	**– 60,715**

[1] Change arising from fair value measurement.

1 Jan. to 31. Dez 2019 **KEUR**	**Gains (+) / losses (–) through profit and 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	–	–	– 5,122[2]	– 5,122
Financial assets measured at amortised costs	91	– 5,396	–	– 5,305
Financial liabilities measured at amortised costs	– 59,249	–	865	– 58,384
Leases[1]	– 3,509	–	–	– 3,509
Total	**– 62,668**	**– 5,396**	**– 4,257**	**– 72,321**

[1] Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6 (b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IFRS 16.
[2] Change arising from fair value measurement.

F.3.2 RISK MANAGEMENT IN THE AREA OF FINANCIAL INSTRUMENTS

Tele Columbus AG is exposed to the following risks from the use of financial instruments:

- Liquidity risk
- Market risk
- Default risk

Different financial risks arise from the operating activities of the companies of Tele Columbus AG, in particular liquidity risks, interest-rate risks and default risks. The risk management is designed to identify potential risks and to mitigate their negative impact on the Group's financial performance. To this end, the companies of Tele Columbus AG use financial instruments and credit lines.

Risk management is largely conducted through Treasury through continuous monitoring. Financial risks are identified, assessed and hedged in collaboration with the responsible operating units. The companies of Tele Columbus AG are subject to written rules for certain areas, such as interest-rate risk, credit risk, the use of derivatives and other financial instruments, and the use of excess liquidity, which are set out primarily in their facility agreements. Management is regularly informed.

Tele Columbus' capital management aims at maintaining sufficient liquidity and optimising its capital structure with the objective of reducing costs and improving its ability to take advantage of opportunistic refinancing opportunities. In particular, the company considers the following financial liabilities: EUR 707 million term loan, EUR 650 million bond, EUR 75 million term loan, EUR 40 million term loan, EUR 10 million revolving credit facility (RCF) and free cash.

Tele Columbus continuously analyses its capital structure under consideration of various economic parameters. In the financial year 2020, a EUR 50 million revolving credit facility was replaced by the EUR 40 million term loan described above and a new EUR 10 million RCF. The gross balance of the financial liabilities therefore did not change compared to the previous year. In the 2020 financial year, the company fulfilled all external minimum capital requirements resulting from the loan agreements. These include the disclosure of a total Group leverage ratio as well as a defined EBITDA amount and the presentation of gross assets, which are reviewed on a quarterly basis.

Non-derivative financial instruments result from both the operative business activities as well as from investment and financing activity. The following table defines such instruments:

Scope of activities	Material financial instruments
Operativ	Trade receivables
Investing	Long-term receivables
Financing	Liquid funds and loans

F.3.2.1 LIQUIDITY RISK

Liquidity risk is the risk that existing liquidity reserves are not sufficient to meet financial obligations in a timely manner. Liquidity risks can also arise if outflows of cash should become necessary in light of business operations or investment activity. Liquidity management at Tele Columbus AG aims to ensure that – as far as possible – sufficient liquid funds are always available for the Company to be able to meet its payment obligations when they fall due, under both normal and strained conditions, without suffering unsustainable losses or damaging the Group's reputation. Liquidity risks from financing activities arise, for example, if cash outflows are required in the short term to settle liabilities but cash from operating activities is insufficient to cover expenses and no other liquid assets are available in sufficient quantity for such repayment.

In addition to used credit facility, the Group currently has an unused revolving credit facility of KEUR 10,000 (with a term until the 11th of August 2022).

Cash and cash equivalents amounted to KEUR 61,890 as at 31 December 2020 (2019: KEUR 10,128). The Group also regularly reviews other financing options. Based on the existing financing instruments and the possible financing options, there is no liquidity risk in the short and medium term.

The following table shows the contractually agreed maturity dates for liabilities to banks and arising from the senior secured notes; the amounts shown are non-discounted gross amounts:

KEUR	31 December 2020	31 December 2019
Less than one year – repayments	**589**	14,419
Less than one year – interests	**52,178**	64,531
Between one and five years – repayments	**1,474,448**	784,569
Between one and five years – interests	**164,117**	191,535
More than five years – repayments	–	650,458
More than five years – derivative	–	–
More than five years – interests	–	**10,497**

Of the trade payables and other liabilities totalling KEUR 71,876 an amount of KEUR 71,830 (2019: KEUR 75,878) are due within one year.

Of the current other financial liabilities totalling KEUR 10,286 an amount of KEUR 10,286 (2019: KEUR 5,078) have a maturity in the sense of a cash outflow of up to one year.

The non-current other financial liabilities have a maturity of up to five years in the amount of KEUR 14,594 (2019: KEUR 6,933) and over five years in the amount of KEUR 59,355 (2019: KEUR 22,344).

The financing agreement on granting credit facilities dated 3 May 2018 contains various covenants whereby the creditor has the option to call in the loans in the event of non-compliance. The fulfilment of said covenants and the capital risk faced by Tele Columbus AG for being a joint-stock company are regularly monitored by the Management Board.

As at the reporting date, liquidity risk in case of non-compliance with these covenants amounted to KEUR 1,472,463 (31 December 2019: KEUR 1,445,761). The risk of non-compliance with these covenants and associated financial regulations could have a negative impact on the credit availability and going concern assumption for the companies of the Group.

Strategic measures regarding compliance with existing covenants and payment obligations have been initiated in order to ensure the liquidity of the companies of the Group on a long-term basis.

In the context of Group financing the aim is to gradually repay financial liabilities using liquidity generated from their operations.

A concentration of liquidity risks is basically not identifiable.

F.3.2.2 MARKET RISK

Tele Columbus AG is exposed to market risks, particularly due to fluctuations in interest rates. These affect the amount of payment obligations from loans agreements with floating-rate interest. The management of Tele Columbus AG meets these by closely monitoring the development of the market price level and an active search for alternative refinancing options, also through equity investors.

The identified risks from interest-rate fluctuations for the companies of Tele Columbus AG can be presented on the basis of the following sensitivity considerations:

KEUR	31 December 2020	31 December 2019
Rise of EURIBOR by 0.5%	–	– 931
Drop of EURIBOR by 0.5%	–	–

| **Notes to the consolidated financial statements**

This calculation is based on floating-rate liabilities as at the reporting date, taking account of derivative financial instruments (interest-rate caps and floors), multiplied by the adjusted interest rate in each case. Given that the one, three- and six-month EURIBOR is currently below 0,5% already and the loans have a floor of 0%, a change in the EURIBOR rates of 0.5% would result in neither an increase nor a decrease in interest expenses.

A concentration of market risks is basically not identifiable.

F.3.2.3 CREDIT RISK

Credit risk represents the risk of a financial loss if a debtor is unable to meet its contractual obligations in relation to a financial instrument. In addition to "receivables from related parties", "lease receivables" and "cash and cash equivalents", the credit risk of Tele Columbus AG mainly results from "trade receivables, other receivables". Trade receivables are due on from other companies and from retail customers. The credit risk is therefore based on the individual risk of the contracting party concerned. The associated carrying amounts represent the maximum default risk.

The impairment loss recognised on lease receivables is immaterial and has therefore not been recognised.

To mitigate credit risk, preventive and other measures are taken as well as the use of debt collecting agencies.

Preventive measures include reviewing the credit worthiness of a customer in regard to its solvency, experiences from the past, and the review of other factors before a contractual relationship is entered into.

Impairment losses are recognised for overdue receivables at varying percentages depending on the dunning level or maturity intervals. The percentage rates are considered within the estimations from management with regard to the recoverability of the relevant amounts. These estimations are mostly based on past experience. Only trade receivables were value-adjusted in the respective reporting periods. Therefore, the companies of Tele Columbus AG assume that all receivables for which specific allowances have not been made are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. For wholesale customers, reminders are sent on a case-by-case basis. The responsible departments decide, considering special agreements with these customers, whether the reminder will be sent. If a customer then does not settle the outstanding payments, the case is referred to a debt collection agency, and in the case of commercial customers, solicitors are involved and/or services to that customer are discontinued.

All trade receivables are basically managed in two portfolios: (1) day-to-day business, which is divided into B2B and retail business as well as transmission fees and feed-in fees customers, and (2) major projects, which are subject to individual assessment.

Trade receivables from day-to-day business are recognised in the balance sheet using the simplified value adjustment approach. The following table contains information on the estimated default risk (no impaired credit rating) and the expected credit losses for trade receivables in the sense of an individual value adjustment (impaired credit rating) as at 31 December 2020 (portfolio 1). This gross carrying amount and the allowances refer solely to the collected. The gross carrying amounts of the collected receivables amount to KEUR 21,440 (2019: KEUR 16,096). These are offset by impairments in the sense of a specific valuation allowance of KEUR 12,990 (2019: KEUR 8,800).

31 December 2020 **KEUR**	Loss ratio (weighted average)	Gross carrying amount	Impairment	Direct affect of credit-worthiness
not overdue	4%	26,323	834	No
1–60 days overdue	7%	2,990	184	No
61–90 days overdue	17%	608	89	No
91–120 days overdue	30%	441	113	No
121–360 days overdue	68%	1,430	819	No
more than 360 days overdue	100%	4,285	3,596	Yes
		36,077	**5,635**	

31 December 2019 KEUR	Loss ratio (weighted average)	Gross carrying amount	Impairment	Direct affect of credit-worthiness
not overdue	2%	39,317	619	No
1–60 days overdue	13%	1,643	185	No
61–90 days overdue	22%	826	154	No
91–120 days overdue	35%	1,225	359	No
121–360 days overdue	70%	2,782	1,642	No
more than 360 days overdue	100%	6,625	5,558	Yes
		52,418	**8,517**	

Tele Columbus AG has chosen the following method:

1. Definition of a default

IFRS 9 contains a rebuttable presumption that a financial asset is in default at the latest when it is 90 days past due (IFRS 9.B5.5.37). For this reason, Tele Columbus AG has determined on the basis of its own reliable historical information that trade receivables can be regarded as in default if they are past due by 360 days or more.

2. Determining the roll rate at which a receivable progress to the next past-due level

Based on the maturity structure lists for the past twelve months, Tele Columbus AG derives the roll rates at which the respective receivables have progressed from one (past-) due level to the next past-due level. For simplification purposes it is assumed, for example, that receivables not yet due as at 31 January have progressed to the next past-due level – "up to 30 days past due" – in the next month (i.e. as at 28 February). Based on this assumption, the remaining portion of the receivables not yet due as at 31 January has been settled before becoming past due. A roll rate can then be determined on this basis. This represents the probability of a receivable that is not yet due progressing to the next past-due level, "up to 30 days past due". This process is repeated in the same way for all fields of the maturity structure list, resulting in a matrix for the roll rates.

3. Determining the probability of default for receivables in different (past-) due levels

The next step involves determining the probability that a receivable in the respective (past-) due level will default. This means that it is moving towards a claim that is overdue over 360 days. To do so, the roll rates are – for simplification purposes – multiplied by one another.

4. Determining the average probability of default for receivables in different (past-) due levels

To eliminate any non-recurring effects in individual periods, corresponding average figures for the probabilities of default are recognised in the respective (past-) due levels.

5. Calculation of expected credit losses as at 31 December 2020

In the final step, Tele Columbus AG calculates the expected credit losses as at 31 December 2020. The impairment loss thus amounted to KEUR 18,625 as at 31 December 2020. The change in value compared to the prior period is recognised in profit or loss.

Receivables from major projects (portfolio 2) are subject to individual consideration and include, in particular, hardware sales and the marketing of Microduct capacities. These special projects are controlled by the management and tracked at the financial accounting level. Due to the nature of the projects, there is no automatic reminder system here; instead, the open items behind the projects are given a separate reminder level and reported at regular intervals (weekly) via Controlling to the management (of HLkomm). Here, the management addresses the customers directly. Within the framework of the formation of value adjustments, these items are considered again and subjected to a risk assessment on the basis of empirical values, the customers' commitments and the fact that mutual obligations exist in some cases The portfolio of major projects includes outstanding trade receivables of KEUR 6,578 as at 31 December 2020 (2019: KEUR 7,029), which are currently not subject to any allowances, as in the previous year.

In determining the impairment, Tele Columbus takes into account debtor-specific, geographical and industry-specific characteristics in addition to forward-looking macroeconomic factors. This is done individually in relation to the classification of the respective debtors depending on the market situation – and insofar classified as potentially material. With reference to the COVID-19 pandemic, it was determined in the course of an analysis of the overdue structure and a debtor-specific assessment that there is no significant influence on the payment behaviour of the debtors in this respect.

It is assumed that the value-adjusted carrying amount of trade receivables approximately equals their fair value.

No concentration of credit risks from business relationships with individual debtors or groups of debtors can be identified.

F.4 Explanatory notes to the consolidated statement of cash flows

Cash and cash equivalents solely comprise cash and bank deposits.

As in the previous year, no cash or cash equivalents were used to collateralise loans or other liabilities.

2020 **KEUR**	**Liabilities**		
	Lease liabilities	Liabilities to banks and from the bond issuance	Other financial liabilities
Statement of financial position as at 1 January 2020	108,956	1,432,175	25,285
Changes in cash flow from financing activities	–	–	–
Payments of financial lease liabilities and other permissions	−34,100	–	−1,349
Proceeds from loans, bonds, and short or long-term borrowings from banks	–	40,000	–
Transaction costs with regard to loans and borrowings	–	−3,305	–
Repayment of short or long-term borrowing	–	−14,379	–
Interest paid	−3,832	−50,972	–
Acquisition of non-controlling interests	–	–	–
Total change in cash flow from financing activities	**−37,932**	**−28,656**	**−1,349**
Other changes	–	–	–
relating to liabilities	–	–	–
New finance lease contracts and other permissions	94,081	–	29,985
Reversal of transactions costs	–	7,410	–
Valuation of derivatives	–	−876	–
Interest expenses	4,031	51,347	–
Other changes	–	1,000	1,858
Total other changes, relating to liabilities	98,112	58,881	31,843
Total other changes, relating to equity	–	–	–
Statement of financial position as at 31 December 2020	**169,136**	**1,462,400**	**55,779**

2019 KEUR	Liabilities	
	Lease liabilities	Liabilities to banks and from the bond issuance
Statement of financial position as at 1 January 2019	68,538	1,415,873
Changes in cash flow from financing activities	–	–
Payments of financial lease liabilities and other permissions	−23,753	–
Proceeds from loans, bonds, and short or long-term borrowings from banks	–	13,299
Transaction costs with regard to loans and borrowings	–	−1,225
Repayment of short or long-term borrowing	–	−2,072
Interest paid	–	−54,381
Acquisition of non-controlling interests	–	–
Total change in cash flow from financing activities	**−23,753**	**−44,379**
Other changes	–	–
relating to liabilities	–	–
New finance lease contracts	66,991	–
Reversal of transactions costs	–	5,685
Valuation of derivatives	–	−563
Interest expenses	–	56,891
Interest paid	−3,411	–
Payments for the acquisition of companies less cash acquired	–	–
Other changes	591	−1,332
Total other changes, relating to liabilities	64,172	60,681
Total other changes, relating to equity	–	–
Statement of financial position as at 31 December 2019	**108,957**	**1,432,175**

F.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to shareholders and the average number of shares outstanding. The stock option programmes MSP and POP (see E.17 Share-based payment) were included in the calculation of diluted earnings per share. Due to the loss situation at Tele Columbus AG, the employee stock options do not have any dilutive effect on earnings per share.

Determination of weighted average of ordinary shares outstanding

KEUR	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
Issued ordinary shares as of 1 January	127,556,251	127,556,251
Weighted average of ordinary shares outstanding	127,556,251	127,556,251

F.6 Segment reporting

DESCRIPTION OF THE SEGMENTS

The Group reports its operating activities in two product segments: “TV” and “Internet and Telephony”. Internal management reports are prepared for these segments on a quarterly basis for management purposes.

Relationships within individual segments are eliminated.

“TV” SEGMENT

The Group offers basic as well as premium programmes in the “TV” segment. Basic programmes comprise analogue and digital TV and radio broadcasting. The TV packages offered include another 50 digital TV channels, including up to 30 HD-quality stations. This total number of digital stations does not include unencrypted channels. In addition to fixed network services, the product portfolio also includes mobile telephony services.

“INTERNET AND TELEPHONY” SEGMENT

The Group subsumes internet and telephone services in the “Internet and Telephony” segment. Revenue consists of proceeds from the conclusion of new contracts and installation services as well as monthly contract and service fees.

RECONCILIATION

Business activities as well as transactions, other events or conditions that are not directly related to the Group’s reportable segments are reported under “Other”.

Expenses and income not allocated to operating segments are largely attributable to the central functions of management, the legal department, personnel department, finance, purchasing and IT. Revenue not allocated to operating segments mainly relates to revenue with business customers and construction services for third parties.

When calculating EBITDA for the individual segments, the following items attributable to central functions were not taken into account:

in KEUR	2020	2019
Revenue B2B customers / construction services	71,887	85,400
Other income	582	1,693
Own work capitalised	5,799	4,319
Direct costs	−37,960	−48,262
Personnel expenses	−32,692	−31,620
Other expenses	−26,599	−28,401

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

As they also cannot be allocated to the two segments, extraordinary effects (more information under “Segment reporting”) are shown in the reconciliation.

With the exception of the elimination of the “extraordinary effects”, the accounting principles for segment reporting correspond to the principles applied for the Consolidated Financial Statements and are to be understood analogously to IFRS as they are to be applied in the EU. This applies as long as the valuation methods and the definition of segments do not change.

Therefore, a reconciliation need not be made due to differences between internal measurement and IFRS measurement, but only in respect of items that are not allocated to reportable segments.

SEGMENT REPORTING

EXPLANATION OF THE MEASUREMENT VARIABLES OF THE SEGMENTS

EBITDA is the key performing indicator for fiscal year 2020, which is separately reported for each segment. This key performing indicator which is defined by the Company’s management board represents earnings before interest, taxes, depreciations and amortisation.

In addition, normalised EBITDA is also presented below, which is adjusted for „special effects“ and for expenses and income from certain business transactions that are not directly related to the production of goods or services. Special items are defined by the Board of Management as rare or extraordinary events that are not expected to occur again in the following two financial years and have not already occurred in the previous two financial years. Examples include legal and consulting fees for strategic projects. Expenses and income associated with these events are deducted from normalised EBITDA.

The non-recurring expenses in 2020 mainly relate to costs for consulting in connection with strategic and efficiency-enhancing projects.

The following table contains information on the reportable “TV” and “Internet and Telephony” segments and the non-reportable “Other” segment:

2020

KEUR	TV	Internet & Telephony	Other	Total
Revenue	243,608	164,418	71,887	479,913
Normalised EBITDA	140,916	120,704	−19,522	242,098
Non-recurring expenses (−) /income (+)	−1,023	−1,077	−10,468	−12,568
EBITDA	**139,893**	**119,627**	**−29,990**	**229,530**

2019

KEUR	TV	Internet & Telephony	Other	Total
Revenue	253,487	160,518	85,400	499,405
Normalised EBITDA	139,989	116,337	−16,871	239,455
Non-recurring expenses (−) /income (+)	−7	−47	−25,220	−25,274
EBITDA	**139,982**	**116,290**	**−42,091**	**214,181**

The reconciliation of the reportable segments’ total profit or loss to the consolidated profit or loss before taxes and to discontinued operations is shown in the table below:

KEUR	2020	2019
EBITDA of reportable segments	259,520	256,271
Depreciation and amortisation	−354,207	−184,177
Profit/loss from investments in associates	73	−168
Other financial income and expenses	−61,643	−66,597
Other	−29,991	−42,091
Profit before taxes	**−186,248**	**−36,762**

OTHER SEGMENT DISCLOSURES

Secondary segmenting based on geographical criteria is not applied, as all revenue is generated exclusively in Germany.

Revenue is generated by a plurality of customers such that no significant portion is attributable to one or a few external customers.

F.7 Disclosures pursuant to the German Commercial Code [HGB]

EMPLOYEES

The Group employed an average of 1,255 staff in the financial year (2019: 1,117), of which 1,176 were employees (2019: 1,031), 54 managerial staff (2019: 54) and 25 trainees (2019: 32)

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT [AKTG]

The Management and the Supervisory Board of Tele Columbus AG have issued the required declaration of compliance in accordance with Section 161 AktG. This is printed in the 2020 annual report of Tele Columbus AG and has also been made permanently available to the shareholders on the Tele Columbus website at www.telecolumbus.com/en/investor-relations/corporate-governance/declaration-of-conformity/

AUDITOR'S FEE

During the financial year 2020, Tele Columbus was provided with the following services by the appointed auditor, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft. In the prior year, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft was appointed as auditor.

KEUR	31 December 2020	31 December 2019
Audit services	1,100	1,380
Other confirmation services	–	–
Other services	30	69
	1,130	**1,449**

F.8 Events after the reporting period

Kublai GmbH announced in a publication dated 21 December 2020 that it would submit a voluntary public takeover offer for the acquisition of all no-par value ordinary shares in the Company not already held directly by Kublai GmbH. With the resolution on the increase of the share capital of Tele Columbus AG dated 20 January 2021, the new shares will be issued to Kublai GmbH partly against cash contribution and partly against contribution in kind, each at a uniform subscription ratio.

Pursuant to the resolution of the Annual General Meeting of 20 January 2021, the share capital of the Company shall be increased by up to EUR 191,334,375 against cash and non-cash contributions by issuing up to 191,334,375 new no-par value shares (registered shares) with a proportionate amount of the share capital of EUR 1.00. The new no-par value shares shall be issued at the low issue price within the meaning of § 9 para. 1 AktG of EUR 1.00 per no-par value share. If the new no-par value shares are issued before the Annual General Meeting that resolves on the appropriation of the Company's profits for the financial year ending on 31 December 2021, the new no-par value shares shall be entitled to profits for the first time for the financial year ending on 31 December 2021. Otherwise, they shall be entitled to profits from the beginning of the financial year of the Company current at the time of their issue.

| **Notes to the consolidated financial statements**

According to the resolution of the Annual General Meeting of 20 January 2021, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the Company by issuing new no-par value registered shares against cash contributions and/or contributions in kind once or several times and by a maximum amount of EUR 63,778,125 (Authorised Capital 2021/I). This corresponds to approximately 50% of the current share capital. This authorisation is valid from 20 January 2021 until 19 January 2026.

On 16 February 2021, Tele Columbus announced that an amendment agreement to the terms and conditions of the bond, issued in 2018, was entered into to allow the acquisition of shares in Tele Columbus by Kublai GmbH without triggering a change of control under the terms and conditions of the bond. Furthermore, Tele Columbus has contractually secured sufficient funds to repay the relevant lenders or to replace their relevant loan commitments at the relevant time to the extent that lenders under the loan agreements of Tele Columbus AG are entitled to terminate their loan commitments as a result of a change of control. Furthermore, no event of default or default under the Loan Agreements of Tele Columbus AG has occurred or is continuing as of the date of this confirmation of the Change of Control Waiver. All obligations and conditions agreed with the lenders under the credit agreements of Tele Columbus AG in the context of the waivers dated 16 February 2021 regarding the right of termination upon the occurrence of a change of control can be fulfilled at the respective relevant time.

On March 11, 2021, in the course of the public takeover offer of Kublai GmbH, the required minimum acceptance threshold of 50 percent plus one share was already exceeded before the end of the acceptance period on March 15, 2021. After the minimum acceptance threshold has been reached, the takeover offer can be completed as soon as the further acceptance period expires on April 1, 2021 and the outstanding regulatory approvals are granted. These approvals are expected for mid-April 2021.

There are no further significant events after the balance sheet date.

Declaration by the Group's management

We hereby confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of its consolidated financial performance and its consolidated cash flows in accordance with applicable accounting policies, and that the group management report, which is combined with the management report of Tele Columbus AG, gives a true and fair view of the Group's business development including its performance and position, and also describes significant opportunities and risks relating to the Group's anticipated development.

Berlin, 22 March 2021
Tele Columbus AG, Berlin

Management Board

Dr Daniel Ritz
Chief Executive Officer

Eike Walters
Chief Financial Officer

Independent Auditor´s report

To Tele Columbus AG, Berlin

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

Audit Opinions

We have audited the consolidated financial statements of Tele Columbus AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Tele Columbus AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill
2. Appropriateness of revenue recognition

Our presentation of these key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to EUR 889.7 million (44.8% of total assets) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the Group's planning adopted by the Supervisory Board forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment test identified impairment losses totalling EUR 149.9 million for the "TV" cash-generating unit in financial year 2020.

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

2. As part of our audit, we assessed the differentiation between the cash-generating units and the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We discussed and examined supplementary adjustments to the planning adopted by the Supervisory Board for the purposes of the impairment test with the members of the Company's staff responsible. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes relating to cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

3. The Company's disclosures relating to the impairment testing of goodwill are contained in the notes on accounting policies in section "D.2.1" of chapter "D.2" and in section "E.12.1" of the notes to the consolidated financial statements.

2. Appropriateness of revenue recognition

1. In the consolidated financial statements of Tele Columbus AG, revenue of EUR 479.9 million is recognized in the consolidated income statement. This significant item in terms of its amount is subject to particular risk due to the complexity of the processes and controls necessary for correct recognition and deferral, the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, incentives), and the existence of multiple-element arrangements.

   Against this background, the accounting treatment of revenue was of particular significance in the context of our audit.

2. In the knowledge that the complexity of data capture and processing and the need to make estimates and assumptions with respect to certain individual contractual agreements give rise to an increased risk of accounting misstatements, as part of our audit we initially assessed the processes and controls put in place by the Group, including the IT systems used for the purposes of revenue recognition. In particular, we assessed the IT system environment used for invoicing and the correct recording of the transactions through to their entry into the general ledger.

   We also examined the product master data used for customer agreements and evaluated whether these services are performed over a certain period or at a certain point in time. In this context, we also assessed the appropriateness of the procedures used to allocate revenue to the correct periods. We also reviewed on a test basis customer invoices and the associated agreements or alternative evidence, as well as receipts of payment.

   By testing the controls put in place (in particular IT controls, interfaces, manual and automated controls) and carrying out additional tests of detail we were able to satisfy ourselves overall that the systems and processes in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure the proper accounting treatment of revenue.

3. The Company’s disclosures relating to revenue in the consolidated financial statements of Tele Columbus Aktiengesellschaft are contained in the notes on the accounting policies found in sections “D.2.4” and “D.2.10” of chapter “D.2” and section “E.1” of chapter “E” in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor’s report.

The separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB is expected to be made available to us after the date of the auditor’s report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.

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

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

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

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

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the attached electronic file TC_KA_LB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 30 December 2020. We were engaged by the supervisory board on 19 January 2021. We have been the group auditor of the Tele Columbus AG, Berlin, without interruption since the financial year 2020.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Thomas Schmid."

Berlin, 22 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr Thomas Schmid	Susanne Patommel
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Corporate social responsibility report

Content

About this report

Tele Columbus AG with its PŸUR brand is one of Germany's leading optical fibre network operators, reaching more than three million homes. By providing access to information and education, our networks facilitate participation in society.

This CSR report is Tele Columbus' fourth, documenting the company's progress in implementing its sustainability strategy for the year 2020 under the umbrella of Tele Columbus AG. The investments made by Tele Columbus AG in fibre-based network expansion are aimed at meeting future demand for bandwidth and safeguarding media diversity. In our sustainability strategy, we have set ourselves clearly defined goals in all relevant areas to help shape this future development in a sustainable and socially responsible manner. Our aim with this report is to create the necessary transparency to serve as a basis for our interactions with our key stakeholder groups.

This report has been prepared in accordance with the German Sustainability Code (GSC) and references the GRI Sustainability Reporting Standards (CoreOption) to delve into the Tele Columbus AG sustainability strategy along the company's value chain. This report is based on a materiality analysis that is continuously compared against the development of our business model. Tele Columbus has also included its separate non-financial Group report in this CSR report as per Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). This report also forms the basis for a GSC declaration of conformity.

An index with a list of key topics as per Section 289c HGB assessed by Tele Columbus in accordance with statutory materiality requirements can be found on page 171.

The figures and information in this report describe the situation as at 31 December 2020 unless otherwise stated and include all Group companies that employ staff and majority shareholdings in which Tele Columbus holds a controlling interest. The most important companies operating as part of Tele Columbus AG are Tele Columbus Betriebs GmbH, Tele Columbus Vertriebs GmbH, HLkomm Telekommunikations GmbH, Kabelfernsehen München ServiCenter GmbH, Tele Columbus Multimedia GmbH and RFC Radio-, Fernseh- und Computertechnik GmbH. For a full list of all participations in other companies, please refer to the information on the scope of consolidation on page 94 of the notes to the consolidated financial statements.

This year, information regarding our carbon footprint has been enhanced with the addition of data relating to the upstream and downstream value chains (known as Scope 3 emissions). Additional key performance indicators provide greater comparability with peer-group companies and also facilitate the management of our sustainability goals. No external audit of the content of this report is carried out by an independent third party. The report is reviewed by the specialist departments and approved by the Management Board.

Business model and vertical integration

Tele Columbus regards itself as a network operator that provides telecommunications services for residential and business customers. To its housing association partners, the Tele Columbus Group offers tailored models of cooperation and state-of-the-art services such as telemetric and tenant portals. Via its brand PŸUR, the company offers high-speed internet including telephony and more than 250 TV channels delivered through a digital entertainment platform that combines linear TV with video-on-demand entertainment. As a full-service partner for municipalities and regional utilities, the company is actively supporting the fibre-based infrastructure and broadband internet expansion in Germany. We offer the full range of services, from planning and construction and passive and active network operation all the way through to product marketing and customer service. For business customers, the Group offers carrier services and corporate solutions on its proprietary fibre network as well as data centres that meet the highest security requirements.

Further information on our business model can be found in the Group management report starting on page 82.

CSR strategy of Tele Columbus AG

Tele Columbus AG acknowledges its responsibility for the consequences of business activities across the entire value chain. Our employees take into account the impacts of their decisions on social and environmental aspects of sustainability. In the context of our corporate responsibility, the effects of our business operations should be reconciled with the expectations and requirements of our customers, partners and investors. We have summarised the main requirements for sustainable orientation of our business activities in our CSR mission statement.

The concerns of our stakeholder groups have been ascertained in a materiality analysis and subjected to regular examination in the context of continuous dialogue. This materiality analysis involved identifying potentially relevant topics – taking into account external frameworks and benchmarking – and assessing them in terms of their business relevance and their impacts on the business activities of Tele Columbus in line with the requirements in the CSR Directive Implementation Act (CSR-RUG, Sections 289b et seq. HGB). The results from the previous year's analysis were validated internally in the reporting year and confirmed with the involvement of the Management Board.

The topic "Respect of human rights" was not considered material as per Section 289c HGB as a result of the analysis. Nevertheless, the Group has still decided to look into this topic in greater depth and take precautionary measures in the form of a code of conduct on human rights and environmental aspects, which is a component part of our general terms and conditions.

Further information on safeguarding employment conditions in the upstream value chain is provided in the Compliance section.

Key topics

Non-financial report as per Section §289c HGB	Key topics for Tele Columbus
Environmental topics starting on p.181	**Resources starting on p. 181** Electricity consumption Mobility Recycling Purchasing Logistics Product usage
Employee topics starting on p.189	**Employees p. 189** Employer attractiveness HR development Occupational health and safety Diversity and equal opportunities
Social topics	**Customers and products p. 175** Digital inclusion Data protection Customer satisfaction Products and innovation Communication and transparency
Combating corruption and bribery	**Responsible business management p. 195** Compliance Notes on political influence
Respective human rights	Immaterial for Tele Columbus as per Section 289c HGB on account of the business model.

Guiding principles

To give our corporate social responsibility measures a holistic and strategic dimension, the Management Board and Supervisory Board of Tele Columbus AG have adopted a sustainability strategy that contains binding targets for each area of activity identified as material. Our sustainability strategy represents our commitment to our social responsibility and working in close collaboration with our central stakeholders to achieve this mission.

We take responsibility for our partners: For our partners in the housing industry, our broadband networks ensure value retention of properties, make homes better places to live and allow residents to engage in social discourse.

We take responsibility for our customers: We provide high-performance and clearly structured products for our end customers. Our commitment here is to communicate transparently and on an equal footing with the users of our services at all times.

We take responsibility for our employees: Family-friendly working arrangements, occupational health and safety and support of employees through training opportunities matter to us. As a modern employer, we take our diversity and gender equality obligations seriously. We also promote humane working conditions in our supply chain.

We take responsibility for the environment and society: As a company, we invest in sustainable, and therefore future-proof, technologies and are increasingly gearing all our activities towards sparing use of natural resources.

Strategic corporate goals

The company pursues a corporate strategy that puts the Tele Columbus Group in the position to reliably achieve its medium- and long-term goals. These goals include increasing product quality and optimising internal processes to enhance customer satisfaction, as well as strategic fibre-optic network expansion to provide the future-proof technical foundations for customer and turnover growth. Along the realisation of these corporate goals, decisions must be made that have an impact on the social aspects of our business activities. These include evaluating investment projects, managing innovations to drive forward digitalisation in the housing industry, improving the customer experience and defining common values to strengthen team spirit.

Organisation, management, incentive systems

Major strategic decisions relating to social responsibility and sustainability are taken directly by the Management Board and the management team. The management team is responsible for managing sustainability projects and reports directly to the Management Board of Tele Columbus AG. The responsible specialist departments have full operational involvement in the development of social and environmental measures. The status of target attainment is monitored by a CSR steering committee made up of representatives from these specialist departments. Key performance indicators (KPI) are applied to all projects.

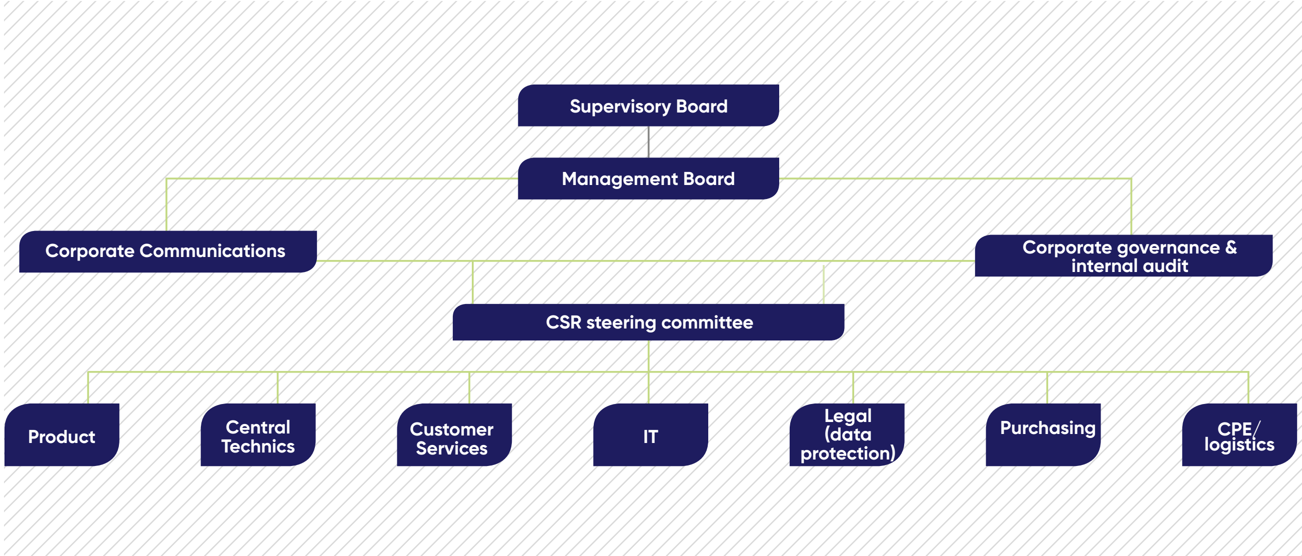
In 2020, the steering committed looked into the collection, calculation and assessment of indirect CO_2 emissions in upstream and downstream value chains as well as reviewing the definition of reporting limits. It also addressed regulatory changes and statutory requirements concerning sustainability issues.

Leadership quality was once again assessed on the basis of the corporate values of simplicity, efficiency and fairness as a bonus component for directors and the management, also incorporating the approach of 360-degree feedback. All Tele Columbus employees take part in annual employee meetings in which target agreements are concluded.

CSR strategy

To give our corporate social responsibility measures a holistic and strategic dimension, the Management Board and Supervisory Board of Tele Columbus AG have adopted a sustainability strategy that contains binding targets for each area of activity identified as material for the year 2024.

Control of measures



1. **CO_2-free network operation**
We aim to achieve climate-neutral operation of all of our networks by 2024 at the latest.

2. **Offsetting the environmental impact of flights**
We aim to fully offset the greenhouse gas emissions of unavoidable flights.

3. **Vehicle fleet: Reduction of greenhouse gas emissions by 30% per kilometre**
We aim to reduce CO_2 emissions of company car journeys by 30% by 2024.

4. **Best customer service in the industry**
We aim to provide our customers with the best customer service in the industry.

5. **Creating a positive employer brand**
Tele Columbus aims to be perceived positively as a recommended employer with the PŸUR brand by 2024.

6. **Preventing work-related accidents with an accident rate below the industry average**
We aim to reduce our work-related accident rate to well below the industry average and minimise work-related illness.

7. **Preventing notifiable compliance breaches and monitoring supply chains**
We aim to further reduce the risk of compliance incidents by 2024 at the latest through further optimisations to our compliance management system. In addition, supply chains are to be examined by means of commensurate measures, and humane working conditions are to be agreed with our suppliers through a Code of Conduct. The Code of Conduct is based on the core standards of the International Labour Organisation (ILO).

8. **Achieving greater quality and transparency on data protection matters and increasing security in IT architecture**
We will have increased the protection level for personal data beyond the legally required level and have situation-appropriate processes in place to address data protection-related enquiries by 2024.

External Stakeholder/Overview

Partners
- Housing industry
- Advisory panel on the housing industry
- Upstream signal suppliers
- Project partners in infrastructure development
- Broadband initiatives

Suppliers
- Lessors of properties and shops
- Strategic service providers
- Suppliers and service providers
- Third party cable providers
- Strategic hardware and software suppliers

Associations
- Chambers of commerce
- Housing industry associations
- Associations of the telecommunications sector
- Shareholder associations

Regulators
- Mayors and local authorities
- Ministries of trade and industry
- Consumer protection organisations
- Parliamentary committees
- Federal Network Agency
- Federal Office for Information Security
- State media authorities

Financial market
- Federal Financial Supervisory Authority
- Financial analysts
- Institutional investors

Customers
- Shops
- Mailings & website
- Customer surveys
- Sponsoring of local events

Investors
- Annual general meeting
- Annual report

Non-financial risks

Tele Columbus has a group-wide risk management system in place to identify risks at an early stage and handle them.

The aim here is to ensure systematic recording and assessment and therefore deal with risks and opportunities conscientiously. Risk management allows Tele Columbus to identify adverse developments at an early stage so that countermeasures can be taken promptly and monitored.

Potential non-financial risks relating to the impacts of the company's business activities were assessed, as were the impacts arising in connection with the company's business activities, for instance in the upstream and downstream value chains.

Following the measures implemented by Tele Columbus, no notifiable non-financial risks were identified with regard to the probability of occurrence or severity of impact.

Further information on the risk management system at Tele Columbus can be found in the "Risk report" chapter in the Group management report starting on page 31.

Involvement of stakeholder groups

Tele Columbus engages closely with all stakeholder groups.

We engage in regular discussions with all our stakeholders through various means. Our sustainability management constantly reflects our stakeholders' concerns.

Intensive negotiations were conducted with our stakeholder groups in 2020, in spite of the restrictions on physical meetings. These included continuous coordination with our advisory panel on the housing industry, especially with regard to future contractual structures, the effect of the wholesale agreements on existing contracts and close collaboration on consultation processes relating to the drafting of the new German Telecommunications Act. In relation to this topic we held intense talks with the associations of the housing industry and also increased our engagement significantly in our relevant associations. Moreover we exchanged ideas with consumer protection groups in regards of the updated telecoms law in Germany as well as the forwarding of information to members of parliament.

The annual general meeting took place on 30 December 2020 in a virtual format.

We conduct customer surveys regularly and hold an annual employee survey both contribute to the well-diversified portfolio of contacts that we hold with our relevant stakeholders. As a result of our engagement with the relevant stakeholders we concluded that it was of interest to report the accident-related sick days as well as the information regarding the use of fluorescent greenhouse gases.

Customers and products

Digital inclusion

Modern fibre networks allow us to provide highperformance connections for businesses in addition to fast internet, telephone lines and high-resolution TV for home customers. The Tele Columbus Group's approach here is based on customised expansion that, as well as reflecting current requirements, takes future growth in demand for bandwidth into account. At Tele Columbus, existing fibre/coaxial technology is combined with the latest technological standards, thus opening the door to the gigabit age. Optimum capacity provision is made with the favoured fibre-optic expansion stages in which the fibre cables are installed as far as into buildings or even into individual apartments.

With its own networks, Tele Columbus is one of the leading fibre cable network operators in Germany. In network level 3 – referring to the distance between the signal headend and the buildings to be supplied – the ongoing expansion projects are generally based on fibre technology: the huge data transmission capacity of the fibre-optic cables forms the basis for high reserve capacity, which is crucial to provision of broadband internet.

To this end, networks designed for TV transmission only must be strengthened for internet operation, a process called return channel capability. As at 31 December 2020, 71% of households connected by Tele Columbus were upgraded for internet capability.

The year 2020 once again showed how important our media distribution networks and broadband networks are. Our experiences have strengthened our desire to shape the digital transformation of the communications and media industry in a sustainable and socially responsible manner. Restrictions caused by the pandemic have accelerated social trends and led to permanent and significant changes in the way in which we learn and work digitally. This trend is fuelling use of the private TV, telephone and internet connections that we provide and is also raising the bar when it comes to the quality of supply and availability.

With the construction of new optical fibre networks, and modernisation of existing networks, we are laying the foundations for regions to profit from this trend towards a digital society. Rather than focusing simply on major cities such as Hamburg, Berlin or Munich, our networks also serve small and medium-sized conurbations such as Halle an der Saale, Schwerin, Borna in Saxony or the town of Haan in the district of Mettmann. Local, fibre-based, highperformance infrastructure has never been so important as a key location factor for business districts and, consequently, for job creation outside conurbations. Our enterprise solutions division, PŸUR Business, delivers wholly fibre turnkey development concepts for municipalities and businesses.

In addition, our networks ensure the basic TV provision for the receipt of all must-carry services. Through supply of ARD-Dritte programmes from neighbouring federal states and additional local TV stations, our distribution networks are strengthening local and regional diversity of opinions and thus creating socially important communication forums, even across state and national borders.

Therefore, the networks of Tele Columbus are meeting a key function for engagement in social discourse across all layers of the population and are part of future-critical broadband provision in Germany.

Data protection

The Tele Columbus Group maintains licence agreements with the housing industry and user agreements with the end customers of its products. The use of telephony and internet services also involves access data and sensitive connection data that must be protected against unauthorised access. In view of possible software vulnerabilities and targeted cyberattacks, it is clear why Tele Columbus works hard to protect personal data when securing participating IT systems.

Our data protection efforts at the Tele Columbus Group are aimed at meeting the statutory requirements for storage and management of sensitive data at all times, notifying the responsible regulatory authorities immediately in the event of incidents relating to data protection and informing affected customers and advising them on how best to limit any damage.

Data protection issues are handled under the leadership of the Legal department. An external data protection officer is on hand for the Tele Columbus Group for matters relating to data protection. The PŸUR Business division (HLkomm Telekommunikations GmbH), with its own data centres, has a further external data protection officer. IT baseline protection as per ISO 27001 and quality management as per ISO 9001 are ensured at PŸUR Business. Annual reaudits are conducted with assistance from the Quality and Security Management department.

In view of the processing of personal data and the evergrowing complexity of IT system, data protection is a hugely important topic for the Tele Columbus Group. The IT Operations department has created the post of security officer to ensure state-of-the-art security of our IT systems, identify vulnerabilities and close security gaps quickly.

Besides complying with specific provisions of the EU General Data Protection Regulation (GDPR), Tele Columbus is also obliged under the German Telecommunications Act (TKG), the German Telemedia Act (TMG) and the German Federal Data Protection Act (BDSG) to process personal data as follows in accordance with Article 5 (1) GDPR: lawfully, fairly, transparently, purposefully, accurately, with integrity and confidentiality and in a manner that minimises data and limits storage.

Constant improvement processes raise the acceptance and visibility of data protection compliance throughout all specialist departments.

Tele Columbus was confronted with a whole host of unprecedented data protection issues in 2020 on account of the COVID-19 pandemic. From visitor and hygiene concepts to recording the personal data of guests to regularly comparing various federal and state-level laws and requirements and rulings, as well as other dataprotection regulations, there were many hoops to jump through.

The Schrems II Decision by the European Union Court of Justice issued in 2020 underlines the necessity for comprehensive internal evaluation processes, which have been consistently improved over the past few years at Tele Columbus. To give an example, Tele Columbus reviewed its records of processing activities pursuant to Article 30 GDPR to find out whether any data is transferred to the US or to other third countries and whether a level of protection can be guaranteed that is comparable with that defined in the GDPR and the EU Charter of Fundamental Rights. A significant volume of contractual documents were reviewed for this process, and existing service providers contacted and asked to comment. This led to a small number of contractual amendments as well as changes in service providers. Tele Columbus has established a Schrems II check prior to the conclusion of contracts with a potential link to third countries as a subset of its obligations under data protection law.

One decision by the Federal Commissioner for Data Protection and Freedom of Information (BfDI) at the end of 2019 was of paramount importance to telecommunications providers. Authorities issued one provider with a fine of EUR 9.6 million due to a violation of Article 32 GDPR (Security of processing) in relation to the processing of customer data through a call centre. Tele Columbus was also requested to complete a survey regarding its customer authentication process.

Unlike the operator who received the fine, Tele Columbus had already implemented a three-stage process prior to this that was underpinned by specific process structures in the reporting period. In an aim to enhance the level of protection in this area even further, Tele Columbus launched a project involving the introduction of a “customer PIN” in the reporting period that is scheduled for completion in 2021.

No reportable incidents took place thanks to the ever increasing awareness of data protection among employees and the great deal of care taken in this regard. One data protection incident took place at PŸUR Business.

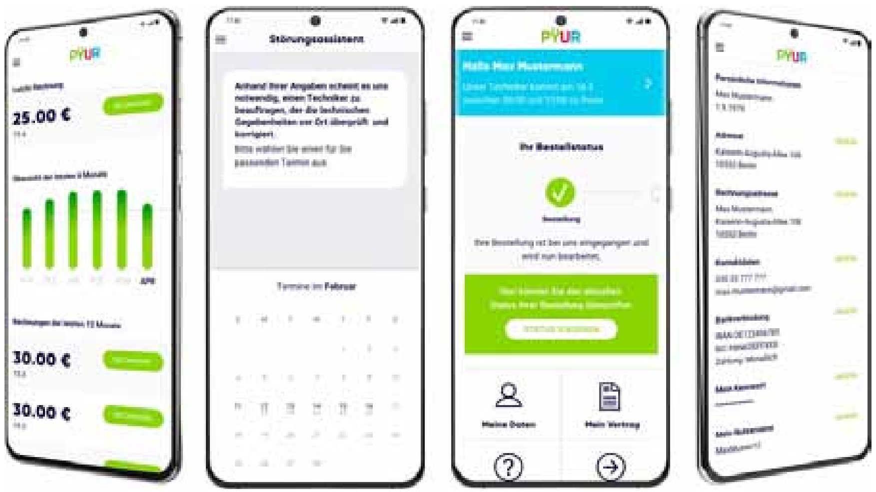
Customer satisfaction and service quality

To give its customers an outstanding customer experience, Tele Columbus AG has paid increased attention to customer service work and customer satisfaction. Our customers are the users of our network connections, as well as customers in the housing industry with whom the requisite operating and supply agreements have been concluded.

A holistic concept to improve the customer experience is intended to achieve tangible improvements in quality at all points of contact. Tele Columbus aims to become the industry leader in service quality and customer satisfaction and has taken numerous measures to achieve this ambitious goal in its operating business.

The corporate strategy defines customer service as a key action area.

In 2020, customer journeys at individual contact points were further automated and underwent end-to-end transformation. In practice, this means that a customer can arrange technician appointments to resolve a problem whenever it best suits them. Technician appointments with PŸUR can



The Mein PŸUR app: keep track of bills, check service disruption and arrange online technician appointments in a single application.

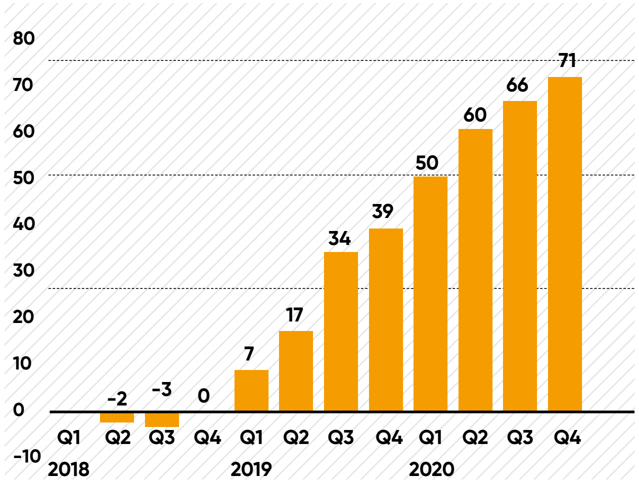
now be arranged independently by customers themselves, after the necessary system integration work was completed and interfaces developed. This automation has resulted in an increase in field service profitability at the same time.

Customers are surveyed once the service interaction is complete to reveal any vulnerabilities in the customer journeys. The results are routinely gathered, analysed each day and shared with employees. The "Net Promoter Score", or NPS for short, is the relevant measurement method. In addition to the NPS, we also gather information on the availability and problem-solving skills of our employees. In order to gain comprehensive insight into customer satisfaction, contact volume, product booking behaviour and the cancellation rate are also included in the analysis. The appeal of the product portfolio is measured according to the number of products (RGUs or revenue-generating units) sold. The results of all these measurements flow directly into project management.

The success of the implemented measures is reflected in an increase in NPS across all customer contact points from 71 when the NPS was introduced in 2018 and a rise of 21 points in 2020.

Touch Point NPS

+ 71pp NPS-Improvement since inception 2018



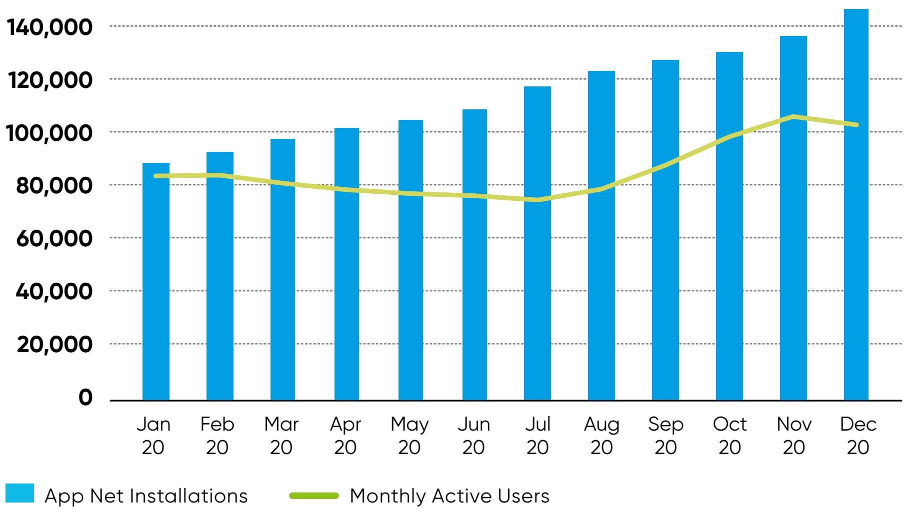
Tele Columbus conducts a separate survey within its network regions to measure its progress compared to its competitors; this survey deliberately includes non-customer households.

The most recent survey, conducted between November and December 2020, involved the calculation of almost 5,500 NPS values from over 3,000 households. Overall, our brand PŸUR gained some 14 points on its competitors in 2020 and was within touching distance of major competitors in key categories.

Tele Columbus received the CX Leader of the Year award in the Utilities category in 2020 with its PŸUR brand. A panel of experts judged this customer experience award according to strict criteria and closely scrutinised customer orientation concepts.

In connect magazine's service hotline comparison of Germany's six leading internet service providers, PŸUR achieved a remarkable result: PŸUR was awarded the grade of "very good" and finished just behind the overall winner. PŸUR actually significantly outperforms the market leader in terms of waiting times and availability. We were also able to re-affirm our previous year's performance in Chip magazine's test with a "very good" rating (overall grade of 1.4). Even against the backdrop of the coronavirus crisis and the significant increase in order hotline calls, our customer service staff performed excellently, and were awarded with a grade of 1.3 in the "service" category.

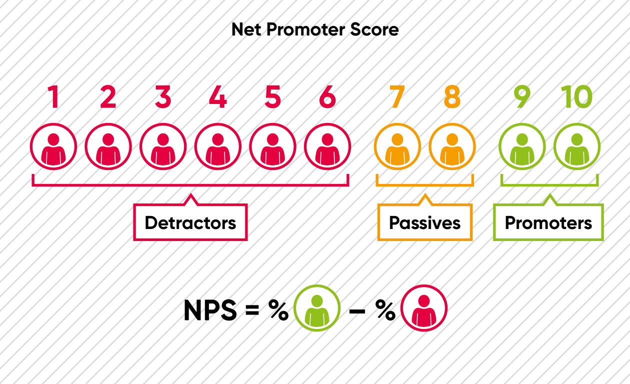
App net installations and monthly active users



The qualities of the Mein PŸUR app are now well known. With almost 144,000 installations by the end of 2020, this digital contact tool grew by 60% in just one year.

The Mein PŸUR continues to be developed and enjoy great popularity. The app includes a smart service disruption assistance, which can link product data with technical network parameters and modem information and provide real-time assistance in resolving issues with internet or telephone connections. With some 143,600 installations (previous year: 90,000), the Mein PŸUR app continued to experience high user growth. All in all, the online customer portal and the Mein PŸUR receive just under 105,000 users (previous year: 80,000) per month. At 46.5%, almost half of all portal log-ins were attributable to the app. One year previously, only 30% of users accessed the portal through the app.

The share of customer service enquiries responded to through digital channels came to 20% in December 2020 (+2.4 percentage points year on year).



Measures were focused on improving service processes and product quality. Customer service staff were given automated tools to improve the quality of information and enhance their problem-solving expertise. These tools enabled staff to identify problems as accurately as possible and take the right steps to ensure that issues were resolved.

Responsibility for the project to improve customers experience lies with the Customer Experience Management department and is assigned to the portfolio of the Chief Operations Officer.

Products und innovation

Fairness, simplicity and efficiency are the benchmarks for our day-to-day work and actions. These three core brand values are intended to create a holistic awareness among employees that a product or a service is more than the mere consideration of price and performance. Our packages and products are structured transparently and can be booked individually and flexibly.

All products have minimum contractual terms of 24 months or 3 months. Contracts with three-month minimum contractual terms can be terminated monthly once this minimum term has expired.

As part of a further simplification of our services, various HDTV packages were collated into a single product, with the CI+ module for receiving the private HD channels already included free of charge. The advance TV digital entertainment platform can be combined with HDTV and all Triple Play packages including a monthly add-on option that can be cancelled. The changes come as a response to shifting customer demands and are aimed at making our TV offering much clearer.

The Fritz!Box premium modem is now included for rental free of charge in all TV, internet and telephone combi packages for new customers. With a telephone flat rate included, customers can make free calls to all landline and mobile numbers in Germany.

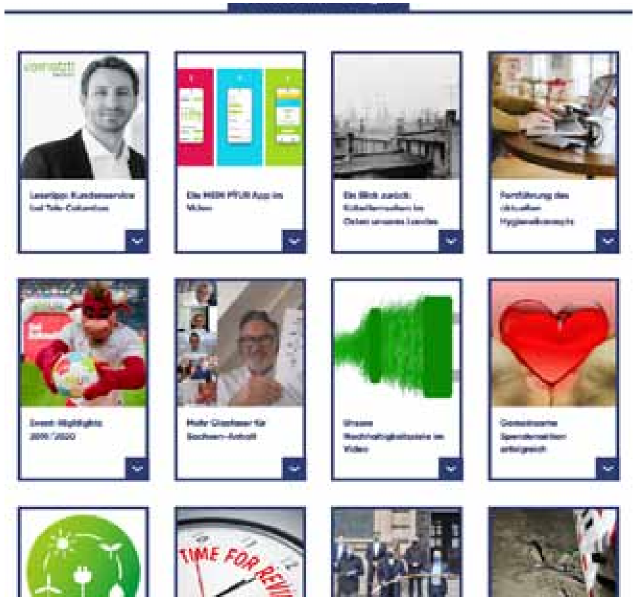
Booking behaviour and routine customer surveys are analysed to align the range of products and services with our customers' needs. Marketing Strategy and Products is responsible for structuring our TV, internet, telephone and mobile phone products.

Communication and transparency

The PŸUR brand values of fairness, simplicity and efficiency present a particular challenge for internal and external communication. We always try to convey our information appropriately, comprehensibly and clearly. Our websites www.pyur.com and www.telecolumbus.com, our letters to customers, the publications on our intranet for employees and our information releases to the press and the capital markets are all designed and written in line with this aim.

In order to improve visibility and transparency during the coronavirus pandemic and ensure that we continue to meet our responsibility to maintain operations during lockdown, we set up a corporate blog to provide background information and newsflashes for the press that aren't suitable for general publication as press releases.
www.telecolumbus.com/presse/corporate-blog/

The early closure of our offices also saw large-scale event formats such as our regular townhall meetings with the Management Board and the management team migrated to digital platforms. One of the most important aspects of employee events is the opportunity to ask the management questions, which was achieved through a question submission systems. Employees were also able to show their appreciation for, or agreement with, the questions submitted in real time. This enabled us to quickly gather an impression of all the issues that were of particular importance to our



employees. The stakeholder meetings with representatives of the housing industry and conferences with our advisory panel on the housing industry took place virtually during the year.

We also began expanding our communication via our social media channels. What began as an instrument for the Tele Columbus AG HR department on XING and LinkedIn was enhanced through the addition of Twitter with the aim of facilitating cross-media dissemination. The PŸUR brand now has a presence with customer-centric news on Twitter, Pinterest and YouTube. Our B2B specialists at PŸUR Business in Leipzig can also be found on Xing and LinkedIn with communications tailored to their target groups.

Tele Columbus AG
- https://twitter.com/TeleColumbusAG
- www.linkedin.com/company/telecolumbus/
- www.xing.com/pages/telecolumbusag/news

PŸUR
- https://twitter.com/PYURcom
- www.pinterest.de/PYURcom/
- www.youtube.com/channel/UCPtyaSSzuPtfBi1nn08teVA/

PŸUR Business
- www.linkedin.com/company/pyurbusiness/
- www.xing.com/pages/pyurbusiness

The cancellation of relevant trade conferences removed opportunities for expert dialogue with specialist and industry journalists. We attempted to make up for this deficit by organising a technical webinar, which proved to be a resounding success and is set to be repeated in 2021.

In terms of investor relations, two ad hoc notifications were published alongside the regular quarterly figures and annual financial statements in 2020. The ad hoc notifications concerned the appointment of Dr Daniel Ritz as the Chief Executive Officer (CEO) by the Supervisory Board effective as at 1 February 2020 and the announcement of an investment agreement with Kublai GmbH (formerly: UNA 422. Equity Management GmbH) and the declaration of support for the takeover offer.

The 2020 Annual General Meeting was initially postponed before being held virtually on 30 December 2020.

The Corporate Communications department is responsible for external and internal communication, and the Investor Relations department manages financial markets communication.

Ressources

Environmental responsibility is a key part of sustainability management for Tele Columbus. Electricity consumption and energy procurement are of particular importance in terms of reducing greenhouse gas emissions. Procurement of customer hardware and product usage are also major influencing factors on our carbon footprint.

Materials used to expand our networks and the procurement of hardware provided to customers were included in the calculation of indirect emissions for the first time. Another calculation has also been established to calculate product usage by end customers. The calculation of our carbon footprint has been enhanced with additional information in Scope 2 and 3 in accordance with the Greenhouse Gas Protocol. The calculation draws on available emissions factors, projections and estimates. The method of calculation is to be developed further in the years to come.

Our end customers use hardware such as modems and digital cable TV receivers (set-top boxes) to access our services. Tele Columbus mainly rents out the requisite hardware. When the contract expires, the rented items are returned to us. As a result of this, we benefit from the opportunities of professional reprocessing. This has given rise to a recycling process that helps to reduce electronic waste. The aim is to use resources as efficiently as possible, thus reducing our negative impacts on the environment.

Logistics and purchasing are handled by the Logistics and Procurement department, which reports to the Management Board on these matters.

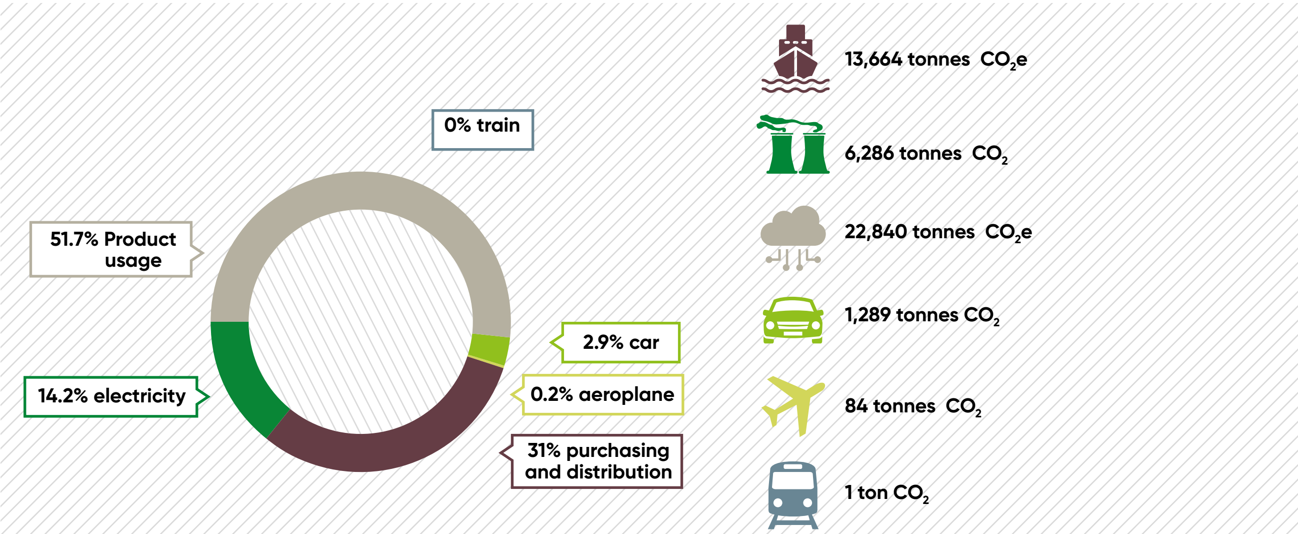
Electricity consumption

Within the Tele Columbus Group, operation of the networks and data centres accounts for a large amount of the electrical energy used.

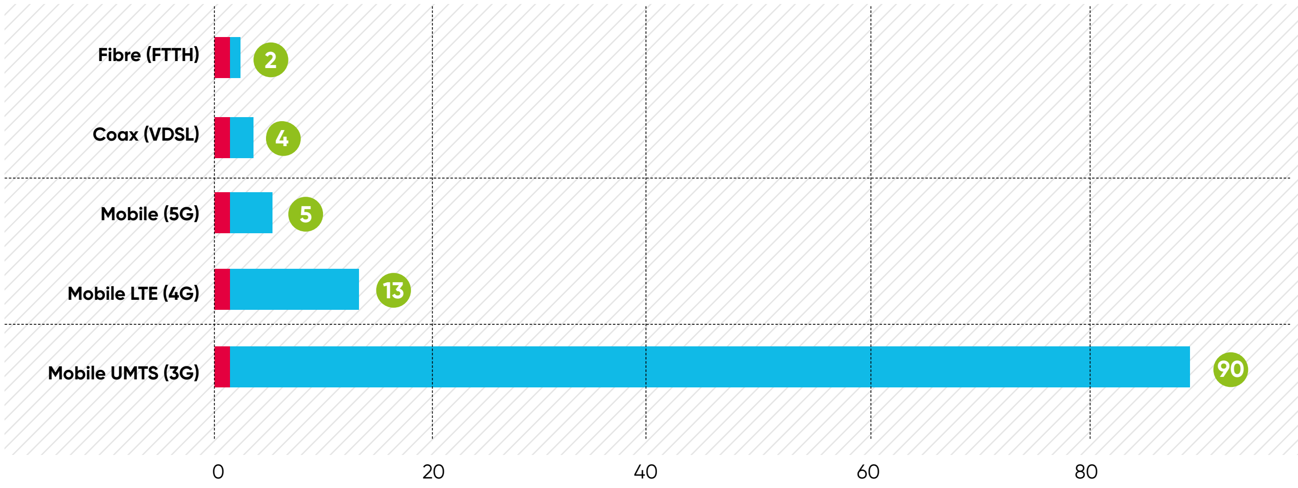
Electricity reductions in our networks stem from network construction projects that involve energy-efficient fibre technology from the outset. Modernisation of existing networks in the context of licence agreements with the housing industry is another major influencing factor. Tele Columbus is always working towards greater use of fibre technology here.

Fibre-optic data transfer is considered to be particularly energy-efficient. Electrical signals in copper wires have to be regenerated by repeaters, whereas optical signals can be sent over long distances. Optical fibre technology offers considerable potential for energy savings: Our calculations show that upgrading a conventional coaxial copper cable network in an urban environment to FTTB standards, with optical fibres replacing the copper cable all the way into buildings, can reduce power consumption by 50%.

Our carbon footprint



Greenhouse gas emissions
Video streaming, data centre, transmission



Greenhouse gas emissions per hour of video streaming (HD quality) [g CO_2e/h]

Data centre Network Total

Source: Umweltbundesamt

The decline in energy consumption observed over the past few years that is attributable to network operations is due to hardware modernisation at head-ends and progress in optical fibre expansion.

The German Environment Agency calculated the power consumption of various connection technologies in 2020 using the example of video streaming. It found that fibre-to-the-home (FTTH) connections generate the least CO_2 when streaming high-definition video for a period of one hour. DSL connections were the second most efficient, followed by streaming via mobile networks. This study clearly underlines the main environmental benefit of optical fibre networks.

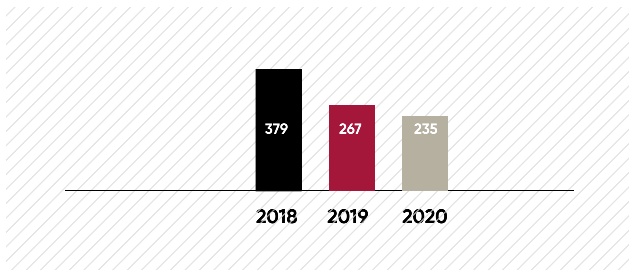
The Technology division is in charge of the design of network construction and modernisation.

Investment in our networks is geared towards enhancing performance while increasing energy efficiency even further.

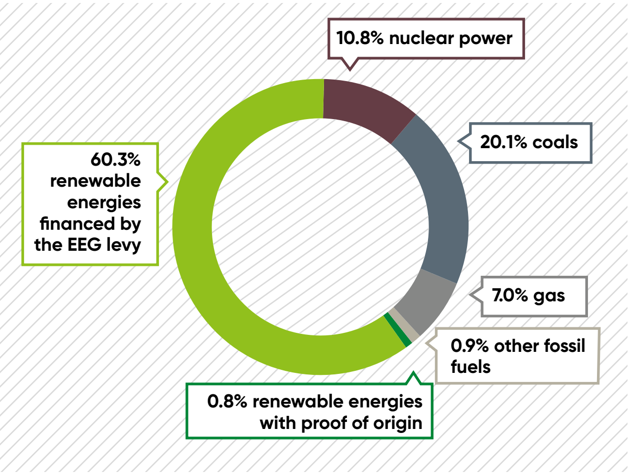
This year, a distinction was drawn between network energy consumption and energy for office buildings and stores for the first time. As a result, energy consumption for network operations is now reported as 22,897 MWh, with a further 1,030 MWh attributable to administration and stores. Added together to enable a direct comparison with the previous year's figure, these two figures equal 23,927 MWh, which is 744 MWh more than in the previous year. The slight increase is likely due to the more intensive use of IP-compatible networks during the coronavirus pandemic.

Nevertheless, a further reduction in CO_2 can be reported with regard to the development of greenhouse gas emissions. The ever-increasing proportion of renewable energies in the energy mix of our energy supplier, whose green electricity share is now at 61.1%, lowered CO_2 emissions per kilowatt-hour by 12% compared to 2019 to just 235 grams per kilowatt-hour.

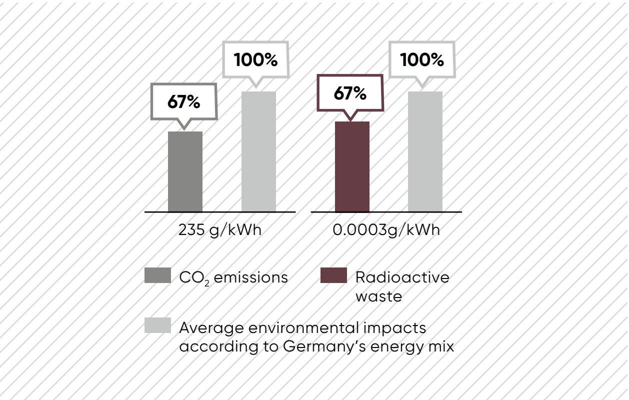
MVV Energie CO_2 in g/kWh



Energy mix of MVV Energie AG



Environmental impacts



The business customer division PŸUR Business (HLkomm Telekommunikations GmbH), a Tele Columbus Group company based in Leipzig specialising in IP services, pursues a zero-emissions strategy in the operation of its optical fibre networks and data centres. Its electricity supply has been fully converted to renewable energies since 2019. Data-centre energy consumption fell to 5,701 MWh (previous year: 7,342 MWh). This was due to the phasing out of the older Leipzig data centre and the relocation.

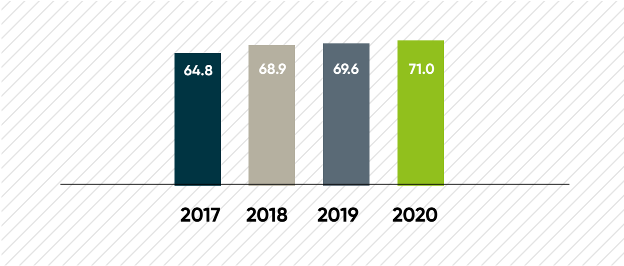
The energy consumption of ANTEC Servicepool GmbH in Hanover remains stable at approximately 13 MWh, all of which is procured from renewable sources.

This results in CO_2 emissions of 5,623 tonnes[1)] for the Group's technical operations, down 8.2% on the previous year's figure of 6,130 tonnes of CO_2.

The general energy-saving effects of network modernisation with optical fibre technology are partly countered by an overall rise in the share of internet-capable networks. The share of internet-capable networks of Tele Columbus AG, which are operated on the company's own internet backbone infrastructure, increased to 71%.

[1)] With reference to the Scope 2 Guidance of the Greenhouse Gas Protocol, the quantity of 5,623 t CO_2 is a market-based calculation. Location based CO_2 emissions are approx. 10,217 t (at 427 g/kWh according to the German Environment Agency).

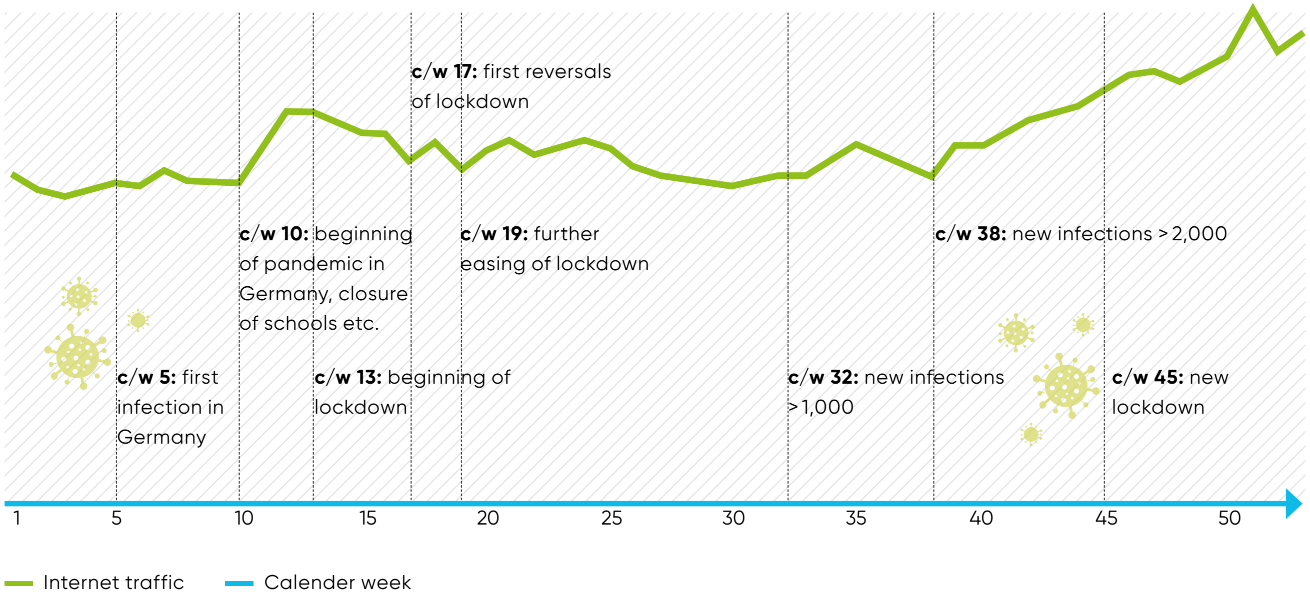
Internet-capable networks of own infrastrukture in %



According to studies by the VATM, the average monthly data volume of landline internet connections increased by a further 28.6% in 2020 compared to 2019. Our records show a year-on-year increase in transferred data volume of 40%. This reflects the impact of coronavirus in 2020, particularly at the beginning of the lockdowns. The trend of falling internet use in the summer months and a rise in the winter is a typical annual progression. Our networks handled the additional load during lockdown without issue, as usage periods were spread across the day and the increases at critical peak times were relatively normal.

As network utilisation rose, so did energy requirements, as the year 2020 proves. The Tele Columbus Group recorded data volume of 841,363 terabytes through its internet connections in 2020, which equates to data volume of 138 GB per active connection per month.

Corona counter measures and internet traffic



KPI

	2020
Electricity consumption kWh/terabyte	27.2
Greenhouse gas intensity kg CO_2e/terabyte	8.2
Share of renewable energy in %	69.5

In its efforts to achieve the sustainability goal of CO_2-neutral network operations, the Commercial Procurement department is preparing to migrate to wholly green electricity in 2021. A new energy audit was initiated to realise additional energy optimisations.

Our electricity consumption for network operations and data centres is as follows:

Energy in MWh

	2017	2018	2019	2020
TC Group	33,026	32,570	30,538	**29,515**
TC networks	25,588	25,404	23,183	**22,897** [3]
HLkomm networks		68	85	**677** [4]
Data centres	6,866	7,166	7,257	5,701
ANTEC networks			13	13

If we divide the total electricity consumption of our networks 6.4 kg of CO_2 per terabyte. If we calculate the greenhouse gases of all by the volume of transferred data, energy consumption per terabyte comes to 27.2 kWh. From a market-based perspective in consideration of the low-CO_2 energy procured by Tele Columbus Group, this equates to energy sources purchased by Tele Columbus, one terabyte of transmission using our optical fibre networks produces 8.2 kg of CO_2.[2)]

[2)] Not including data centres and grid loss.

[3)] Electricity consumption of stores and office buildings is reported separately for the first time in 2020; in previous years, these figures were reported as part of TC networks. In a like-for-like comparison with the previous year, 1,030 MWh would be added to TC networks and 11 MWh to HLkomm.

[4)] Deviation from previous year due to re-assessment of major technology centres in the HLkomm network. 84 t CO_2 (LFL) according to previous calculation method.

Energy consumption office buildings and stores

Energy in MWh	2020
TC Group	1,030
HLkomm	228

Operating data centres

The business customer division PŸUR Business (HLkomm Telekommunications GmbH) operates two of its own data centres. Besides the new Leipzig data centre, PŸUR Business took over a second data centre in the Mahlsdorf district of Berlin at the end of the year. The Berlin data centre was operated under the stewardship of the previous owner up to the end of 2020, which is why it is not included in our carbon footprint. HLkomm has ensured that energy consumption will be covered solely by renewable sources from 2021. HLkomm continues to operate data processing facilities at rented data centres in Leipzig. All areas for which HLkomm is responsible for electricity procurement are included in the consumption table.

The two PŸUR Business data centres offer outstanding energy efficiency. The PUE (power usage effectiveness) value is calculated for the data centres as the value that occurs when the data centre is operating at its planned capacity. The PUE value is an indicator that describes the ratio between the energy used by a data centre compared to the energy delivered to the customer servers housed there.

Data centre Berlin: 1,800 m², PUE value 1.4

Data centre Leipzig: 1,400 m², PUE value 1.2

Air conditioning

The new data centre in Leipzig uses an air-to-air cooling system for the purposes of air conditioning. Air-to-air cooling is a form of direct ventilation cooling where warm air is taken from the IT room and cooled down through an air-to-air heat exchanger using cool air from outside. This method of air conditioning does not require the use of harmful fluorinated greenhouse gases.

Mobility

Much of the mileage covered by car is due to customer service and customer contact. Some of the journeys are unforeseeable, and not all destinations can be easily reached by public transport. Also, cars are essential for technical field staff. Vans are used to troubleshoot line routes, with tools and spare parts also having to be transported in case a repair is necessary. Another factor is that many employees have to travel between the two biggest company locations, Berlin and Leipzig.

The Group's early response to implementing systematic hygiene measures to combat the COVID-19 pandemic also left a mark. The vast majority of business meetings were conducted virtually. By mid-March, many employees had already taken the opportunity to work from home.

Travel between the two major locations in Berlin and Leipzig practically came to a standstill.

In 2020, only 231,381 kilometres were covered by rail, which is roughly a quarter of the figure reported in the previous year. Of this amount, 215,003 kilometres were travelled on Deutsche Bahn's national network, which generates zero CO_2 emission. A further 16,378 kilometres were covered on Deutsche Bahn's local network, resulting in 0.79 t CO_2 being released. Employees who need to travel are issued with a Bahncard Business to encourage as many trips to be made by rail as possible.

Contact restrictions in relation to measures to combat the pandemic caused a substantial decline in mileage covered by car in 2020 of 1.7 million kilometres. The restrictions mainly impacted sales, whereas service and logistics vehicles remained on the road. The vehicle fleet covered 6.73 million kilometres in total (previous year: 8.41 million kilometres), causing CO_2 emissions of 1,269 tonnes. CO_2 emissions per kilometre remained largely on par with the previous year at 188 grams (previous year: 189 grams).

Only 583 business trips were made by air in 2020, down from 2,194 in 2019. Mileage covered by air therefore declined significantly from 1.05 million kilometres to just over 317,000 kilometres. Associated CO_2 emissions fell from 324 tonnes to 84 tonnes. Tele Columbus AG offset the CO_2 emissions from its air travel using a carbon certificate for the first time in 2020. An external service provider is responsible for gathering information on, and recording, total mileage.

Hardware recycling

The supplied customer hardware is returned to us after the contract expires. To make full use of the expected service life and thus reduce electronic waste as much as possible, the used hardware is examined, cleaned and returned to customer circulation. The quantity of reprocessed customer hardware declined in 2020, although the reconditioning rate remained unchanged at around 70%.

Along with customer modems and DVB-C receivers, items such as smartcard modules, CI cards, remote controls, mains adapters, hard drives and connecting cables were reconditioned. Just under 39,000 modems and 18,000 DVB-C receivers were reconditioned in this manner in 2020. Calculated right down to the last cable, the number of reconditioned components declined from 531,640 to 288,233.

	2017	2018	2019	2020
Modems	7,200	18,000	64,000	**39,000**
DVB-C receivers		27,800	42,000	**18,000**
CI+ modules		7,800	14,500	**25,000**
Hard drivers		16	8,500	**1,300**
Total components			531,640	**288,233**

Due to the high quantity of reconditioned equipment in 2019, Tele Columbus began 2020 without any notable inventories. Another major reason for this trend was the roll-out of our new customer hardware, with new modem models being delivered to households in 2020. Demand for DVB-C receivers was able to be covered in 2019 through reconditioned devices. Due to its foresight in ordering devices and components, Tele Columbus was only affected by pandemic-related disruption to supply chains to a limited extent.

Devices that no longer qualify for use in customer households are preferably sold to secondary users. Due to the low number of returned devices, no devices or technical components were sold to secondary users in 2020 and none were scrapped either.

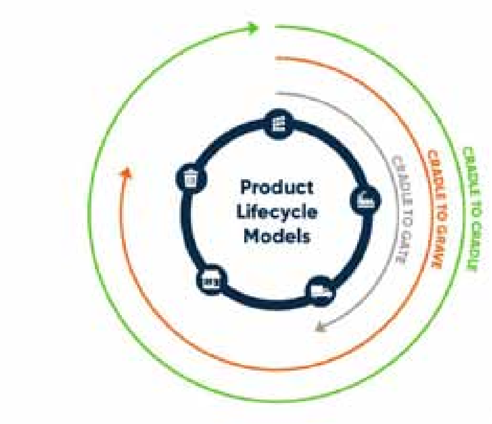
The renewal of customer hardware is set to continue in 2021. However, delivery periods both for network equipment and for customer hardware are significantly longer at the current time. Besides increasing inventories, customer premises equipment (CPE) reconditioning is also a significant factor in securing supply capabilities. The Logistics and Procurement CPE department is responsible for this.

ANTEC Servicepool GmbH in Hanover also operates in the customer hardware reconditioning sector: For 2020, it reported a reutilisation rate of 100% from a total of 120 device returns.

High reconditioning rates cannot be attained with the technical components in our distribution networks. Defective components are repaired by the manufacturer within the warranty periods and returned to use as spare parts. Otherwise, the service lives of the technical equipment calculated by the manufacturers are fully utilised wherever possible. In the interest of maximum supply reliability, no reconditioned hardware is purchased.

Material purchasing

The Tele Columbus Group purchased new hardware for its end customers in 2020. Cradle-to-gate CO_2 emissions caused by the manufacturing process are reported in the carbon footprint.



No suitable CO_2 emissions figures were available in relation to the manufacturing of the CI+ modules required to receive encrypted TV channels, meaning that the modules were not able to be considered in this regard.

The Logistics and Procurement CPE department is responsible for this.

CPE purchasing (unit)

	2020
Modems	150,000
DVB-C receivers	26,000
CI+ modules	50,000
Hard drivers	9,000

Significant quantities of coaxial cables of varying copper diameters as well as optical fibres with between 4 and 576 cores are required for the expansion and modernisation of our networks. Our approach in this regard is to calculate the CO_2 factor per metre of specific cables or cores. A total of 710 kilometres of cable material was taken into consideration. So far it has not been possible to reliably calculate the CO_2 equivalents from the manufacturing process for technical network equipment. As a result, this area of procurement is not included in the report.

The material used in the expansion of our networks is purchased through PŸUR Business.

Logistics

The logistics involved in delivering customer hardware resulted in 101.6 t CO_2. This figure does not include the CO_2 emissions from shipping and freight services.

Product usage

The use of our products results in the hardware we provide consuming energy in customer householders. These hardware elements include routers, cable models, WiFi extenders for telephone and internet services as well as DVB receivers or more-simple set-top boxes and CI+ modules used to receive digital television.

The calculations in this regard are based on the assumption that a modem is always operational. In terms of TV reception, the average viewing duration per household as calculated in the Media Authorities' Digitalisation Report is taken as the operating period. The remainder of the 24-hour period was included at the electricity consumption of the various devices used by customers when in stand-by mode. The assumed CO_2 factor per kilowatt-hour is the average figure of 427 g/kWh as calculated by the German Environment Agency. In total, product usage results in 22,840 t CO_2.

The Logistics and Procurement CPE department is responsible for this.

Water and wastewater

No water is used in the sense of production-related consumption. Instead, water consumption is limited to the normal extent occurring in an office environment. No hazardous waste is generated either.

Carbon footprint

The carbon footprint is calculated on the basis of the GHG Protocol.

Rounded to tCO_2e	2017	2018	2019	2020
Scope 1				
Vehicle fleet	1,727	1,908	1,630	**1,269**
Scope 2				
Electricity purchasing				
Location based	15,641	15,440	14,470	**10,217**
Market based	10,260	9,375	6,190	**5,623**
Scope 3				
Loss of power				**663** [5]
Flights		286	324	**84**
Journeys by train			3.5	**1**
Product usage				**22,840**
Material purchasing				**281**
Hardware purchasing				**13,562**
Logistics				**102**
Total				**37,533**
Climate certificates				**−84**

[5] Defra, UK Conversion Factors on T&D losses 2019

Employees

A happy and motivated workforce forms the foundations for long-term success. The attractiveness of Tele Columbus as an employer is a key success factor for our company. The aim is to gain suitable employees for the Tele Columbus Group and retain them long-term by means of a positive company environment and good working conditions. Collaboration with the works councils and the Safety and Health Management team is another fundamental element that regulates Tele Columbus' dealings with its employees.

The main employers within Tele Columbus AG are Tele Columbus Betriebs GmbH, Tele Columbus Vertriebs GmbH, Radio-, Fernsehen- und Computertechnik GmbH (RFC for short) and HLkomm Telekommunikations GmbH. An overview of the scope of consolidation of all associated companies and subsidiaries can be found in the notes to the consolidated financial statements on page 31.

Tele Columbus as an employer

At the end of the year, the workforce at Tele Columbus amounted to 1,203.8 full-time equivalents divided between 1,296 people. All employee issues are managed at Group level by the Human Resources department, which reports directly to the Management Board.

As a modern employer, we allow our employees flexibility in structuring their own working hours. Wherever possible, employees in all divisions have the option of setting their own clocking-on and clocking-off times within agreed time corridors. Work equipment is designed to enable remote working to maintain operating capacities almost without exception. Changes were made in 2020 to enable remote working during the pandemic wherever this was not possible in the past.

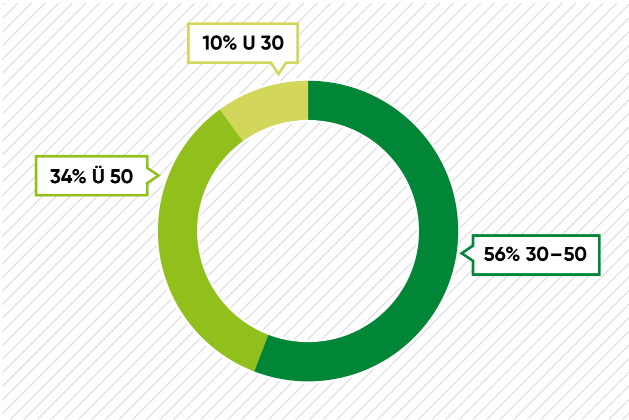
Remote working permanently possible

Against the backdrop of the coronavirus pandemic, an extensive hygiene concept was developed for working at Tele Columbus locations that also included regulations on working remotely.

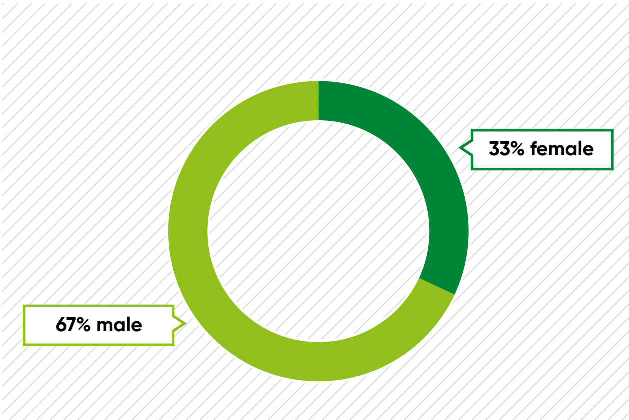
Experiences with remote working in 2020 paved the way for a fundamental change to obligations for on-site working. The management and the Group works council unanimously agreed that remote working is advantageous for employees and also beneficial to the employer. The new "Remote working" Group works council agreement is designed to give employees greater autonomy in this respect and is expected to have a positive impact on employee satisfaction. Remote working gives employees greater freedom and fosters a positive work-life balance.

The agreement on remote working is therefore not linked to the pandemic, rather presents a permanent opportunity for employees to work remotely if they are able to and wish to. Employees should not work remotely for more than half of any given month, so that they can keep in touch with their colleagues and remain familiar with the business environment. Working remotely is voluntary. Employees must not be disadvantaged regardless of whether they choose to work remotely or not.

Age structure of employees as of 31.12.2020



Gender ratio as of 31.12.2020



Employer attractiveness

Annual job satisfaction surveys have been conducted since 2018, with resulting measures being integrated into the capability, talent and people management programme. In 2020, the most important task was to integrate new employees into the company and their teams in the best way possible in a virtual manner on account of the pandemic. These measures are managed by the Human Resources department, which reports its results directly to the Chief Executive Officer.

	2018	2019	2020
Incoming staff	203	173	**194**
Outgoing staff	247	147	**148**
Turnover rate	14.7%	12.3%	**12.5%**

A total of 148 employees left our company in 2020, and 194 employees were recruited. The Human Resources department made increased use of social media channels as part of its recruitment activities. An employee referral scheme was also initiated, with employees recommending a friend or acquaintance for a job at the Tele Columbus Group receiving one additional day of annual leave if the person is recruited. A further financial bonus is paid if the recommended candidate completes their trial period.

Staff turnover in 2020 was on a par with the previous year at 12.5% (14.7/12.25%) – a solid figure in absolute terms and in an industry context. Onboarding events (Welcome Days) were organised virtually due to the pandemic.

By refining and optimising its onboarding process, Tele Columbus intends to set a course for long-term employee retention. The initial phase of any new employee is particularly important when it comes to further development and productivity. Employees' first few days at the company determine whether they feel welcome, are keen on collaboration and fit in well with the rest of the team and the company. Once employees have completed their first day at work, the onboarding process involves three feedback meetings during the trial period to facilitate a successful career start at Tele Columbus and identify any disruption at an early stage. In 2020, the situation was particularly challenging due to the low amount of employee presence at our locations. Nonetheless, there was nothing unusual about the early staff turnover or the overall staff turnover in 2020 as presented above.

The PŸUR Kultur programme injected some momentum into the establishment of a corporate culture with a common understanding of our values as a basis for collaboration. A market survey conducted in 2020 focused on the question of how well the PŸUR brand has been able to establish itself three years after its launch. According to the survey respondents, our brand is particularly associated with our corporate values of simplicity and fairness. Besides our advertising campaigns and designing of prominent advertising materials, for which our Marketing department is responsible, contact between customers and employees is the primary factor in shaping the brand image.

The benefit of a sound onboarding

Perfect integration
of the job-related and social skills of the new employee together with the existing company culture and the team.

Quality
Mistakes can be prevented through internal measures and processes.

Decrease fluctuation
Analyses show that the majority of decisions to cancel a job during the probation period already become clear at the first day of work.

Transparency
The expectation of the new employee and his or her manager are communicated openly. This contributes to employee satisfaction and emotional bonding.

Employee satisfaction

Employees satisfaction and leadership quality are particularly closely linked. A 360-degree feedback system has been implemented as an additional feedback element for the management team and for directors. Under this system, managers are assessed by their employees in terms of how they embrace the brand values of efficiency, simplicity and fairness.

An employee net promoter score (eNPS) is calculated annually to assess the success of the measures in establishing an efficient employee structure. The eNPS was calculated for the first time as a baseline in 2018 within the scope of an employee survey. Progress since then has been recorded in the form of surveys. As an example, the eNPS recommendation rate that defines whether someone would recommend the Tele Columbus Group to a friend or acquaintance as an employer has improved by five points. The total value across all of the questions (eNPS index) also improved, rising by 16 percentage points (previous year: +5 percentage points) between 2019 and 2020.

The marked improvement in sentiment is one particularly noteworthy aspect here. The greatest change was recorded in the question of whether employees are proud to work for PŸUR (+32 points). An increasing number of employees can envisage still working for the company in five years' time (+30 points). What's more, a growing of employees would recommend the Tele Columbus Group to their friends as an employer (+29 points). This means that considerably more employees were able to be acquired as employer promoters.

Employees believe that the Group ensures a high level of freedom from discrimination (71% agreement), significant creative freedom (55% agreement) and a friendly working environment (53% agreement).

HR development

The oft-mentioned shortage of specialist staff is also apparent at Tele Columbus. For this reason, HR development is increasingly important in order to present employees with attractive employment and development prospects through targeted training.

All Tele Columbus employees take part in annual employee meetings in which target agreements are concluded. In the context of the annual target agreements, individual training measures are part of the discussions between employees and their supervisors.

A total of 412 employees were approved to participate in training measures in 2020, and 4,703 training units were completed as a result. Female employees accounted for 42% of training courses and, considering that female employees make up 33% of the workforce, showed particular interest in further training. All employees have the opportunity to take part in training measures. [6)]

Online training modules are also organised for the entire workforce, with progress monitored on topics such as compliance basis, protecting against corruption, data protection basics, handling information, working from home securely and hygiene concept training for returning to work safely. There was also a training course organised on the subject of fair competition, which was only aimed at one specialist department. 8,491 invitations were issued for the training, and 7,508 employees successfully passed. This equates to 88.3% of employees completing the training. The gender distribution in online training is the same as the gender distribution for the workforce as a whole.

As a result, a further 3,203 training hours were completed through online modules. With employees spending a total of 7,906 hours completing further training, the extended range of learning qualification measures offered by the PŸUR Academy and other external service providers resonated extremely well among the workforce. On average, each employee completed 6.7 hours of training.

	2019	2020
Involved persons	3728	7920
Hours of training		7906
Hours of training per person/year		**6,7**

Occupational health and safety

Preserving health, preventing work-related illness and creating safe working conditions are the aims of the safety and health management system implemented under the stewardship of the Human Resources department.

Safety offices, fire safety assistants and first aiders are designed at the necessary locations and training in order to ensure safety in the workplace in the interest of optimum accident prevention as well as reducing the potential consequences of fires and accidents. An occupational safety com-

[6)] This includes subsidiaries that employ staff and are subject to the authority of Tele Columbus AG or rather employees over which Tele Columbus AG has management authority.

mittee is in place at all main company locations as per Section 11 Sentence 1 of the German Occupational Safety Act (ASiG).

Occupational health care is provided by external service providers for health protection and occupational safety. All workers, including those who are not employees, are entitled to occupational medical care. These include consultants, self-employed people and freelancers whose work and workplace are influenced by Tele Columbus.

The Tele Columbus Group recorded 15 reportable workrelated accidents in 2020[7]. 13 of these accidents occurred at RFC GmbH, where activities in field service, network maintenance and assembly are subject to particular risks due to the assignment sites and nature of the activities. There was one road traffic accident in RFC's field service that resulted in loss of life.

Work-related accidents in 2020

	Quantity
RFC GmbH	13
Tele Columbus Betriebs GmbH	1
Tele Columbus Vertriebs GmbH	1
Tele Columbus AG	0
ANTEC GmbH Hannover	0

[7] Centralised recording of work-related accidents of all subsidiaries that employ staff and are subject to the authority of Tele Columbus AG, not including accidents on journeys to and from work.

RFC employees are in regular contact with power lines during their deployment, and also work on and repair cables and optical fibre lines on building sites and work in active road traffic environments. Employees' personal protective equipment includes safety boots, gloves, hivisibility jackets, safety goggles and ear protectors and is checked on a daily basis by the employees themselves. An independent expert is called in to check guardrails and safety barriers, measuring devices, ladders and steps on an annual basis. Due to the increased use of optical fibre technology, courses were organised in 2020 for employees to train as laser safety officers.

Accident categories

	Anzahl
Falls	5
Work with tools	4
Accidents while travelling	2
Power outage	1
LIft and carry	1
Other	2

In terms of the number of work-related accidents per 1,000 employees [8] the accident rate in 2020 was 13.6 and the number of lost work days totalled 259 days. One workrelated accident resulted in an extended period of incapacity of over six working weeks; this accident was recorded as lost time of 30 working days.

[8] Suspended employment contracts are not included in the calculation of the work-related accident rate. 1.000-Mann-Quote (TMQ), similar to the recordable injury rate (RIR)

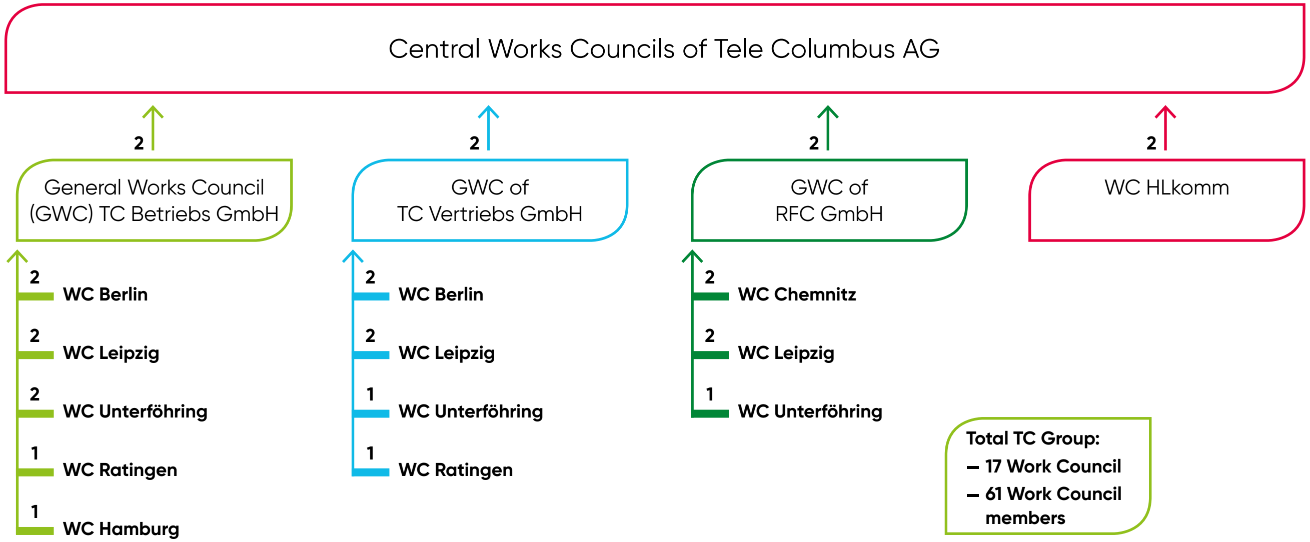
	2018	2019	2020
Accident rate/1,000 persons	14.3	8.7	**13.6**
Lost work days			**259**
Lost work days rate LTIR (200k hours)			**1.6**
LTIFR (1 million hours)			**8.1**

The company attempts to prevent health and safety incidents by offering annual occupation health and safety training (Section 12 of the German Occupational Health and Safety Act) to all employees and providing eyesight check-ups as part of routine company medical care. The aim of these measures, and of safety inspections and ergonomic workplace design, is to minimise adverse effects on employee health and safety. Occupational health and safety training was conducted as a compulsory online course in 2020 due to the pandemic. Tele Columbus locations were only partially staffed during the summer months in an effort to reduce contact between employees.

When working on site, employees were requested to present their electronic devices – and particularly mobile phone chargers and laptop chargers – for their annual examination (DGUV V3 – Electrical installations and equipment).

When awarding contracts to external service providers, particularly for assembly and underground construction work, the relevant contracts always include an obligation to comply with German accident prevention regulations and the German Employee Secondment Act (AEntG) as well as a separate agreement regarding adherence to the German Minimum Wage Act (MiLoG).

Structure of Work Council as of 31 January 2020



Collaboration with employee representatives

Numerous companies and locations of Tele Columbus AG have their own works councils. A Group works council is also in place.

The relevant regulations for occupational health and safety, including the German Workplace Ordinance (ArbStättV) and the German Working Hours Act (ArbZG) are intended to ensure safety and a minimum standard of working conditions for all employees. Tele Columbus companies are committed to ensuring these rights. Further regulations are agreed with the responsible employee representatives by means of work agreements and semi-formal works agreements. Tele Columbus respects employees' rights to organise themselves freely and negotiate collectively.

The works councils of Tele Columbus actively used their co-determination rights in 2020. This included involvement in the coronavirus emergency team, which organised hygiene concepts to break the chain of infection. Works council members were also involved in the Group works council agreement on internal tender procedures, the introduction of the employee referral scheme, the conclusion of a Group works council agreement on overarching project work and the "Remote working" Group works council agreement described in detail in the employee satisfaction section. Furthermore, the works council ensures critical support of software roll-outs.

Diversity and equal opportunities

Tele Columbus regards itself as a diverse and cosmopolitan company. Discrimination on the grounds of age, disability, origin, religion, ideology, gender or sexual orientation has no place at Tele Columbus. The Group guarantees non-discriminatory behaviour at all workplaces and supports diversity throughout the entire company.

Instances of discrimination and personal attacks can be reported to the Head of the Human Resources department; affected employees can talk in person to the staff of the Human Resources department. No instances of discrimination were reported in 2020. In the context of the 2020 employee survey, the statement that nobody in our company must fear disadvantages on account of their origin, religious belief or sexual identity was emphatically endorsed with the highest approval rate of all questions.

No raised risk of discrimination was detected in the assessment of the upstream value chain. Consequently, Tele Columbus has not submitted an anti-discrimination concept regarding this.

Work/life balance is important to Tele Columbus. In 2020, 50 employees took parental leave while 39 employees returned from parental leave. Bearing in mind that three employees were on parental leave for the whole of 2020, the return rate is currently 100%. All employees who returned from parental leave in 2019 were also still working for one of our companies twelve months after coming back.

Most employment relationships are full-time, with 95.6% of employees working full-time contracts. As at 31 December 2020, the companies had a total of 103 part-time agreements in place, predominantly with female employees who accounted for a share of 84%. The 1,296 employees employed as at the reporting date were equivalent to 1,204 full-time equivalents.

Before 2020, 22.5% of employment contracts allowed employees to work remotely. The Group works council agreement on remote working, which was resolved at the end of 2020, now allows all employees to work from home or remotely from other locations if the nature of their work permits them to do so.

As at the reporting date, the Group had 52 employees in a managerial role (previous year: 53). This figure includes the Management Board (CEO –0), the Managing Directors (CEO –1) and the Heads of Department with supervisory responsibility (CEO –2). The number of trainees at Group companies rose from 27 to 45. Tele Columbus had 44 employees with disabilities in the reporting year.

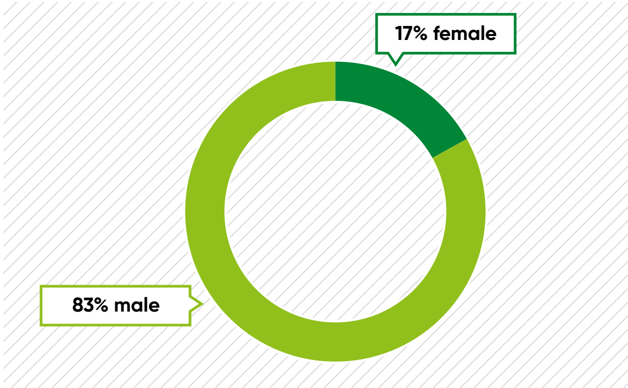
Comparing the average base remuneration of male and female employees with management responsibility at the respective levels of hierarchy, women earn between 95.8% (CEO –2), 89.6% (CEO –3) and 86.9% (CEO –4) of their male counterparts. No female staff are currently employed at management team level (CEO –1). Female employees without management responsibility earn 94.6% of the average target salary.

All base salaries were extrapolated to a full-time equivalent value for the purposes of this calculation. The effects of longer terms of service at the company or general professional experience were not investigated. Salary differences result from the different cultures and locations of the companies that now form Tele Columbus AG. These differences will not be permanent in nature within the current Tele Columbus Group. It makes no sense to assess the fairness of pay at different company locations because male and female employees do not work at the same levels of hierarchy at the smaller locations.

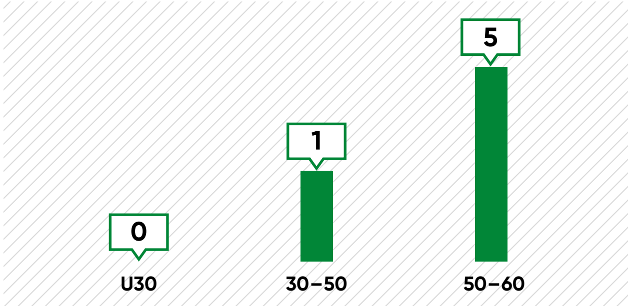
As the best-paid person at the company, the Chief Executive Officer of Tele Columbus earns 20.3 times the average salary of all other employees at the Group. Detailed information on management remuneration can be found in the remuneration report, which is part of the management report, from page 66.

The Supervisory Board comprises six members, one of whom is female. The Management Board has two members, both of whom are male. Further information on the participation of women in managerial posts can be found in the corporate governance statement as per Section 289a HGB.

Supervisory board – gender relation as of 31.12.2020



Supervisory board – age distribution as a diagram



Compliance

Tele Columbus pursues the aim of complying with applicable laws and regulations to prevent fraud and corruption effectively.

The Compliance team is part of the Corporate Governance department, which is responsible for implementing the legal and practical framework for managing and monitoring the company for the benefit of all relevant stakeholder groups. Corporate Governance is all about adhering to laws and regulatory requirements, implementing management and control structures and managing the company in a responsible, qualified and transparent manner.

The Compliance Officer is responsible for ensuring compliance with statutory regulations, regulatory standards and internal company guidelines. The Compliance Officer regularly reports to the Management Board and to the Chairman of the Audit Committee. Tele Columbus' main locations in Berlin and Leipzig were examined with regard to corruption risks. No significant risks were determined.

Tele Columbus has introduced a variety of instruments and measures, such as the Compliance Manual, training courses and discussion groups. Furthermore, the Compliance Officer is also available as a contact person for the legally compliant preparation of events and invitations. Eight local Compliance Coordinators act as contact persons at Tele Columbus locations.

The Compliance Manual applies throughout the Group and is available on the intranet. It informs employees and managers of the rules of conduct in line with applicable laws and guidelines. In addition, training courses tailored to the individual departments are another important measure for raising awareness of potential compliance risks and instilling a sense for the right conduct in delicate situations. Online training courses on the subjects of general compliance, protection against corruption, handling information and the principles of data protection are mandatory for all employees. The level of training among members of the Supervisory Board and Management Board, as well as among Managing Directors, stands at 100% and at close to 100% among the workforce.

In the past, our compliance measures have predominantly been focused on our own employees. We are currently in the process of expanding these measures to cover the upstream and downstream value chains. As part of these efforts, we have introduced a Code of Conduct to prevent violations of ILO core labour standards in the supply chain. In December 2020, we began organising online training courses for our sales partners.

Compliance breaches can be reported to the Compliance Officer or to an external ombudsman. Whistleblowers who wish to remain anonymous can make use of our confidential whistleblower system to pass on information and documents to an ombudswoman.

In 2020, our employees actively approached our Compliance Officer to inform themselves about our compliance regulations and ensure that they conduct themselves correctly when dealing with service providers and suppliers. Most of these enquiries related to event invitations.

A further element of the compliance management system is the Compliance Committee established in 2018. Its job is to identify compliance risks and examine the measures already established to reduce the respective risk and how effective these measures are. The Compliance Committee consists of the Compliance Officer and the directors of the Human Resources, Legal and Accounting & Tax departments, as well as the IT Security Officer, the Data Protection Officer and the Chairman of the Group works council.

Employee awareness successfully raised

Ongoing information measures regarding the tasks of the Compliance department have resulted in a high level of awareness among employees. In the employee survey conducted in November 2020, 88% (+3% year on year) of respondents said that they knew who they could go to if they had any compliance-related questions (e.g. regarding gifts and invitations). This chimes with the fact that the compliance team's work as part of the Corporate Governance department, together with the issue of sustainability management, was met with particularly high approval ratings in the annual employee survey, as was the case in the previous year.

Compliance cases in 2020

No suspicious cases were reported to the Compliance Officer in 2020. Six tip-offs were submitted to the external ombudswoman, none of which led to a compliance case.

Monitoring supply chains

A Suppliers' Code of Conduct has been introduced to the supply chains as an element of our general terms and conditions. The Suppliers' Code of Conduct is part of a process of gradually establishing a common platform for all supplier agreements that precludes inhumane working conditions, ensures compliance with the ILO's social standards and sanctions any breaches of the Code of Conduct. No breaches of our Suppliers' Code of Conduct were reported in 2020.

Notes on political influence

Tele Columbus is involved in legislative consultation processes by invitation. We maintain memberships in interest groups and industry associations. These include ANGA – Association of German Cable Operators, BUGLAS – Association of Germany's Optical Fibre Industry, Breko – German Broadband Association, VATM – Association of Telecommunications and Value-Added Service Providers and other housing industry associations. As a rule, we do not make any donations to political parties or party-related foundations.

Imprint

Issued by
Tele Columbus AG
Kaiserin-Augusta-Allee 108
10553 Berlin

Corporate Communications
Sebastian Artymiak
Email: **presse@pyur.com**
www.telecolumbus.com

Text
Tele Columbus AG, Berlin

Concept, design and typesetting
KorteMaerzWolff Kommunikation,
Hamburg

Photographers and image sources
Philipp von Recklinghausen
Adobe Stock
Markus Altmann
iStock
Eric Kemnitz

Tele Columbus AG