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ANNUAL REPORT

16

Results

Key Figures of 11880 Solutions Group at a glance

in EUR million	2016	2015	Variance absolute	Variance in percent
Revenues and earnings 11880 Solutions Group				
Revenues	44.7	53.5	-8.8	-16%
EBITDA[1]	-2.7	-0.3	-2.4	-
Net loss	-14.7	-9.3	-5.4	58%
Details Segments				
Revenues Digital	28.5	32.5	-4.0	-12%
EBITDA[1] Digital	-2.4	-3.2	0.8	-26%
Revenues Directory Assistance	16.2	21.0	-4.8	-23%
EBITDA[1] Directory Assistance	-0.3	2.9	-3.2	-112%
Statement of financial position				
Total assets	34.4	49.6	-15.2	-31%
Cash and cash equivalents[2]	10.5	18.5	-8.0	-43%
Equity	23.5	38.2	-14.7	-39%
Equity ratio (in percent)	68.2	77.0	-	-
Cash flow				
Cash flow from operating activities	-4.5	-3.7	-0.8	-
Cash flow from investment activities	4.4	0.4	4.0	-
Cash flow from financing activities	-0.03	-0.02	-0.01	-
Net cash flow[3]	-8.0	-8.4	0.4	-5%
Key figures for the 11880 share				
Earnings per share (in EUR)	-0.77	-0.49	-0.28	57%
Share price at year-end (in EUR)[4]	0.68	1.15	-0.47	-41%
Market capitalisation at year-end	13.0	22.0	-9.0	-41%
Other KPIs				
Churn rate, Digital (in percent)	26	29	-	-
Revenues per call, Directory Assistance (in EUR)	3.51	3.38	0.13	4%
Number of employees[5] group	672	801	-129	-16%

1 Earnings before interest, tax and depreciation

2 Portfolio of cash and cash equivalents as well as financial assets, available for sale

3 The net cash flow is calculated as the operating cash flow plus cash flow from investing activities minus interest expenses, adjusted for the changes in money market and bond funds. To facilitate comparability, the prior-year figure has been adjusted to reflect the current definition.

4 XETRA-closing prices as of last trading day

5 Headcounts as of 31 December closing date

About us

Group Management Report

Consolidated Financial Statements

Dear Shareholders, Customers and Friends of 11880 Solutions AG,

We are delighted to be able to address you as shareholders, customers and friends of 11880 Solutions AG for the first time this year. Over the past financial year 2016, we resolved the issue of our confusing array of brands and brought together all of our business activities under the core brand 11880*, which is recognised across Germany. The names of the parent company and all of its subsidiaries now begin with 11880*. This renaming and consistent brand identity significantly simplifies our communications and gives us greater visibility among our customers. These are major advantages that are now helping us to quickly establish our completely revised product portfolio on the market. Today, 11880.com not only combines the 11880.com and klicktel.de classified directories that have been so popular for the past two decades, but also guides visitors towards 20 new specialist portals serving a wide range of sectors. For example, homeowners can now find a roofing specialist at www.11880-dachdecker.com, a professional gardener at www.11880-gartenbau.com or the right financial experts for their needs at www.11880-steuerberater.com.

As a result, Germany's famous 11880* number now not only offers fast solutions over the telephone but primarily helps consumers searching for services online to find the right suppliers. We also tailor individual presence packages for companies wishing to make their offering visible online wherever consumers are searching for them. As well as ensuring their company information is displayed on all relevant websites, these packages also include an effective presence on Google or social media sites such as Facebook.

In mid-2015, we began an essential and complete reorganisation to make our company fit for the future. With our listing service and specialist portals for the most important service sectors and trades, we have developed products with measurable, sustainable added value for both businesses and consumers. The listing service, where we ensure that companies are always represented on the most important search engines and classified directories with up-to-date contact details and information, is a bestselling product that has proved particularly successful at generating new customer business. Our vertical portals, which enable consumers to make direct contact with suitable suppliers easily and without obligation, are attracting considerable interest among our business customers and are enabling our 11880 sales advisers to work extremely efficiently.

Within the space of a year, our new digital product portfolio has enabled us to reduce our contract termination rate to an all-time low and significantly increase the number of new customers once again. We are extremely proud of this development.

At the end of 2016, we began to adjust our organisation to fit the new product and sales structure. We began this process at the end of 2015 by discontinuing our field sales activities. A year later, we have optimised additional processes and consolidated all areas to enable us to work successfully based on a more streamlined cost structure in 2017. Although these measures were painful, they have been long overdue for many years to create a brighter future for our company. The positive trend in our digital business is only expected to be reflected in our results for the 2017 financial year, as we still have some legacy issues to tackle until that time.

We also have plans to further establish 11880 Solutions AG as an innovative assistant for everyday life in 2017. To do this, we are focusing on

WerkenntdenBesten.de, the first and unique meta search engine for online reviews in Germany. Eighty-four percent** of consumers already place as much trust in reviews as in personal recommendations when searching for a service provider or tradesman, while 74 percent** would prefer to opt for a company that has already been reviewed online. These figures from a recent study demonstrate the importance of reviews for today's small and medium-sized businesses. We already show well in excess of 20 million reviews of German companies on WerkenntdenBesten.de, with more being added every day. The site meets every conceivable need by providing every business with a detailed overview of the websites on which they have been reviewed and enabling them to react directly to both positive and negative ratings. This is a huge benefit, as hardly any business owner has the time to trawl through the Internet every day looking for reviews of their products and services. We also offer our businesses packages they can use to encourage their customers to provide reviews.

We are convinced that WerkenntdenBesten.de is becoming an important website for German consumers and businesses alike that makes dealing with reviews significantly easier for both parties. As we show detailed contact information for every business, our new product could even replace traditional online classified directories in the future. The combination of a presence on WerkenntdenBesten.de and our listing service means our business customers are ideally placed for their customers to find them.

In 2017 we are also planning to increase our range of vertical portals in 2017 to include several new industries and acquire additional companies in the Directory Assistance sector for whom our experienced 11880 employees take and process telephone calls. Our Directory Assistance business performed better than expected in 2016. Although demand for Directory Assistance services continues to wane, the excellent quality of our offering means many consumers continue to rely on 11880*, meaning that we are feeling this decline less acutely than anticipated.

Valued shareholders, over the past financial year we have been able to set a course for a prosperous future. While our share price does not yet reflect this positive business development, we are certain that this will change as soon as the financial results confirm the success of our reorganisation. At this point, we would like to express our gratitude for your confidence in our work.

Thank you very much for your support on the road to a successful future for our company.

Munich, 22 March 2017

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

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

** Local Consumer Review Survey 2016, BrightLocal, Lewes, UK

Report of the Supervisory Board

for the financial year from 1 January 2016 to 31 December 2016

Work in the 2016 financial year focused on the further development of the digital business. The Supervisory Board intensively monitored the Management Board's business activities in compliance with its legal advisory and supervisory function.

Supervisory Board activities in the 2016 financial year

In the reporting year, the Supervisory Board carried out its duties, as provided by law and the Company's Articles of Association. Four regular meetings and one extraordinary meeting were held during the year. It continually advised the Management Board and supervised the management of the Company. The Supervisory Board received regular reports from the Management Board on the development of business in the 11880 Group, the most important financial data, the key aspects of corporate governance and the risk situation. Deviations from the approved business plan and important business transactions were presented, explained in detail and discussed with the Supervisory Board. Strategic projects were also carefully discussed and coordinated with the Management Board.

The Supervisory Board's discussions focused on the further development of the digital business and on the Company's strategic realignment, primarily regarding its product portfolio and regarding its sales and general corporate strategy. The 2017 budget was approved by the Supervisory Board at its meeting on 15 December 2016.

The Supervisory Board concerned itself in detail with the accounting process as well as the effectiveness of the internal control system and the risk management system. Furthermore, the Supervisory Board dealt with the effectiveness of the Company's compliance organisation and reports on potential and pending litigation. Additional measures to improve compliance processes were approved and implemented. The Supervisory Board was additionally involved in the appointment of an auditor. Its duties here included monitoring the auditor's independence, qualifications and services and evaluating his fees.

Organisation of the Supervisory Board's work.

To ensure that it performs its duties efficiently, the Supervisory Board established an Audit Committee. This committee prepares resolutions of the Supervisory Board and topics to be handled by the Supervisory Board as a whole and concerns itself with monitoring the accounting and the internal control system and with the audit of the financial statements. A Nomination Committee has also been set up. These committees already existed in previous financial years. The flow of information between the committees and the Supervisory Board is ensured through regular reports by the chairs of the committees. Within the context of monitoring the auditor's independence, the Supervisory Board initiated an approval process in the 2016 financial year that entails the release of permissible non-audit services by the auditor in accordance with EU Regulation 537/2014, which took effect on 17 June 2016.

Composition and personal details of the Supervisory Board

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

In terms of its composition, the Supervisory Board of 11880 Solutions AG aims to support the company-specific situation of the 11880 Group in a goal-oriented way with regard to the Company's new corporate direction. In connection with this, industry knowledge from the digital economy, international experience, a variety of professional competencies and a reasonable representation of women are all taken into account.

Based on a motion submitted by the Management Board, on 11 February 2016 the Munich Local Court appointed Mr. Antonio Converti as a representative of the shareholders to serve as the successor of Vincenzo Santelia, who had left the Supervisory Board in October 2015, until the next Annual General Meeting. At the Annual General Meeting on 8 June 2016, Mr. Converti was then elected as a shareholder representative. There are no other changes to Supervisory Board appointments to report for 2016.

Serving members of the Audit Committee, chaired by Dr. Michael Wiesbrock, are Andrea Servo and Jens Sturm.

On 16 March 2016, Mr. Antonio Converti was elected to the Nomination Committee from among the group of shareholder representatives. He succeeded Vincenzo Santelia, who had stepped down previously. Dr. Michael Wiesbrock is also a member of the Nomination Committee.

Meetings and attendance

The Supervisory Board held four regular meetings and one extraordinary meeting in the 2016 financial year. The regular meetings each took place once a quarter. Dr. Michael Wiesbrock and Andrea Servo attended all five meetings. Supervisory Board members Ralf Grüßhaber, Ilona Rosenberg, Jens Sturm and Antonio Converti each attended four meetings. The Audit Committee met four times during the reporting period; the Nomination Committee met once.

Changes in the Management Board

There were no changes in the composition of the Management Board in the 2016 financial year.

Corporate governance and remuneration of the Management Board

The Supervisory Board dealt intensively with the proposals and recommendations of the German Corporate Governance Code and its implementation in the 11880 Group in the 2016 financial year.

The implementation of the German Corporate Governance Code at 11880 Solutions AG was the subject of the meeting of 15 December 2016. The Management Board and the Supervisory Board issued a Declaration of Compliance in accordance with section 161 Stock Corporation Act. Deviations from the recommendations of the German Corporate Governance Code were resolved after careful consultation and with particular regard to the Company's circumstances and requirements.

The joint declaration of compliance by the Management Board and Supervisory Board is permanently available on the Company's website at www.11880.com. Further information on the implementation of the recommendations and proposals of the German Corporate Governance Code and a detailed report on the compensation system for members of the Management Board can be found in the corporate governance report and in the notes to the consolidated financial statements.

Audit of the 2016 annual and consolidated financial statements

Based on a resolution adopted by the Annual General Meeting on 8 June 2016, the Supervisory Board commissioned PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the financial statements. 11880 Solutions AG's annual financial statements in accordance with commercial law and the management report as well as the IFRS consolidated financial statements for the 2016 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich. The consolidated financial statements for the period from 1 January to 31 December 2016 and the Group management report were prepared in accordance with section 315a German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRSs) as applicable in the European Union (EU).

An unqualified auditor's report was issued for both the annual financial statements and the management report as well as the consolidated financial statements and the Group management report as of 31 December 2016.

The annual financial statements and the management report according to commercial law, the consolidated financial statements and the management report according to IFRSs, and the auditor's reports were discussed in detail with the auditor in the Audit Committee and forwarded to all members of the Supervisory Board in due time. The auditor also participated in the concluding discussions of the audits at the Supervisory Board meeting on 22 March 2017. The auditor reported on the performance of its audit and furnished explanatory information within the course of the discussion.

The Supervisory Board examined the annual financial statements and the management report of 11880 Solutions AG. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2016 annual financial statements of 11880 Solutions AG, which are hereby adopted.

The Supervisory Board also examined the IFRS consolidated financial statements of 11880 Solutions AG and the management report. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2016 consolidated financial statements of 11880 Solutions AG.

Risk early warning system

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

Closing declaration

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

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board and all employees for their hard work and dedication in the past financial year.

Planegg-Martinsried, March 2017

Dr. Michael Wiesbrock
Chairman of the Supervisory Board

Investor Relations

Capital market environment

The situation on the capital markets remained challenging during 2016. Brexit, growth concerns in China, the US presidential election and the enduring interest rate debate all had a significant impact on the financial and capital markets.

Despite the ups and downs of 2016, however, Germany's DAX benchmark index made price gains of approximately 6.9 percent over the full year, making 2016 the fifth profitable year in a row.

Performance of the 11880 share in 2016

Having seemingly stabilised at the start of 2016, the 11880 share edged downwards slightly until the end of June 2016, mirroring the performance of the Prime All Share and TecDAX indices. In mid-October, strong selling pressure caused the share price to steadily decline to a 12-month low of EUR 0.63 on 20 December 2016. This weak share performance was primarily caused by the rejection of the appeal against the refusal of leave to appeal in connection with the action for damages in the second quarter as well as the fact that the turnaround of the business was not yet visible in the Company's financials.

At the end of December 2016, the 11880 share stood at EUR 0.68, down 41 percent on the previous year. In comparison, the Prime All Share Performance Index increased by 6 percent in the reporting period, while the TecDAX also recorded a slight decrease of 1 percent.

In 2016, there were again four conference calls with analysts and investors, one on the publication of the annual financial statements for 2015, and three more on the publication of the respective quarterly results. In addition, numerous discussions with investors were held around the Annual General Meeting on 8 June 2016, and one-to-ones took place at the Equity Forum on 23 November 2016 in Frankfurt.

Shareholder structure

As of 31 December 2016 there were 19,111,091 11880 Solutions AG shares outstanding. The Company does not hold any treasury shares. Due to a changed shareholder structure, 11880 Solutions AG has not had a majority shareholder since late 2014.

Dividend

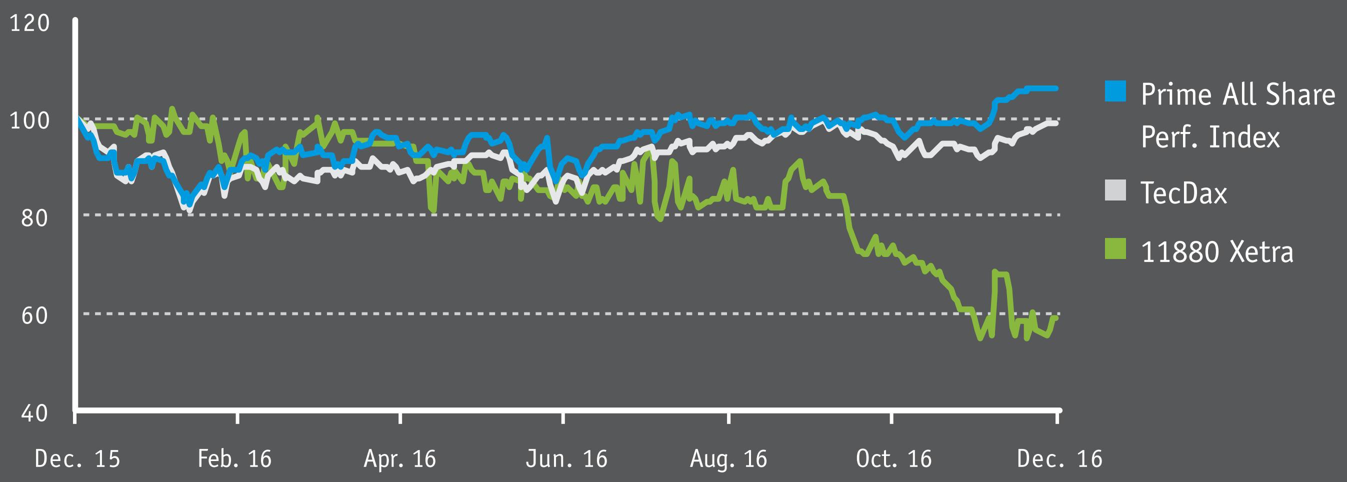
Since 11880 Solutions AG reports an accumulated deficit for the current financial year, no decision has to be made on a proposal regarding the appropriation of profits and a dividend payment.

Investor relations activities

In the financial year under review, the investor relations team kept institutional investors, analysts and private shareholders up-to-date on the Company's economic development. The focal points of capital markets communications also included the Company's latest strategic developments and the opportunities offered by its position as a favourite provider of online marketing and regional advertising for small and medium-sized businesses in Germany.

The Company also held regular telephone conferences to report on its quarterly results and strategic decisions within the Company.

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



Key figures for the 11880 share

		2011	2012	2013	2014	2015	2016
Number of shares	pcs.	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091
Share capital	EUR	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091	19,111,091
Share price at year-end[1]	EUR	5.31	7.27	6.28	3.31	1.15	0.68
Highest share price[1]	EUR	9.43	7.27	9.88	6.40	3.35	1.17
Lowest share price[1]	EUR	5.31	4.99	5.35	2.75	1.13	0.68
Market capitalisation at year-end	EUR million	101.4	139.0	120.0	63.2	22.0	13.0
Earnings per share	EUR	0.18	2.46	-0.10	-0.33	-0.49	-0.77
Dividend or proposed dividend per share	EUR	0.35	2.00	0.40	0.00	0.00	0.00
Dividend yield[2]	%	6.6	27.5	6.4	0.0	0.0	0.0

[1] Xetra closing prices

[2] Based on the respective Xetra closing price

Group Management Report

Group Management Report

1. Macroeconomic and sector-specific environment

Macroeconomic environment

In the 2016 financial year, the global economy was able to record growth of about 2.5 percent. Global production is expected to increase by about 2.9 percent in 2017 due to the high starting level. The trend in the major advanced economies will continue to be very mixed in the forecast period.

In the euro zone, GDP growth for 2016 was approximately 1.7 percent. For 2017, the ifo Institute has forecast GDP growth of about 1.6 percent. The continuing economic recovery is mainly being driven by the increase in private consumption. The sluggish implementation of structural reforms in a number of Member States is hampering a faster recovery of the euro zone economy.

German GDP increased by 1.9 percent in 2016: Overall, aggregate economic output is expected to grow by about 1.5 percent in 2017; taking into account the lower number of working days compared to 2016 the figure is 1.8 percent. The moderate upturn is probably being fuelled mainly by domestic demand. Private consumption continues to grow strongly, boosted by higher wages under collective bargaining agreements, increasing transfer income and rising employment.

Aforementioned data have been taken from ifo Konjunkturprognose 2016-2018, ifo Schnelldienst 24/2016 – 69. Jahrgang – 22 December 2016.

Market development in Germany/Austria

The market for local online advertising in Germany continues to perform positively. This creates opportunities for growth for the 11880 Solutions Group. The 11880 Solutions Group offers SMEs a broad range of Internet and marketing services to help them improve their visibility in the digital world. The 11880 Solutions Group provides customers a customised range of products to optimise their online presence. The online marketing package for SMEs was further expanded in 2016 to include a listing service, the specialist and vertical portals, and the ratings portal WerkenntdenBesten.de.

The market for Directory Assistance services can be considered a business that is largely independent of economic developments. The continuous market decline that has been observed for many years now is attributable to the shift in consumer usage behaviour towards digital media. The 11880 Solutions Group expects this trend to continue eased in the coming years. The 11880 Solutions Group is number 2 in the German market for conventional Directory Assistance services behind Deutsche Telekom.

2. Fundamental information about the Group

Basis of presentation

In its Directory Assistance and Digital operating segments, the 11880 Solutions Group uses a system to control key figures that are relevant to decision-making. In order to respond to new developments and changes in its operating business, the Group makes use of daily reporting instruments both in the Directory Assistance and in the digital business. In the financial area these include mainly the key performance indicators revenues, profitability (EBITDA) and net cash flow. Different key figures are used for non-financial performance: In the Digital segment, the new and existing customer development as well as the churn rate are used as non-financial key figures. These key figures make it possible to assess the level of customer loyalty and customer satisfaction. The conclusion of 24-month contracts is no longer an essential and in focus being parameter. The Directory Assistance segment is mainly controlled by the non-financial key figures “call volume” and “revenue per call”. These key figures are calculated as the number of calls processed in the call centres in a given period.

In the Digital segment, the 11880 Solutions Group creates “online presence packages for small and medium-sized enterprises” (SMEs). As well as ensuring their company information is displayed on all relevant websites, these packages also include an effective presence on Google or social media sites such as Facebook. The online marketing package for SMEs was further expanded in 2016 to include a listing service, the specialist and vertical portals, and the ratings portal WerkenntdenBesten.de. In addition, the 11880 Solutions Group can create customer websites as part of this package. The Digital segment is rounded off with the digital telephone book and yellow pages, which is offered to major customers as a stand-alone or network solution.

In the Directory Assistance segment, the 11880 Solutions Group provides services mainly in connection with directory inquiries to 11880, where customers receive German telephone numbers, area codes and addresses, and can also take advantage of various additional services. These services include sending the desired information by e-mail, fax or text message at no charge and the direct connection to the number the customer inquired about as well as Internet research. In addition, the 11880 Solutions Group offers call centre services in this segment, such as the secretarial service launched in 2016.

Financial key figures

Revenue:

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

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

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

Profitability (EBITDA):

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

Net cash flow:

The net cash flow represents net cash flow generated from operations during a period. Analysing this indicator makes it possible to evaluate the Company's financial health. It shows the degree to which a company is able to use its revenue process to generate the cash required to maintain the value of the assets in its statement of financial position and also to make investments for expansion. This information enables the 11880 Solutions Group to optimise its financial position and net assets.

The net cash flow is calculated as the operating cash flow plus cash flow from investing activities minus interest expenses, adjusted for the changes in money market and bond funds. To facilitate comparability, the prior-year figure has been adjusted to reflect the current definition.

Non-financial key figures

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

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

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

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

Call volume and revenue per call in the Directory Assistance segment

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

Employee satisfaction

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

For this reason, the 11880 Solutions Group conducts regular company-wide employee surveys. The result of these surveys is what is termed the HEI (Happy Employee Index), which tracks the overall satisfaction of the workforce in the 11880 Solutions Group. The resulting measures and areas of action make a not insignificant contribution to the 11880 Solutions Group's future success.

3. Course of business

In the 2016 financial year, telegate AG was renamed 11880 Solutions AG, and klicktel AG was renamed 11880 Internet Services AG. The company names of the major group companies now all begin with 11880. This has resolved the confusing diversity of brands, and all business activities are aligned to the core brand 11880, which is well-known all over Germany. This renaming and consistent brand identity significantly simplifies our communications and provides much greater visibility among customers. These factors have also been an advantage in quickly establishing the completely revised product portfolio in the market. Today, 11880.com not only combines the 11880.com and klicktel.de classified directories that have been well known for years, but also guides visitors towards 20 new specialist portals serving a wide range of sectors.

As a result, 11880 now not only offers fast solutions over the telephone but primarily helps consumers searching for services online to find the right suppliers. The Group also tailors individual presence packages for companies wishing to make their offering visible online wherever consumers are searching for them. As well as ensuring their company information is displayed on all relevant websites, these packages also include an effective presence on Google or social media sites such as Facebook.

In the middle of 2015, the reorganisation required to make the Company fit for the future was initiated. With listing service and specialist portals for the most important service sectors and trades, the Group has developed products with measurable, sustainable added value for both businesses and consumers. The listing service, which ensures that companies are always represented on the most important search engines and classified directories with up-to-date contact details and information, has proved particularly successful at generating new customer business. The vertical portals, which enable consumers to make direct contact with suitable suppliers easily and without obligation, are attracting great interest among customers.

The launch of the ratings portal werkenntdenBesten.de in mid-2016 marked another important step, and further expanded the online marketing package for small and medium-sized enterprises. This platform makes it possible to gather all reviews published online at a single address, enabling entrepreneurs as well as potential customers to see at a glance how previous customers rate their products and services overall.

Within the space of a year, the new digital product portfolio has enabled the Group to reduce its churn rate to an all-time low and significantly increase the number of new customers once again.

At the end of 2016, efforts were begun to adjust the organisation to the new product and sales structure. A first step was taken at the end of 2015 with the discontinuation of field sales activities. One year later, additional processes were optimised and all areas were consolidated to allow the Group to operate successfully based on a more streamlined cost structure in 2017. The massive restructuring measures in December 2016 included the reduction of the head-count in the administrative divisions by almost 100 out of a total of 700 employees at all company locations. However, the Digital segment is not expected to show a positive trend until the end of the 2017 financial year.

The concentration of the digital business within the 11880 Solutions Group in 11880 Internet Services AG had already begun in mid-2015; these efforts included the transfer of contracts for existing customers in the digital business from 11880 Solutions AG to 11880 Internet Services AG. This process is now almost complete.

The Directory Assistance segment performed better than expected in 2016. Demand for telephone Directory Assistance services continues to decline; however, thanks to the quality of the product, the increase in revenue per call, and a lower drop in call volume, the decline was less than had been assumed.

Consolidated revenues declined by 16 percent compared to the prior-year period. With an actual revenue volume of EUR 44.7 million, the projected revenue volume in the range of EUR 48.7 to 44.6 million was achieved. Revenue in the Directory Assistance segment developed positively; at EUR 16.2 million, actual revenue was within the expected range of EUR 15.3 to 16.2 million. Revenue generated in the Digital segment remained just below expectations. It was not possible to maintain the previous year's revenue level of EUR 32.5 million in this segment; with a forecast range of EUR 32.5 to 29.3 million, revenue in this segment amounted to EUR 28.5 million. The revenue targets, particularly with regard to the projects launched in 2015, were just missed. In addition, the decline in revenues in the digital segment was caused to a good extent by the discontinuation of the field sales at the end of 2015. The share of the digital business continued to increase and is now at 64 percent compared with 61 percent the previous year.

Group EBITDA declined from EUR -0.3 million to EUR -2.7 million and did not reach the expected range of EUR 0.9 to EUR -1.2 million. In an ad hoc announcement published on 23 December 2016, the projected EBITDA for the 2016 financial year was adjusted to EUR -2.9 million. With a projected EBITDA share of the Digital segment in the range of EUR -0.2 to EUR -1.8 million, this figure improved from EUR -3.2 to EUR -2.4 million. EBITDA in the Directory Assistance segment declined from EUR 2.9 to EUR -0.3 million; EBITDA in this segment was expected to range between EUR 0.8 and EUR 1.2 million. The main factors in this development were non-budgetary personnel reduction measures in the administrative division (EUR 1.5 million) and settlement agreement amounts budgeted for 2016 that were recognised in 2015 (EUR 0.7 million). Cost savings could only offset part of this decline.

Cash and cash equivalents and available for sale financial assets declined by EUR 8.0 million to EUR 10.5 million in the last financial year (prior year: EUR 18.5 million). This was mainly due to the negative cash flow from operating activities and the continued transformation of business.

For the 2016 financial year, the Company forecast a net cash flow of between EUR -6.3 million and EUR -8.4 million. This target was achieved with a net cash flow of EUR -8.0 million (previous year: EUR -8.4 million).

The targets for the non-financial performance indicators were achieved. In 2015, the average churn rate in the Digital segment was 29 percent. A slight reduction was planned for the second half of 2016; this target was achieved with an average churn rate of 26 percent for 2016. There was a change of strategy in the new customer business. The focus is now on the absolute change in the number of new customers. 3,163 new customers were budgeted for 2016; the actual figure was 3,783 new customers, substantially higher than the projected increase. A significant increase in the customer portfolio was expected in the existing customer business. This goal was achieved by stopping the migration of customers for the first time and by customer growth in the focused sectors for specialist portals that were launched in 2016.

The negative trend in call volume in the Directory Assistance segment continued as expected. A further decline of 29 percent was projected, in line with the figure from the previous year. The actual call volume declined by only 25 percent in 2016. As in the previous year, revenue was increased by around 4 percent per call in 2016 (previous year: around 6 percent). Further improvements to customer service and capacity adjustments were therefore able to compensate for part of the decline in revenue from EUR 21.0 to EUR 16.2 million.

At the Annual General Meeting on 08 June 2016, Mr. Antonio Converti – who was previously court-appointed to the Supervisory Board to succeed Mr. Vincenzo Santelia – was elected to the Supervisory Board.

Effective 01 July 2016, telegate AG changed its name to 11880 Solutions AG.

Effective 17 August 2016, klicktel AG, a wholly owned subsidiary of 11880 Solutions AG, changed its name to 11880 Internet Services AG.

4. Financial situation

Results of operations

Segment report

Revenue in the Digital segment was EUR 28.5 million, a decline from the previous year's revenue of EUR 32.5 million. The savings in distribution and administrative expenses achieved in 2016 were significant; negative EBITDA improved from EUR -3.2 million in the previous year to EUR -2.4 million in the past financial year, despite the decline in revenue.

The Directory Assistance market has been on the decline for years, and 2016 was no different, with yet another significant drop in call volume (minus 25 percent year-on-year). In the past financial year revenues in the Directory Assistance segment amounted to EUR 16.2 million, which is down 23 percent compared with the previous year (previous year: EUR 21.0 million). In order to at least partly compensate for the decline in revenue, cost were reduced and efforts made to further increase revenue per call in the past year. EBITDA fell from EUR 2.9 million to EUR -0.3 million. Despite the negative EBITDA, it should be noted that the Directory Assistance segment continues to make a significant positive contribution to the Company's earnings as it helps cover overhead costs.

Group

Consolidated revenues in the 2016 financial year were EUR 44.7 million, compared to EUR 53.5 million in the previous year. This represents a decline of 16 percent (previous year: 14 percent).

Cost of revenues at the reporting date totalled EUR 26.9 million (previous year: EUR 27.4 million). This is a decrease of approx. 2 percent year-on-year essentially attributable to lower amortisation.

Selling and distribution costs were reduced from EUR 25.2 million to EUR 17.8 million, an improvement of 29 percent compared to the previous year (previous year: 8 percent). The main reason for this positive trend was the decrease in variable personnel costs and car costs due to the reduction in field sales capacity and lower amortisation of intangible assets.

The general administrative expenses in the amount of EUR 11.3 million (previous year: EUR 11.9 million) primarily include the costs of corporate services such as finance, legal, human resources, IT, as well as the executive management and infrastructure costs of these units. Furthermore, the item mainly includes consulting fees. The reduction in general administrative expenses resulted mainly from the decline in consulting fees; overhead personnel costs increased for a short time as a result of personnel reduction measures in administration.

The other operating expenses include an impairment of goodwill amounting to EUR 3.3 million (previous year: EUR 0.0 million).

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) as of the reporting date amounted to EUR -2.7 million (previous year: EUR -0.3 million).

Net financial income in 2016 includes income of EUR 0.1 million, compared with EUR 0.2 million in the previous year.

Tax expenses in 2016 amounted to EUR 0.2 million (previous year: tax income of EUR 1.2 million). The main reasons for this were changes in the deferred tax assets and liabilities in 2016 which balanced each other essentially out overall, as well as tax payments totalling EUR 0.1 million due to a tax audit. In the previous year, tax income was mainly attributable to the addition of deferred tax assets of EUR 0.8 million on the basis of the aforementioned transfer of existing customers as well as the reversal of deferred tax liabilities of EUR 0.4 million.

The net income/loss for the period amounted to EUR -14.7 million compared to EUR -9.3 million in the previous year. This figure includes items recognised in the wake of the disposal of the discontinued Spanish operation in the amount of EUR 0.0 million (previous year: EUR -0.2 million). The reduction in costs, mainly of selling and distribution costs of EUR 7.4 million, nearly fully compensated for the decline of EUR 8.8 million in consolidated revenues.

Net assets and financial position

Capital expenditures

The total investments in intangible assets and property and equipment as of the reporting date were EUR 3.5 million (previous year: EUR 5.0 million). In the Directory Assistance segment, investments were made primarily in call centre technology. In the Digital segment, the Company mainly invested in internally generated intangible assets in order to make 11880's product portfolio competitive. This figure also includes capitalised customer contracts of EUR 0.5 million (previous year: EUR 1.6 million) and capitalised customer websites in the amount of EUR 0.1 million (previous year: EUR 1.1 million).

As in the previous year, the 11880 Solutions Group as of 31 December 2016 had no noteworthy open obligations from capital expenditures which will be incurred in financial year 2017.

Statement of financial position

As of the reporting date, total assets amounted to EUR 34.4 million, down significantly by EUR 15.2 million compared to the 31 December 2015 figure of EUR 49.6 million.

Assets

Current assets decreased from EUR 32.2 million to EUR 23.2 million. This was due primarily to the decrease in available-for-sale financial assets by EUR 7.8 million as a result of the negative cash flow. As of 31 December 2016, the 11880 Solutions Group had investments in short-term money market and bond funds that were reported as available-for-sale financial assets. The fair value of these investments was EUR 9.7 million (previous year: EUR 17.5 million). Other current assets (EUR 2.2 million, previous year: EUR 1.7 million) increased by EUR 0.5 million (previous year: EUR 0.04 million) essentially attributable to the increase of short-term customer websites. Trade accounts receivable (EUR 10.3 million, previous year: EUR 11.1 million) decreased by EUR 0.8 million (previous year: EUR 0.8 million), other financial assets (EUR 0.1 million, previous year: EUR 0.7 million) declined by EUR 0.6 million (previous year: increase of EUR 0.3 million) and cash and cash equivalents (EUR 0.8 million, previous year: EUR 0.9 million) were down by EUR 0.1 million (previous year: EUR 3.3 million). The decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower revenue volume. Other financial assets decreased mainly due to a payment received from a settlement agreement. The capitalised customer websites up to one year included in other current assets (EUR 0.6 million, previous year: EUR 0.1 million) increased by EUR 0.5 million (previous year: EUR 0.0 million).

The Company had overdraft facilities of EUR 3.0 million (previous year: EUR 3.0 million) with financial institutions at its disposal as of 31 December 2016.

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

As of the reporting date, the Group had non-current assets worth EUR 11.2 million (previous year: EUR 17.5 million). The decline by EUR 6.3 million stemmed on the one hand from the impairment of goodwill (EUR 3.3 million) as well as from the decrease in property and equipment and intangible assets (EUR 3.0 million). With exception of the impairment of goodwill no impairment losses were recognised.

Equity and liabilities

On the liabilities side, current liabilities decreased by EUR 0.3 million to EUR 9.5 million (previous year: EUR 9.8 million). The accrued current liabilities (EUR 5.7 million, previous year: EUR 6.0 million) decreased (EUR 0.3 million; previous year: EUR 2.0 million). The other current financial liabilities (EUR 3.0 million, previous year: EUR 2.4 million) increased (EUR 0.6 million; previous year: decrease of EUR 0.3 million). Accrued current liabilities mainly include amounts for obligations to employees and outstanding invoices.

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

Equity declined by EUR 14.7 million year-on-year to EUR 23.5 million (previous year: EUR 38.2 million). This was due to the net loss for the period of EUR 14.7 million (previous year: EUR 9.3 million) as well as actuarial losses after deduction of deferred tax liabilities from pensions and similar obligations of EUR 0.1 million (previous year: gains of EUR 0.03 million). As of 31 December 2016, the equity ratio was 68.3 percent (31 December 2015: 77.0 percent).

Cash flow & financing

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

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

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

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

The development of liquidity in the past financial year was mainly characterised by declining income from operations and by appropriate investments serving as a foundation for successful business performance.

Cash flow from operations in the past financial year amounted to EUR -4.5 million, compared to EUR -3.7 million in the previous year. Adjusted for non-cash effects from the market valuation of securities (money market and bond funds) in the amount of EUR 0.1 million (previous year: EUR -0.1 million), cash flow from operations was EUR -4.4 million, as against EUR -3.8 million in the previous year.

Cash flows from investing activities at the 31 December 2016 reporting date amounted to EUR 4.4 million (previous year: EUR 0.4 million). The cash flow from investing activities included the purchase and sale of money market funds and bond funds. Adjusted for these items, cash flows from investing activities amounted to EUR -3.5 million in 2016 (previous year: EUR -4.6 million). This was the result mainly from payments made for investments in intangible assets including sales commission with a term of more than year.

Cash flow from financing activities (interest expense) amounted to EUR -0.03 million (previous year: EUR -0.02 million).

The net cash flow, which is calculated as the operating cash flow plus cash flow from investing activities minus interest expenses, amounted to EUR -8.0 million as of the reporting date, adjusted for the changes in money market and bond funds (previous year: EUR -8.4 million).

In the 2015 financial year, the net cash flow was additionally adjusted for the payment of data costs. This led to a net cash flow of EUR -6.9 million in the 2015 financial year.

The portfolio of cash and cash equivalents as well as financial assets available for sale amounted to EUR 10.5 million (previous year: EUR 18.5 million) as at 31 December 2016. Cash and cash equivalents were not subject to restrictions. Available-for-sale financial assets can be sold short-term and are available to the Company with no restrictions.

5. Research and development

As a service provider, the 11880 Solutions Group does not carry out basic research in the original sense, and therefore no research costs are shown. However, the Company did recognise development costs for internal software used to generate revenue in the Directory Assistance and Digital segments. The 11880 Solutions Group's in-house development department based in Essen and a team of software specialists in Armenia are responsible for this. The range of services in this area included mainly the programming of applications, the development and maintenance of the "klicktel.de", "11880.com" and "WerkenntdenBesten.de" specialist portals and online directories, and the development of user interfaces in voice-based Directory Assistance. The total amount recognised for internally generated intangible assets in relation to the service ranges described above was EUR 2.0 million in the past financial year (previous year: EUR 1.0 million).

6. Employees

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

In view of the ever-growing importance of "employee satisfaction", the 11880 Solutions Group once again conducted a group-wide employee survey in 2016. The results were promising again: The HEI (Happy Employee Index), a corporate indicator that measures the overall satisfaction of employees remains positive at 1.86 (previous year: 2.0). The results of the survey show that the employees of the 11880 Solutions Group continued to be satisfied with the Company and have an ongoing awareness of the Company and the role they can play in shaping the Company's future.

As of 31 December 2016 the 11880 Solutions Group had 672 employees Group-wide (headcount; excluding the Management Board, trainees, "mini-jobs" and dormant employment contracts), 129 less than a year ago (previous year: 801). The decline in personnel is mainly attributable to the discontinuation of the field sales and vertical telesales unit and the reduction of the telesales group.

7. Opportunity and risk management

General information

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

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

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

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

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

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

In order to ensure responsible handling of any risks, the Company has a Compliance Committee. This committee advises the Management Board on all matters of compliance: These include suggestions on prevention, process improvements and possible sanctions. The committee also discusses possible improvements, also with respect to new legal requirements. In 2014, the compliance system was focused particularly on sales processes and enhanced further in 2015. These include operational and organisational measures. For example, the Company very successfully introduced an additional quality process to improve sales advice. The entire compliance system was the subject of an independent audit by an external law firm in 2014. The result of the audit showed that the quality of the sales processes and the compliance culture in the Company is particularly high.

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

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

There is no legal definition of the internal control and risk management system with respect to the accounting process and the consolidated accounting process. 11880 Solutions AG understands the internal control and risk management system to be a comprehensive system and bases it on the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V.

(Institute of Public Auditors in Germany, IDA), Düsseldorf, for the internal control system relevant to the financial reporting system (IDW PS 261 subsection 19 et seq.) and for the risk management system (IDW PS 340, subsection 4).

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

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

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

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

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

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

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

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

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

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

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

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

Group-wide opportunities

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

Market development in the Digital segment

The segment relevant to the Group is expected to see continued market growth in the coming years and the current trends are expected to continue. Based on numerous publications, significant growth is assumed.

A study conducted on behalf of 11880 Solutions AG shows that German consumers are increasingly searching on the Internet for regional companies and service providers, and that mobile Internet search is becoming an increasingly favoured option. With a high number of commercial search queries in 2016, the 11880 Solutions Group has secured an excellent position for itself in this market with its "11880.com" online directory.

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

Should the efficiency and/or productivity of sales in the Digital business perform 13 percent better than expected, this would produce an increase in EBITDA of approx. EUR 1.8 million in the first year. Conversely, should sales productivity perform less well than expected, this would constitute a risk of the same magnitude. There was no material change in the extent of this opportunity compared to the previous year. Due to improved predictability of sales processes the range of variation of sales processes are assumed at only 6 percent (previous year: 13 percent).

Development of the churn rate in the Digital segment

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

Should the Group make greater progress in customer satisfaction – and therefore in customer loyalty – than planned, this would translate into positive effects for its sales trends. If the churn rate trend were to show a 5 percentage-point (from 27 percent to 22 percent) improvement over the plan value, this would translate to an EBITDA improvement of EUR 0.4 million. Conversely, an unexpected rise in the churn rate would constitute a risk of the same magnitude.

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

Market development in the Directory Assistance segment

Due to the shift in media usage from traditional media to digital media, the Directory Assistance market has been on the decline for many years. This negative trend in call volume has been accounted for in the 2017 business plan. There is, nonetheless, a small chance that the market will shrink to a lesser degree than expected. This would have a positive effect on the call volume trend and hence on revenues.

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

Overall summary of the opportunities

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

Group-wide risks

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

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

Financial and liquidity risks

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

Based on the currently available cash and cash equivalents in connection with the budgetary planning prepared for the next three financial years, the funding of the 11880 Solutions Group is secured in the short-term. The mid- and long-term existence of the Group Companies depends on the realisation of the assumptions made in the business plan with regard to the increase in revenues in the digital segment and the development of the expenses and the liquidity. As of the reporting date, the Group had already initiated suitable countermeasures in the form of structural measures and sustainable cost discipline.

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

The liquidity risk is measured at a probability of 10 percent, with a negative effect on EBITDA of EUR 7.2 million.

The default of the debt collection service could bring about a temporary loss of data that results in a loss of the pending receivable.

The 11880 Solutions Group would be forced to select a new service provider and integrate it into the collection processes; this start-up requires a certain amount of time.

The risk is measured at a probability of 5 percent, with a negative effect on EBITDA of EUR 1.0 million.

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

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

Market risks

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

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

The probability of occurrence is 15 percent and it would have a negative impact on EBITDA of EUR 2.1 million if the risk occurred.

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

The negative impact of further regulation on EBITDA would be EUR 2.6 million. The probability of occurrence is 10 percent.

Regulatory risks

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

While the 11880 Solutions Group estimates the risk to be very low at a probability of occurrence of 0.5 percent, it is possible that numbers assigned to the 11880 Solutions Group could be withdrawn again. In the event of this happening, the impact on company earnings is estimated to be EUR 10.4 million.

Overall summary of the risk position

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

In summary, it should be noted that the volume of weighted net risk (total of the damage amounts of the individual risks, with the probability of occurrence factored in) increased only marginally compared to the previous year. The weighted net risk volume increased by 6 percent in 2016 (or EUR 0.1 million) to EUR 2.3 million. The increase in the risk volume due to the inclusion of new items was almost completely offset by the reassessment and elimination of existing risks.

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

At present, no risks have been identified that, severally or together, could threaten the continued existence of the Group Companies in the short term as a going concern. The Group threating risks in its existence in the mid- and long-term are estimated correspondingly to the explanations in the chapter financial and liquidity risks.

8. Report on expected developments

The statements made here are based on the 11880 Solutions Group's operations planning for the 2017 financial year, as adopted by the Management Board and Supervisory Board in December 2016. The planning is based on the objectives of the Directory Assistance and Digital segments Planning for the 2017 financial year is based on a corporate structure that doesn't change.

Corporate strategy

For 2017, the focus of the 11880 Solutions Group is on WerkenntdenBesten.de, the first and thus far only meta search engine for online reviews in Germany. According to the Local Consumer Review Survey 2016, BrightLocal, Lewes, UK, 84 percent of consumers already place as much trust in reviews as in personal recommendations when searching for a service provider or tradesman, while 74 percent would prefer to opt for a company that has already been reviewed online. These figures demonstrate the importance of reviews for today's small and medium-sized businesses. The 11880 Solutions Group already shows well in excess of 20 million reviews of German companies on WerkenntdenBesten.de, with more being added every day. This gives companies a detailed overview of the sites they have been reviewed on, allowing them to react directly to both positive and negative reviews. This is a great benefit, as hardly any business owner has the time to trawl through the Internet every day looking for reviews of their products and services. The 11880 Solutions Group also offers business owners packages they can use to encourage their customers to provide reviews. By that entrepreneurs as well as their potential customers are enabled to see at a glance how previous customers rate the company overall.

The 11880 Solutions Group is convinced that WerkenntdenBesten.de is becoming an important website for German consumers and businesses alike that makes dealing with reviews significantly easier for both parties. As the 11880 Solutions Group provides detailed contact information for every business, this new product could even replace the traditional online classified directories in the future. The combination of a presence on WerkenntdenBesten.de and the listing service means that business customers of the 11880 Solutions Group are ideally placed for their customers to find them.

In 2017 the 11880 Solutions Group is also planning to increase its range of vertical portals to include several new industries and acquire additional companies in the Directory Assistance sector for whom the 11880 employees take and process telephone calls.

Directory Assistance segment

In the Directory Assistance segment, the 11880 Solutions Group anticipates that the negative trend with respect to call volumes in Germany will also persist in 2017. The Group expects call volume in 2017 for Directory Assistance to decrease less sharply than in 2016. Call volume downturn for the 2016 financial year just ended was 25 percent.

To partially offset the effects of this downturn in revenue, the Group continued to work on increasing revenue per call in 2016. In 2016, these efforts resulted in an increase of approx. 4 percent per call. The Group assumes that it will only be able to achieve smaller increases in the future. New business models are being examined and partially already tested in order to ward off decreases in business volume and ensure long-term success.

The 11880 Solutions Group expects the Directory Assistance segment to generate revenues in the range of EUR 12.1 to EUR 15.1 million in 2017. In 2016, segment revenues were EUR 16.2 million.

In terms of the development of earnings, the 11880 Solutions Group plans posting EBITDA of around EUR -0.9 to 0.6 million for the Directory Assistance segment in 2017. In 2016, EBITDA amounted to EUR -0.3 million.

Digital segment

In the Digital segment, the Group posted EBITDA of EUR -2.4 million. The extensive capital expenditures made in 2016 in new products such as the listing service, the vertical portals, in the brand and in optimising corporate structure and overhauling its product portfolio have created the basis for sustainable revenue and customer growth. In 2017, the strategic focus is on WerkenntdenBesten.de and the expansion of the range of vertical portals offered.

In the area of new customer business, the 11880 Solutions Group is working on a continued, noticeable increase in the 2017 financial year. After a phase of consolidation in sales and distribution/telesales, investments will be made to expand this area in 2017.

The 11880 Solutions Group is also committed to building on its success in 2016 and, after stopping migration of customers for the first time and seeing substantial customer growth in the focused sectors for specialist portals in 2016, the Company intends to achieve a significant increase in the customer portfolio in 2017. The focus will be on the positive development of two key figures: the churn rate and the development of the net customer portfolio. In 2016, the average churn rate was 26 percent, below the figure for the previous year. A further slight reduction is planned for 2017. A range of measures are intended to achieve this result.

The optimisations already implemented have significantly improved the online presence of portfolio customers. The increase in the customer portfolio should also serve as the basis for upselling and contract renewal revenue. Customer growth should, among other things, be ensured through the sale of low price entry-level products and the sustainable products in verticals. The Group expects significant customer growth in particular due to the establishment of existing verticals. The performance of the products for new and existing customers was considerably increased as a result of the relaunch of the yellow pages' portal with decisive improvements.

Overall, the 11880 Solutions Group plans to generate revenues within a range from EUR 25.1 to EUR 28.1 million in the Digital segment in 2017. In 2016, segment revenues were EUR 28.5 million.

Turning to the development of earnings in the Digital segment, the 11880 Solutions Group expects EBITDA in 2017 of EUR -1.4 to EUR 0.1 million. By means of comparison, the figure for the last financial year was EUR -2.4 million.

11880 Solutions Group

As a result of different trends prevailing in the two segments, Directory Assistance and Digital, the Group continues to evolve into a digital company. This segment will also be fostered in 2017. However, the Company is also working on long-term strategies in the segment for classic Directory Assistance.

At group level, the 11880 Solutions Group expects to post revenues of EUR 37.2 to EUR 43.2 million in 2017. In comparison, revenues were generated in the amount of EUR 44.7 million in 2016. With respect to profitability, the Group expects EBITDA in 2017 to be in the range of EUR -2.3 to EUR 0.7 million as a result of capital expenditures in the digital business. In comparison, the Company generated EBITDA in the amount of EUR -2.7 million in 2016.

In the financial year just ended, the net cash flow was EUR -8.0 million.

For the 2017 financial year, the Company has decided to replace the net cash flow key figure with the cash holdings key figure (freely available liquidity) due to the fact that in the current situation the cash holding is more informative and more important as the net cash flow. At the end of the 2017 financial year, the 11880 Solutions Group expects positive cash holdings of between EUR 3 and EUR 6 million.

Finance strategy

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

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

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

Composition of subscribed capital

As of 31 December 2016 11880 Solutions AG's subscribed capital was composed of 19,111,091 no-par value ordinary bearer shares (no-par value shares) (previous year: 19,111,091 shares). As of 31 December 2016, 19,111,091 of these shares were outstanding (previous year: 19,111,091 shares).

Restrictions affecting voting rights and the transfer of shares

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

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

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

- Italiaonline S.p.A. (formerly: SEAT Pagine Gialle S.p.A.): 16.24% (*)
- GoldenTree Asset Management Lux S.à.r.l.: 12.20% (**)
- GL Europe Luxembourg S.à.r.l.: 13,58 % (**)

(*) Pursuant to the quarterly report of Italiaonline S.p.A. as of 30 September 2016.

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

Shares with special rights conferring powers of control

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

Nature of voting control where employees have an equity interest and do not directly exercise their control rights

Employees who hold shares as part of a stock option plan may exercise control rights, like other shareholders, directly in accordance with legal requirements and the provisions of the Articles of Association.

Appointment and dismissal of members of the Management Board

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

Amendment of the Articles of Association

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

Authorisations of the Management Board, in particular pertaining to the possibility to issue or buy back shares

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

Significant agreements entered into by the Company providing for a change of control following a takeover bid
No significant agreements exist as of 31 December 2016.

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

10. Statement and report on corporate governance

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

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

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

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

11. Remuneration system

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

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

The remuneration model for the Management Board should be attractive and appropriate to compete for highly qualified management personnel. Criteria for the appropriateness of the remuneration are in particular the responsibilities of the respective Management Board members, their personal performance, the performance of the Management Board, as well as the economic situation, the success and future prospects of the Company in comparison with other companies in its sector.

Remuneration system

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

General information on the components of Management Board remuneration

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

Fixed remuneration components

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

Variable remuneration components

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

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

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

Remuneration in 2016

Fixed and variable remuneration

Beginning in January 2016, executive remuneration has also been agreed with Christian Maar that in addition to his LTI over a period of 3.5 years comprises fixed and variable remuneration elements that are in part invested in multi-year deferrals (phantom stocks) after his goals have been met. In the 2015 financial year, 11880 Solutions AG deviated from the recommendations cited in art. 4.2.3 of the German Corporate Governance Code in connection with the new appointment of Christian Maar to the Management Board. Only fixed Management Board remuneration was agreed for the period from the commencement of his Management Board activities on 24 June 2015 until 31 December 2015, as the short-term setting of targets during the year would not have made sense and, most notably, to ensure that his targets from 1 January 2016 were in line with those of fellow member of the Management Board Michael Geiger. In art. 4.2.3 (2), the German Corporate Governance Code recommends that changes in performance targets or the comparison parameters should not take place following an appointment. We deviated from this recommendation in 2016 in the case of the variable remuneration of Management Board member Michael Geiger. The change in strategy introduced by the new Chairman of the Management Board, Christian Maar, in 2016, required the adjustment of the parameters since some of the targets set in 2015 for 2016 had become obsolete.

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

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

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

In the Management Board contracts of Franz Peter Weber, who has meanwhile stepped down, and the sitting Management Board members Christian Maar and Michael Geiger, contrary to Art. 4.2.3 (4) GCGC, reference is made to the variable remuneration of only the financial year just ended and not also to that of the current financial year in addition to a reference value formed from the average fixed remuneration (i.e. average of the fixed monthly salary paid until the ending date) in order to calculate the severance payment cap.

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

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

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

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

Members of the Management Board received defined contribution post-employment benefits amounting to EUR 25 thousand in 2016 (previous year: EUR 50 thousand). There were no defined benefit pension obligations in accordance with IFRSs in 2016 (previous year: EUR 0 thousand). Details can be found in the notes accompanying the consolidated financial statements in the section entitled "Pension obligations".

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

Members of the Management Board were granted phantom stocks (deferrals) in both 2016 and 2015. Details can be found in the notes to the consolidated financial statements under "Share-based payment".

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

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

Remuneration of the Management Board

Pursuant to the definition of GCGC the following benefits were granted/allocated to the members of the Management Board in the 2016 financial year:

Benefits granted	**Christian Maar** Chairman of the Management Board Management Board member since 24 June 2015			**Michael Geiger** Member of the Management Board since 11 October 2014			**Total** Management Board total	
in EUR thousand	2016	2016 (Min)	2016 (Max)	2016	2016 (Min)	2016 (Max)	2016	2015
Fixed remuneration	365.0	365.0	365.0	166.7	166.7	166.7	531.7	569.1
Fringe benefits	33.9	33.9	33.9	20.9	20.9	20.9	54.8	29.2
Total	**398.9**	**398.9**	**398.9**	**187.6**	**187.6**	**187.6**	**586.5**	**598.3**
One-year variable remuneration (excluding deferral), bonus	91.2	0.0	109.4	50.2	0.0	60.2	141.4	121.7
Multi-year variable remuneration (deferral–2 years)								
2015								12.4
2016	28.8	0.0	41.5	15.9	0.0	22.9	44.7	
LTI (annual share, at least over 3 years)	0.0	0.0	600.0				0.0	
Total	**518.9**	**398.9**	**1,149.8**	**253.7**	**187.6**	**270.7**	**772.6**	**732.4**
Service cost (defined contribution pension fund)	0.0	0.0	0.0	25.0	25.0	25.0	25.0	50.0
Total remuneration	**518.9**	**398.9**	**1,149.8**	**278.7**	**212.6**	**295.7**	**797.6**	**782.4**

Allocation	Christian Maar Chairman of the Management Board Management Board member since 24 June 2015	Michael Geiger member of the Management Board since 11 October 2014	Total Management Board total	
in EUR thousand	2016	2016	2016	2015
Fixed remuneration	365.0	166.7	531.7	569.1
Fringe benefits	33.9	20.9	54.8	44.6
Total	**398.9**	**187.6**	**586.5**	**613.7**
One-year variable remuneration (excluding deferral), bonus				
2015		32.8	32.8	82.5
2016				
Multi-year variable remuneration (deferral – 2 years)				
2015				
2016				
LTI (annual share, at least over 3 years)				
Total	**398.9**	**220.4**	**619.3**	**696.2**
Service cost (defined contribution pension fund)		25.0	25.0	50.0
Total remuneration	**398.9**	**245.4**	**644.3**	**746.2**

Pursuant to section 285 no. 9a HGB the following benefits were granted to the members of the Management Board in the 2016 financial year:

Benefits granted acc. to HGB	**Christian Maar** Chairman of the Management Board Management Board member since 24 June 2015	**Michael Geiger** Member of the Management Board since 11 October 2014	**Total** Management Board total	
in EUR thousand	2016	2016	2016	2015
Fixed remuneration	365.0	166.7	531.7	569.1
Fringe benefits	33.9	20.9	54.8	29.2
Service cost (defined contribution pension fund)	0.0	25.0	25.0	50.0
Total, non-performance-related	**398.9**	**212.6**	**611.5**	**648.3**
One-year variable renumeration (excluding deferral), bonus	45.6	25.1	70.7	121.7
Multi-year variable remuneration (deferral - 2 years)				
2015				12.4
2016	14.4	7.9	22.3	
LTI (annual share, at least over 3 years)	0.0		0.0	
Total, performance-related	**60.0**	**33.0**	**93.0**	**134.1**
Total remuneration	**458.9**	**245.6**	**704.5**	**782.4**

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

The disclosure of remuneration paid to members of the Management Board has been a legal requirement since financial year 2006. Up to and including 2015, 11880 Solutions AG disclosed the Management Board's remuneration as a collective total, since the Annual General Meeting on 29 June 2011 elected to make use of the opt-out clause (dispensation from the obligation to disclose the remuneration paid to individual members of the Management Board for financial years 2011 to 2015, inclusive). At the Annual General Meeting held on 8 June 2016, the resolution on a dispensation from the obligation to disclose the remuneration paid to individual members of the Management Board for financial years 2016 to 2020, inclusive, was rejected.

Pursuant to the definition of GCGC the following benefits were granted/allocated to former members of the Management Board in the 2016 financial year; the mentioned data represent also the benefits granted pursuant to section 285 no. 9 HGB:

	Former Management Board Members	
in EUR thousand	**Benefits granted 2016**	**Allocation 2016**
Fixed remuneration	41.3	41.3
Fringe benefits	2.8	2.8
Total	**44.1**	**44.1**
One-year variable remuneration (excluding deferral), bonus		
Multi-year variable remuneration (deferral - 2 years)		
2015		
2016		
LTI (annual share, at least over 3 years)		
Other	55.0	55.0
Total	**99.1**	**99.1**
Service cost (defined contribution pension fund)	12.5	12.5
Total remuneration	**111.6**	**111.6**

The "other" item includes a severance payment. No benefits were granted or allocated to former Management Board members in the previous year.

Should the Company revoke the appointment of a Management Board member prematurely, which grants both the Company and the Management Board member the right to terminate the employment contract, or should a termination occur after a resignation for cause, a two-stage severance payment arrangement applies: In the first stage, the Management Board member receives a severance payment based on the previous average monthly fixed remuneration pursuant to the employment contract. The reference value I is the average of the monthly fixed remuneration paid/payable up to the ending date according to the termination. This reference value is multiplied by the number of remaining months of the residual term (in case of no full months proportionately) of the employment contract (severance payment I). In addition, the Management Board member receives a severance payment II in case of a premature termination of the employment relationship if a claim for variable remuneration pursuant to the present employment contract existed/exists for the last financial year which was/is concluded before the termination of the employment contract. The reference value II for the severance payment II corresponds to one-twelfth of the variable remuneration of the previous financial year. The reference value is multiplied by the number of remaining months of the residual term of the employment contract (in case of no full months proportionately). A LTI bonus is not taken into account by calculating the reference value II. The severance payment is limited to a maximum of 18 times of the applicable reference values (severance payment cap). The above provisions shall not be applied if the revocation of the appointment is due to a good cause for which the Management Board member is responsible pursuant to section 84 (3) AktG. In this case, the Company is entitled to terminate also the employment contract for cause. The Management Board member is not entitled to make a severance payment according to the above remarks in this case. If the Management Board member resigns without a good cause, the Company can terminate the employment contract extraordinarily. In this case, the

Management Board member is also not entitled to make a severance payment.

Contract terms

As of the reporting date of 31 December 2016 the existing director's contracts had a remaining term of 12 and 24 months, respectively.

Remuneration of the Supervisory Board

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

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

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

Art. 5.4.6. (3) of the German Corporate Governance Code recommends an individualised breakdown of Supervisory Board remuneration. In the remuneration report, 11880 Solutions AG shows the total remuneration for the Supervisory Board and for committee activities as a whole. An individualised breakdown does not take place because 11880 Solutions AG believes that this has no relevance in the capital markets. The Supervisory Board members received remuneration totalling EUR 131 thousand in the 2016 financial year (previous year: EUR 128 thousand).

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

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

Planegg-Martinsried, 10 March 2017
The Management Board

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

Responsibility statement

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

Planegg-Martinsried, 10 March 2017
The Management Board

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position (IFRS)

in kEUR	Notes	31. December 2016	31. December 2015
ASSETS			
Current assets			
Cash and cash equivalents	19	801	940
Trade accounts receivable	20	10,310	11,092
Current tax assets	15	132	203
Available for sale financial assets	21	9,691	17,530
Other financial assets	22	141	690
Other current assets	23	2,164	1,734
Total current assets		**23,239**	**32,189**
Non-current assets			
Goodwill	24	3,489	6,789
Intangible assets	25	5,982	8,146
Property and equipment	26	1,723	2,507
Other financial assets	22	2	13
Total non-current assets		**11,196**	**17,455**
Total assets		**34,435**	**49,644**

in kEUR	Notes	31. December 2016	31. December 2015
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payable	28	737	1,071
Accrued liabilities	29	5,690	6,047
Provisions	30	72	266
Other current liabilities	31	2,962	2,410
Total current liabilities		**9,461**	**9,794**
Non-current liabilities			
Provisions	30	593	1,034
Provisions for retirement benefits	32	243	48
Deferred tax liabilities	27	649	564
Total non-current liabilities		1,485	1,646
Total liabilities		**10,946**	**11,440**
Equity			
Share capital		19,111	19,111
Additional paid in capital		32,059	32,059
Retained earnings		-27,780	-12,972
Other components of equity		99	6
Equity attributable to owners of the parent		23,489	38,204
Total equity	33	**23,489**	**38,204**
Total liabilities and equity		**34,435**	**49,644**

See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in kEUR	Notes	12-Months Report 1.1. - 31.12.2016	1.1. - 31.12.2015
Continuing operations			
Revenues	5	44,714	53,535
Cost of revenues	6	-26,902	-27,416
Gross profit		**17,812**	**26,119**
Selling and distribution costs	7	-17,778	-25,170
General administrative expenses	8	-11,345	-11,946
Other operating income	12	56	422
Other operating expense	13	-3,319	-23
Operating income (loss)		**-14,574**	**-10,598**
Interest income		161	256
Interest expense		-77	-47
Gain (loss) from marketable securities		-7	-24
Gain (loss) on foreign currency translation		0	1
Financial income (loss)	**14**	**77**	**186**
Income (loss) before income tax		**-14,497**	**-10,412**
Current income tax		-71	35
Deferred income tax		-101	1,187
Income tax	**15**	**-172**	**1,222**
Net income (loss) from continuing operations		**-14,669**	**-9,190**
Discontinued operations			
Net income (loss) from discontinued operations	17	-6	-154
Net income (loss)		**-14,675**	**-9,344**
Attributable to:			
Owners of the parent		-14,675	-9,344
Non-controlling interests		0	0
		-14,675	-9,344
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	-0.77	-0.49
Earnings per share for continuing operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	-0.77	-0.48
Earnings per share for discontinued operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	18	0.00	-0.01

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in kEUR	Notes	12-Months Report 1.1. - 31.12.2016	1.1. - 31.12.2015
Net income (loss)		**-14,675**	**-9,344**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net		-133	28
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets - Changes of the fair value, net		103	-59
Available for sale financial assets - Reclassification to profit or loss, net		-7	0
Foreign currency translation differences		-3	-1
Other comprehensive income (loss) after tax	**33**	**-40**	**-32**
Total comprehensive income (loss)		**-14,715**	**-9,376**
Thereof from:			
Continuing operations		-14,709	-9,222
Discontinued operations		-6	-154
		-14,715	**9,376**
Attributable to:			
Owners of the parent		-14,715	-9,376
Non-controlling interests		0	0
		-14,715	**-9,376**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders Equity (IFRS)

in kEUR	Share capital (Note 33)	Additional paid in capital (Note 33)	Retained earnings (Note 33)	Other components of equity (Note 33)	Total	Non-controlling interests	Total equity
	Equity attributable to owners of the parent						
Balance at January 1, 2016	**19,111**	**32,059**	**-12,972**	**6**	**38,204**	**0**	**38,204**
Net income (loss)	-	-	-14,675	-	-14,675	-	-14,675
Actuarial gains (losses) from pensions and similar obligations	-	-	-133	-	-133	-	-133
Available for sale financial assets	-	-	-	96	96	-	96
Foreign currency translation	-	-	-	-3	-3	-	-3
Other comprehensive income (loss)	**-**	**-**	**-133**	**93**	**-40**	**-**	**-40**
Total comprehensive income (loss)	**0**	**0**	**-14,808**	**93**	**-14,715**	**0**	**-14,715**
Balance at December 31, 2016	**19,111**	**32,059**	**-27,780**	**99**	**23,489**	**0**	**23,489**
Balance at January 1, 2015	**19,111**	**32,059**	**-3,656**	**66**	**47,580**	**0**	**47,580**
Net income (loss)	-	-	-9,344	-	-9,344	-	-9,344
Actuarial gains (losses) from pensions and similar obligations	-	-	28	-	28	-	28
Available for sale financial assets	-	-	-	-59	-59	-	-59
Foreign currency translation	-	-	-	-1	-1	-	-1
Other comprehensive income (loss)	**-**	**-**	**28**	**-60**	**-32**	**-**	**-32**
Total comprehensive income (loss)	**0**	**0**	**-9,316**	**-60**	**-9,376**	**0**	**-9,376**
Balance at December 31, 2015	**19,111**	**32,059**	**-12,972**	**6**	**38,204**	**0**	**38,204**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in kEUR	Notes	1.1. - 31.12.2016	1.1. - 31.12.2015
Cashflow from operating activities			
Income (loss) before income tax from continuing operations		-14,497	-10,412
Income (loss) before income tax from discontinued operations		-6	-154
Income (loss) before income tax		-14,503	-10,566
Adjustments for:			
Impairment of goodwill	24	3,300	0
Amortisation and impairment of intangible assets	25	5,352	6,688
Depreciation and impairment of property and equipment	26	1,048	1,774
Depreciation of current intangible assets	23	2,148	1,805
Gain (loss) on disposal of property and equipment		17	20
Interest income	14	-161	-256
Interest expense	14	77	47
Gain (loss) from marketable securities	14	7	24
Gain (loss) on foreign currency translation		0	-1
Valuation allowance for trade accounts receivable		465	212
Gain (loss) from the sale of subsidiaries	17	6	154
Changes in non-current provisions		-545	384
Changes in non-current other and financial assets		10	2
Operating loss/profit before changes in operating assets and liabilities		**-2,779**	**287**
Changes in operating assets and liabilities:			
Trade accounts receivable		317	611
Current intangible assets[1)]		-2,576	-1,867
Miscellaneous current assets		548	-251
Trade accounts payable		-344	-641
Current provisions		55	10
Accrued expenses and other current liabilities		233	-1,789
Income taxes paid		0	-44
Cash used in operating activities		**-4,546**	**-3,684**

in kEUR	Notes	1.1. - 31.12.2016	1.1. - 31.12.2015
Cash flow from investing activities			
Purchase of intangible assets excl. customer contracts		-2,737	-2,626
Purchase of customer contracts with contract period > 1 year		-513	-1,603
Purchase of property and equipment		-135	-571
Proceeds from sale of property and equipment		17	3
Disbursement for the sale of subsidiaries	17	-296	-21
Purchase of available for sale financial assets	21	0	-6,986
Disposal of available for sale financial assets	21	7,971	11,953
Interest received		133	231
Cash provided by investing activities		**4,440**	**380**
Cash flow from financing activities			
Interest paid		-34	-22
Cash used in financing activities		**-34**	**-22**
Effect of exchange rate changes on cash and cash equivalents		**1**	**4**
Change in cash and cash equivalents		**-139**	**-3,322**
Cash and cash equivalents at the beginning of reporting period		**940**	**4,262**
Cash and cash equivalents at the end of reporting period		**801**	**940**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period		10,492	18,470

See accompanying notes to the consolidated financial statements.

[1)] Current intangible assets include exclusively purchases for capitalized customer contracts and websites for customer with a contract period up to one year and are shown separately within the operating activities.

Consolidated notes

General principles

1. Presentation of the consolidated financial statements

The business operations of the 11880 Solutions Group (hereinafter also referred to as the 11880 Solutions Group / the Group), consisting of 11880 Solutions AG (up until 30 June 2016 telegate AG) and its subsidiaries comprise the provision of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements, the provision of online marketing services, the provision of DA services (Directory Assistance services) about the subscribers of public telephone networks as well as other DA services in Germany and abroad.

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

The consolidated financial statements of 11880 Solutions AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRSs) – as applicable in the European Union – as of 31 December 2016.

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

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

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

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

The consolidated financial statements and the Group management report prepared as of 31 December 2016 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

The consolidated financial statements of 11880 Solutions AG for the 2016 financial were released for publication by the Management Board on 10 March 2017.

Basis of consolidation

These consolidated financial statements comprise the separate financial statements of 11880 Solutions AG and the separate financial statements of all of its direct and indirect subsidiaries over which 11880 Solutions AG exercises control according to IFRS 10.7. These financial statements are prepared as of the reporting date of the consolidated financial statements – i.e. 31 December 2016 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the Group as of 31 December 2016 in accordance with section 313 (2) HGB (German Commercial Code):

Company name	Domicile	Share in capital
11880 Internet Services AG[1]	Essen, Germany	100 %
WerWieWas GmbH[2]	Martinsried, municipality of Planegg), Germany	100 %
11880 telegate GmbH	Vienna, Austria	100 %
telegate LLC[3]	Yerevan, Armenia	100 %

[1] Effective 17 August 2016, the former klicktel AG changed its name to 11880 Internet Services AG.

[2] The shares in this company are held indirectly.

[3] The share capital of the Armenian company amounts to AMD 50,000 (Armenian Dram).

The basis of consolidation did not change in the financial year under review compared with 31 December 2015.

Consolidation methods

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

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

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

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

2. Summary of significant accounting policies

The significant accounting policies used for the preparation of these consolidated financial statements are explained below. Unless indicated otherwise, the policies described were applied consistently to the reporting periods covered by these notes.

Revenue recognition

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

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

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

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

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

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

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

Recognition of interest income

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

Foreign currency translation

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

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

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

Advertising costs

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

Cash and cash equivalents

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

Financial instruments

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

Financial assets are classified as:

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

Financial liabilities are classified as:

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it allocates the asset to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a portfolio-based assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal may not exceed the amortised cost applicable at the time of reversal. The reversal of the impairment loss is recognised in profit or loss.

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

Available-for-sale financial assets

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

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

Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Acquired intangible assets
Acquired intangible assets are initially recognised at cost in accordance with IAS 38.24. Cost according to IAS 38.27 to IAS 38.30 also includes all other costs required for bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Third-party grants reduce cost according to IAS 20.24 in conjunction with IAS 20.27.

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

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

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

Contracts with customers

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

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

Property and equipment

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

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

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

Impairment of non-financial assets

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

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

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

Accrued current liabilities

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

Provisions

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

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

Pension obligations

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

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

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

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

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

Past service costs are immediately recognised in profit or loss.

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

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

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

Share-based payment

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

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

Contingent liabilities and assets

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

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

Leases

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

Taxes

Current income taxes

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

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

Deferred taxes

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

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

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

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

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

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

Non-current assets held for sale and discontinued operations

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

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

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

Earnings per share

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

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

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

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

Statement of cash flows

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

3. Estimates and discretionary decisions

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

Valuation allowances on trade accounts receivable

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

Impairment of goodwill

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

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

As of 31 December 2016, the carrying amount of the goodwill amounted to EUR 3,489 thousand (2015: EUR 6,789 thousand); see also note 24.

Intangible assets

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

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

As of 31 December 2016, the carrying amounts of these acquired customer bases amounted to EUR 487 thousand (2015: EUR 878 thousand).

Deferred taxes on tax loss carryforwards

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

The gross value of deferred tax assets on tax loss carryforwards (before impairment) amounted to EUR 7,497 thousand as of the reporting date (2015: EUR 4,534 thousand); see also note 27.

Litigation

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

Pension obligations

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

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

4. Changes in accounting policies

New and revised standards and interpretations

The accounting policies applied in financial year 2016 were essentially the same as those used in the previous year. In addition, the following new and revised standards were applied for the first time.

IAS 19 Employee Benefits – Employee Contributions

The amendment to IAS 19 introduced an option to the standard for accounting for defined benefit pension commitments to which employees or third parties make required contributions.

The amendments were issued in November 2013 and must be applied for the first time in financial years beginning on or after 1 February 2015.

Application of this amendment does not affect the Group's net assets, financial position and results of operations.

Annual improvements to IFRS – 2010-2012 Cycle

The changes effect the following standards:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The amendments were issued in December 2013 and must be applied for the first time in financial years beginning on or after 1 February 2015.

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

Amendments to IFRS 11 Joint Arrangements – Acquisitions of Interests in Joint Operations

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. All of the principles on business combinations accounting must now be applied to the acquisition of interests in a joint operation of this nature.

The new provisions were issued in May 2014 and are applicable prospectively to acquisitions of interests taking place in reporting periods beginning on or after 1 January 2016.

The revised standard did not affect the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments relate to revenue-based methods of depreciation and amortisation, which are not applied within the Group. The Group's net assets, financial position and results of operations therefore remained unaffected.

Annual improvements to IFRS – 2012-2014 cycle

This additional amendment standard as part of the annual improvements (2012-2014 cycle) contains amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures (with subsequent amendment to IFRS 1)
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The amendments were issued in September 2014 and are effective for reporting periods beginning on or after 1 January 2016.

Application of these amendments primarily influenced the scope of disclosures in the notes and thus did not affect the Group's net assets, financial position and results of operations.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 provide for a stronger focus on the principle of materiality, further options for breaking down the minimum line items in the statement of financial position, as well as the disclosure of subtotals and greater flexibility in the preparation of the notes in relation to the sequence of the disclosures.

The amendments were issued in December 2014 and are effective for reporting periods beginning on or after 1 January 2016.

Application of these amendments had only insignificant effects on the disclosures in the notes.

Amendments to IAS 27 Separate Financial Statements (2011) – Equity Method in Separate Financial Statements

The application of the amendments to IAS 27 did not affect the Group's net assets, financial position and results of operations.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) – Investment Entities: Applying the Consolidation Exception

The application of these amendments did not affect the consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Since no shares in associated companies and joint ventures are held, the application of these amendments did not affect the consolidated financial statements.

Published standards whose application is not yet mandatory

Some of the following standards or their amendments may be applied early. As of 31 December 2016, the Group had not taken advantage of this option.

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

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

The new guidance was issued in January 2016 and – subject to EU endorsement of the standard – must be applied for the first time for financial years beginning on or after 1 January 2017. Voluntary earlier application is permitted.

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

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The objective of this amended standard is to improve the information provided about an entity's financing activities. The amendments to IAS 7 set out that in the future entities will be required to provide enhanced disclosures on changes in liabilities arising from financing activities in the statement of financial position during the reporting period if cash flows from those financial liabilities were, or future cash flows will be, included in cash flows from financing activities in the statement of cash flows. In addition, the disclosure requirement also applies to changes in the carrying amount of financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The amendments were issued in January 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2017. Voluntary earlier application – subject to EU endorsement – is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

The amendments are not expected to affect the consolidated financial statements.

IFRS 9 – Financial Instruments

In particular, the new standard IFRS 9 Financial Instruments contains thoroughly reworked rules concerning the classification and measurement of financial instruments, accounting for impairment of financial assets and hedge accounting. In addition to the fair value through profit or loss (FVPL) and amortised cost categories, the standard stipulates a third classification: fair value through other comprehensive income (FVOCI).

The standard was published in July 2014. Initial mandatory application is stipulated for financial years beginning on or after 1 January 2018. Earlier voluntary application is permitted.

The Group is currently analysing the effects on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires an entity to recognise revenue in the amount in which it expects to receive consideration for the assumed performance obligations, i.e. the transfer of goods and provision of services. Revenue must be recognised when the customer receives control over and can obtain benefits from the agreed goods and services.

In September 2015, the IASB published an amendment standard concerning the date of initial application, thus confirming the postponement of the effective date of IFRS 15 by one year to 1 January 2018. Voluntary earlier application of the provisions is permitted.

The Group is reviewing which effects the application of IFRS 15 has on the its net assets, financial position and results of operations.

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

The amendments were issued in April 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments have not yet been transposed into European law.

The effects of these amendments on the consolidated financial statements are being reviewed as part of the assessment of the effects of IFRS 15.

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

These amendments include the following clarifications and/or revisions:

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

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

The effects of the amendments to IFRS 2 on the consolidated financial statements are being reviewed.

Annual improvements to IFRS – 2014-2016 cycle

These include clarifications concerning:

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

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

The application of this amendment is not expected to affect the Group's net assets, financial position and results of operations.

IFRIC 22 Advance Consideration in Connection with Foreign Currency Transactions

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

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

Effects on the Group's net assets, financial position and results of operations are currently being reviewed.

IFRS 16 Leases

The IASB issued the new standard IFRS 16 on lease accounting which supersedes IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27.

A lessee must now account for all leases in the form of a right-of-use asset and a corresponding lease liability at the present value of the minimum lease payments. Consequently, the right-of-use asset must be depreciated over the lease term on a straight-line basis, while the lease liability must be measured using the effective interest method. A uniform presentation is made in the income statement in which a depreciation charge is continuously recognised for each lease agreement and interest expense is allocated over the lease term. While a lessee is no longer required to classify a lease as either a finance lease or an operating lease, IFRS 16 still requires lessors to do so.

The standard was issued in January 2016 and must be applied for the first time for financial years beginning on or after 1 January 2019. Voluntary early application is permitted if the entity also applies IFRS 15 Revenue from Contracts with Customers at this time. The standard has yet to be endorsed by the EU.

The Group is currently analysing the effects of IFRS 16 on the consolidated financial statements.

Notes to the Consolidated Income Statement

5. Revenues

Consolidated revenues in the 2016 financial year amounted to EUR 44,714 thousand (2015: EUR 53,535 thousand).

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

Furthermore, the Group's companies render online marketing services for small and medium-sized enterprises. They provide companies with an online presence with products such as corporate websites, Google AdWords (search engine marketing), Google My Business and Facebook company pages and supports them in the planning and implementation of their digital advertising efforts. The Group's companies also provide company entries (product: advertisement entry) on its 11880.com online business directory and partner portals as well as on the 11880.com app (and partner apps). Since the beginning of the 2016 financial year, the range has been expanded to include specialist portal entries for a wide variety of industries.

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

The drop in revenues from the prior year is primarily due to many years of continuous decline in the Directory Assistance market caused by the shift in consumer usage behaviour towards digital media and the reduction of loss-making field sales capacity. Further explanations on the development of revenues can be found in the Group management report and in the presentation by operating segment in note 34.

6. Cost of revenues

The cost of services rendered in order to generate revenues of EUR 26,902 thousand (2015: EUR 27,416 thousand) primarily consisted of capacity and infrastructure costs of the Directory Assistance and Digital divisions.

The decline in the cost of revenues, particularly in personnel costs for the operators, resulted mainly from the continuing optimisation of capacity costs due to the downward trend in the traditional Directory Assistance business.

7. Selling and distribution costs

The selling and distribution costs of EUR 17,778 thousand (2015: EUR 25,170 thousand) mainly included the costs of telegate's own sales staff in the digital business, the costs of receivables management, including losses on receivables as well as the vehicle fleet costs. In addition, selling and distribution costs included the amortisation of capitalised contracts with customers as well as the amortisation of customer bases of the digital and software business and the klickTel brand, which was recognised in connection with the acquisition of 11880 Internet Services AG.

The strong decline in selling and distribution costs was primarily due to reduced sales personnel costs in the Digital division resulting from a reduction in field sales employee numbers and lower amortisation as a result of declining long-term customer contracts, among others.

8. General administrative expenses

The general administrative expenses in the amount of EUR 11,345 thousand (2015: EUR 11,946 thousand) primarily included the costs of corporate services such as finance, legal, human resources, IT, as well as the management board and infrastructure costs of these units. Furthermore, this item included consulting fees incurred for company-wide consulting projects.

The decline in general administrative expenses primarily resulted from lower consulting fees due to the end of the legal dispute with Deutsche Telekom AG; see also note 37.

9. Staff costs

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

in EUR thousand	2016	2015
Wages and salaries	20,984	23,958
Social security costs	3,666	4,282
Pension costs	69	88
Multi-year variable remuneration	21	12
Total	**24,740**	**28,340**

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

10. Depreciation, amortisation and impairment

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

in EUR thousand	2016	2015
Amortisation of intangible assets	5,352	6,688
Depreciation of plant and equipment	1,048	1,774
Depreciation of non-current assets	**6,400**	**8,462**
Impairment of goodwill	**3,300**	**0**
Amortisation of current intangible assets	**2,148**	**1,805**
Total depreciation, amortisation and impairment	**11,848**	**10,267**

See notes 23, 24, 25 and 26 for more information and explanation.

11. Rental and leasing expenses

Rental and leasing expenses of EUR 3,108 thousand (2015: EUR 3,679 thousand) were recognised in the income statement in the 2016 financial year. These expenses mostly stemmed from rental and lease contracts for real estate, line costs and the vehicle fleet.

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

12. Other operating income

Other operating income amounted to EUR 56 thousand (2015: EUR 422 thousand) and was mainly the result of on-charging of incentive sales payments. In the previous year, other operating income resulted mainly from a settlement agreement related to arbitration proceedings due to the implementation of a project to renew the call centre technology.

13. Other operating expenses

in EUR thousand	2016	2015
Impairment of goodwill	3,300	0
Losses from the disposal of fixed assets	18	21
Others	1	2
Other operating expenses	**3,319**	**23**

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

14. Net financial income

Net interest income

in EUR thousand	2016	2015
Interest income from available-for-sale financial assets	133	216
Interest income from current deposits and fixed-term deposits	0	1
Other interest and similar income	28	39
Interest and similar income	**161**	**256**
Interest expense for bank overdrafts and guarantees	-14	-15
Other interest and similar expenses	-63	-32
Interest and similar expenses	**-77**	**-47**
Net interest income	**84**	**209**

The net interest income included the net interest result from interest expense for pension provisions and interest income from plan assets.

Net income from marketable securities

in EUR thousand	2016	2015
Gain on sale of marketable securities	29	40
Loss on sale of marketable securities	-36	-64
Net income from marketable securities	**-7**	**-24**

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

Net income from foreign currency translation

in EUR thousand	2016	2015
Gains on foreign currency translation	8	15
Loss on foreign currency translation	-8	-14
Net income from foreign currency translation	**0**	**1**

Net gains and net losses on financial instruments by measurement category

	Net interest income from financial instruments		Net income from financial instruments	
in EUR thousand	**2016**	**2015**	**2016**	**2015**
Cash and cash equivalents	-14	-14	1	1
Loans and receivables	0	0	-2,334	-2,329
Available-for-sale financial assets	133	216	-7	-24
Financial liabilities measured at amortised cost	0	0	-1	0

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

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

15. Income taxes

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

in EUR thousand	2016	2015
Current income taxes	-71	35
Deferred income taxes	-101	1,187
Recognised income/expense from income taxes	**-172**	**1,222**

The following fiscal reconciliation shows why the tax expense recognised for the current year does not correspond to the expected tax income when earnings before taxes are multiplied with the tax rate of 30.83% applicable for the full 2016 financial year (2015: 30.47%):

in EUR thousand	2016	2015
Net loss before taxes	**-14,497**	**-10,412**
Applicable tax rate	**30.83%**	**30.47 %**
Expected income from income taxes	**4,469**	**3,172**
Increase / reduction by:		
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	-3,731	-2,236
Tax effects on temporary differences/loss carryforwards for which no deferred tax assets were recognised in the past	91	115
Tax expense resulting from tax audits	-71	0
Impairment of goodwill	-1,017	0
Income tax rate differences	164	241
Tax effects on expenses / income (permanently) non-deductible for tax purposes	-77	-140
Tax effects of other differences	0	70
Recognised income/expense from income taxes	**-172**	**1,222**

Calculated as the ratio of income tax expense/income shown to net loss for the period before taxes, the effective tax rate was -1.19% (2015: 11.74%).

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

As of 31 December 2016, the current tax assets totalled EUR 132 thousand (2015: EUR 203 thousand) and mainly comprised receivables from the tax authorities related to withholding tax on investment and the solidarity surcharge on withholding tax on investment.

The 11880 Solutions Group shows deferred tax assets after offsetting in the amount of EUR 0 thousand as of 31 December 2016 (2015: EUR 0 thousand). The recognition of deferred tax liabilities after offsetting increased from EUR 564 thousand (as of 31 December 2015) by EUR 85 thousand to EUR 649 thousand; see also note 27.

16. Restructuring measures

The restructuring plan initiated in October 2015 aimed at the discontinuation and closure of the entire field sales unit as of 31 December 2015 was largely completed in the current financial year. By carrying out these restructuring measures in the field sales unit, the Group responded to the Company's challenging economic situation and focused on the telesales distribution channel as part of a new sales strategy.

As of 31 September 2016, the restructuring obligations presented in the consolidated statement of financial position totalled EUR 88 thousand (31 December 2015: EUR 488 thousand).

In connection with these restructuring measures, the Group generated a positive income effect (after deducting expenses) of EUR 59 thousand (2015: EUR 1,035 thousand). This amount was included in the income statement under selling and distribution costs.

See notes 29 and 30 for more information and explanation.

17. Discontinued operations

11880 Solutions AG sold the wholly owned subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. to Spain-based Titania Corporate S.L. with effect from 7 June 2013. Accordingly, the companies were deconsolidated from the 11880 Solutions Group on 7 June 2013. The two subsidiaries had formed the Group's Spain segment. The sale of the Spanish subsidiaries in the past financial years in financial year 2016 resulted in directly attributable subsequent expenses of EUR 6 thousand (2015: EUR 154 thousand), which were reported in the gain/loss from the disposal of the discontinued Spanish operations.

In connection with the sale of the Spanish subsidiaries, payments of EUR 296 thousand were made in the 2016 financial year (2015: EUR 21 thousand).

18. Earnings per share

Financial year ended on 31 December, in EUR	**2016**	**2015**
Earnings per share from continuing operations based on the net income attributable to ordinary shareholders of the parent	-0.77	-0.48
Earnings per share from discontinued operations based on the net income attributable to ordinary shareholders of the parent	0.00	-0.01
Earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.77	-0.49

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Income from continuing operations attributable to ordinary shareholders of the parent	-14,669	-9,190
Income from discontinued operations attributable to ordinary shareholders of the parent	-6	-154
Net income attributable to ordinary shareholders of the parent applicable for calculating earnings per share	-14,675	-9,344

Financial year ended on 31 December, in thousands	**2016**	**2015**
Weighted average number of ordinary shares for calculating earnings per share	19,111	19,111

Notes to the Consolidated Statement of Financial Position

19. Cash and cash equivalents

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Bank balances and cash	799	936
Short-term deposits	2	4
Total	**801**	**940**

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

The fair value of cash and cash equivalents amounted to EUR 801 thousand (2015: EUR 940 thousand) and thus corresponded to their carrying amount.

The decrease in cash and cash equivalents in the financial year under review was principally due to the lower inflow from operating activities.

The 11880 Solutions Group had overdraft facilities of EUR 3,000 thousand (2015: EUR 3,000 thousand) by financial institutions at its disposal as of 31 December 2016.

20. Trade accounts receivable

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Trade accounts receivable, gross	14,291	14,609
less impairment losses	-3,981	-3,517
Trade accounts receivable, net	**10,310**	**11,092**

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

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

in EUR thousand	Carrying amount of trade acounts receivable before impairment	of which: neither impaired nor past due	of which: not impaired and past due within the following time bands		
			less than 90 days	between 91 and 180 days	more than 180 days
As of 31 December 2016	14,291	6,506	1,304	295	2,205
As of 31 December 2015	14,609	6,687	1,341	536	2,528

The following trade accounts receivable were impaired with an amount of EUR 3,981 thousand (2015: EUR 3,517 thousand) as of 31 December 2016. Changes in the allowance account were as follows:

in EUR thousand	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 1 January 2015	**252**	**3,053**	**3,305**
Additions	71	2,464	2,535
Utilisation	-51	-1,531	-1,582
Reversal	0	-741	-741
As of 31 December 2015	**272**	**3,245**	**3,517**
Additions	83	2,346	2,429
Utilisation	-46	-1,424	-1,470
Reversal	0	-495	-495
As of 31 December 2016	**309**	**3,672**	**3,981**

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

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

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

21. Available-for-sale financial assets

11880 Solutions AG invests in short-term, low-risk money market and bond funds. The assets of the bond funds are mainly invested in fixed- and variable-interest bonds by European issuers with investment-grade credit ratings as well as in time deposits and liquid money market instruments. The returns are derived from changes in price and annual distributions. The fair value of these investments as of 31 December 2016 was EUR 9,691 (2015: EUR 17,530). The investments denominated in euros were neither past due nor impaired.

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

in EUR thousand	Available-for-sale financial assets
As of 1 January 2015	**22,606**
Addition	6,986
Disposal	-11,977
Losses recognised in equity	-85
As of 31 December 2015	**17,530**
Addition	0
Disposal	-7,978
Gains recognised in equity	150
Gains reclassified from equity to the income statement	-11
As of 31 December 2016	**9,691**

22. Other financial assets

Other financial assets consisted of the following items:

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Other financial assets, current	141	690
Other financial assets, non-current	2	13

As of 31 December 2016, current other financial assets included only receivables from non-recourse factoring.

In financial year 2015, current other financial assets mainly comprised receivables claims from a settlement agreement related to arbitration proceedings due to the project implementation to renew the call centre technology in the amount of EUR 500 thousand.

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

23. Other current assets

Other current financial assets consisted of the following items:

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Current intangible assets	1,227	799
Prepayments made	894	852
Other current assets	43	83
Total other current assets	**2,164**	**1,734**

Current intangible assets included current customer contracts in the amount of EUR 673 thousand (2015: EUR 687 thousand) as well as customer websites in the amount of EUR 554 thousand (2015: EUR 112 thousand).

Current customer contracts were capitalised direct selling expenses that are directly associated with the Digital division. They were amortised on a straight-line basis over the one-year term of the customer contract. Additions amounted to EUR 1,419 thousand (2015: EUR 1,613 thousand) and the amortisation amounts included in the selling and distribution costs to EUR 1,433 thousand (2015: EUR 1,555 thousand).

Current customer websites were recognised in the amount of the website's directly attributable production costs with a contractual term of up to one year and amortised correspondingly over the course of one year on a straight-line basis. Additions amounted to EUR 1,157 thousand (2015: EUR 254 thousand) and the amortisation amounts included in the cost of cost of revenues to EUR 715 thousand (2015: EUR 250 thousand). The significant increase in current customer websites was mainly due to the modernisation of existing customers' websites.

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

24. Goodwill

Cost

in EUR thousand	Goodwill
As of 1 January 2015	**6,791**
As of 31 December 2015	**6,791**
As of 31 December 2016	**6,791**

Accumulated impairment

in EUR thousand	Goodwill
As of 1 January 2015	**2**
As of 31 December 2015	**2**
Impairment	3,300
As of 31 December 2016	**3,302**

in EUR thousand	Goodwill
Carrying amounts as of 31 December 2015	**6,789**
Carrying amounts as of 31 December 2016	**3,489**

Impairment test of goodwill

The carrying amounts of goodwill in the amount of EUR 3,489 thousand (2015: EUR 6,789 thousand) included EUR 416 thousand (2015: EUR 416 thousand) attributable to the Directory Assistance business of 11880 Internet Services AG. The majority of the goodwill was attributable to 11880 Internet Services AG's digital business. Goodwill acquired as part of business combinations was assigned to cash-generating units in accordance with IAS 36.80 for the purpose of impairment testing.

The impairment test of goodwill on the basis of cash-generating units Digital Business and Directory Assistance business within 11880 Internet Services AG resulted in an impairment of EUR 3,300 thousand in the cash generating unit digital business in financial year 2016. The impairment was triggered by the fact that the transformation process took longer than expected, which affected the development of revenue and expense. The impairment loss was recognised in the income statement under other operating expenses, see note 13. No indication of impairment was found in the Directory Assistance business in the reporting year.

The recoverable amount of EUR 11.83 million of the cash-generating unit Digital Business was determined based on the calculation of value in use using management's cash flow forecasts for a period of five years. The longer time period was chosen to better reflect the promising digital business within 11880 Internet Services AG. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2016: 12.23%; 2015: 7.89%). Cash flows after the period of five years were recognised as the terminal value. The determination of the value for the terminal value was based on a growth discount of 1.0% (2015: 1.0%) for the purpose of determining the value in use for the impairment test of goodwill of the digital business.

The recoverable amount of EUR 2.9 million of the cash-generating unit Directory Assistance Business was determined based on the calculation of value in use using management's cash flow forecasts for a period of six years. The longer time period was chosen to better reflect the decline in the Directory Assistance business within 11880 Internet Services AG. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2016: 7.56%; 2015: 11.52%). Cash flows after the period of six years were recognised as the terminal value. It was assumed that the business is sustainable on a low level. For this reason, no growth discount was assumed when calculating the value for the terminal value for the Directory Assistance business of 11880 Internet Services AG.

Basic assumptions

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

Planned gross profit margins - Planned gross profit margins were determined based on the average gross profit margins realised in comparable markets and known to the cash-generating units within 11880 Internet Services AG from past experience, and increased in reflection of expected efficiency improvements. For example, the Company plans for the EBITDA of the cash-generating unit Digital Business to rise from EUR -0.9 million in 2017 to EUR 7.3 million in 2021. The EBITDA of the cash-generating unit Directory Assistance Business will decrease from EUR 0.7 million in 2017 to EUR 0.1 million in 2022 due to the downturn in business.

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

As a result, the projection assumes a steadily increasing free cash flow before tax of the cash generating unit Digital Business until 2021 to EUR 2.7 million. This in turn is the basis for calculating the terminal value and thus affects the valuation more than any other factor. The free cash flow before tax of the cash generating unit Directory Assistance Business will decline by 2022 to EUR 0.1 million.

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

- Discount factor: The discount factor was determined based on the average cost of capital of the 11880 Solutions Group and companies in its peer group, separately for the digital and the Directory Assistance business. Market-specific and social changes respectively may result in an adjustment of the discount factor. A discount factor one percentage point higher reduces the fair value of the cash generating unit Digital Business by EUR 1.7 million and of the cash generating unit Directory Assistance Business by EUR 0.2 million.
- Changes of customer demand, especially in the digital business, and of the market volume, particularly in the Directory Assistance business, may have a significant effect on the future cash flows of cash generating units. A revenue decrease of five percentage points per year compared with the revenue planning adopted by the Company's management reduces the fair value of the cash generating unit Digital Business by EUR 9.2 million and of the cash generating unit Directory Assistance Business by EUR 0.4 million.

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

25. Intangible assets

Cost

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

in EUR thousand	As of 1 January 2015	Additions	Disposals	Reclassifications	As of 31 December 2015
Software	21,683	145	-1,303	189	20,714
Licenses	15,214	589	-7	0	15,796
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	30,301	0	0	0	30,301
Acquired klickTel brand	997	0	0	0	997
Internally generated intangible assets	3,128	539	0	148	3,815
Customer contracts	4,590	1,602	0	0	6,192
Customer websites	2,466	1,086	0	0	3,552
Other intangible assets	6	0	0	0	6
Intangible assets being developed/with prepayments	337	434	0	-337	434
Total	**80,795**	**4,395**	**-1,310**	**0**	**83,880**

Accumulated amortisation and impairment

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

in EUR thousand	As of 1 January 2015	Amortisation	Impairment losses	Disposals	As of 31 December 2015
Software	18,778	1,442	0	-1,303	18,917
Licenses	15,074	100	0	-7	15,167
Internally generated database	2,073	0	0	0	2,073
Acquired customer bases	28,597	826	0	0	29,423
Acquired klickTel brand	673	100	0	0	773
Internally generated intangible assets	1,139	1,046	36	0	2,221
Customer contracts	2,386	2,202	0	0	4,588
Customer websites	1,636	936	0	0	2,572
Total	70,356	**6,652**	**36**	**-1,310**	75,734

in EUR thousand	Carrying amount as of 31 December 2016	Carrying amount as of 31 December 2015
Software	1,329	1,797
Licenses	430	629
Internally generated database	0	0
Acquired customer bases	487	878
Acquired klickTel brand	124	224
Internally generated intangible assets	2,323	1,594
Customer contracts	657	1,604
Customer websites	358	980
Other intangible assets	6	6
Intangible assets being developed/with prepayments	268	434
Total	**5,982**	**8,146**

The useful life of intangible assets was determined in as follows in the 2016 financial year: There were no adjustments of the useful life compared with the previous year.

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

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

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

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

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

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

The disposals in the 2016 financial year mainly resulted from the retirement of software due to the modernisation of technology used in the traditional Directory Assistance business at the Rostock site.

As of 31 December 2016, the Group had open obligations from orders for intangible assets in the amount of EUR 27 thousand (2015: EUR 184 thousand), which are expected to apply to financial year 2017.

26. Property and equipment

Cost

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

in EUR thousand	As of 1 January 2015	Additions	Disposals	Currency translation	Reclassifications	As of 31 December 2015
Technical equipment	27,434	231	-7,561	0	0	20,104
Other equipment, fixtures, furniture and office equipment, and low-value assets	5,487	359	-90	2	0	5,758
Equipment being purchased /with prepayments	0	21	0	0	0	21
Total	32,921	611	-7,651	2	0	25,883

Accumulated depreciation and impairment

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

in EUR thousand	As of 1 January 2015	Depreciation	Impairment losses	Disposals	Currency translation	As of 31 December 2015
Technical equipment	24,415	1,537	0	-7,559	0	18,393
Other equipment, fixtures, furniture and office equipment, and low-value assets	4,813	237	0	-69	2	4,983
Total	**29,228**	**1,774**	**0**	**-7,628**	**2**	**23,376**

in EUR thousand	Carrying amount as of 31 December 2016	Carrying amount as of 31 December 2015
Technical equipment	1,076	1,711
Other equipment, fixtures, furniture and office equipment, and low-value assets	647	775
Equipment being purchased/ with prepayments	0	21
Total	**1,723**	**2,507**

The useful life of property and equipment was determined in as follows in the 2016 financial year: There were no adjustments of the useful life compared with the previous year.

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

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

The disposals in the 2016 financial year mainly resulted from the scrapping of technical and other equipment at the Rostock site due to the modernisation of technology used in the traditional directory assistance business.

As of 31 December 2016, the 11880 Solutions Group had open obligations from orders for property and equipment in the amount of EUR 4 thousand (2015: EUR 3 thousand) which are expected to apply to financial year 2017.

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

27. Deferred tax assets and liabilities

A corporate income tax rate of 15.00% plus a trade tax rate of 15.00% plus a solidarity surcharge of 0.83% was applied for the calculation of deferred taxes for 11880 Solutions AG's corporate and trade tax group. The tax rates were based on the uniform corporate income tax rate of 15.00% for distributed and retained profits, a solidarity surcharge of 5.50% on the corporate income tax rate and an average trade tax multiplier of 428.63%. Due to the different trade tax multipliers, the trade tax rate differed from the subsidiaries based in Germany but not included in the Group. Deferred taxes for foreign subsidiaries were determined based on the respective national tax rates.

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

The deferred taxes consisted of the following:

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Gross value of deferred tax assets:		
Tax loss carryforwards	7,497	4,534
Intangible assets	1,187	723
Other assets	40	45
Provisions	371	350
Other liabilities	31	132
Less impairment loss	-6,203	-2,473
Deferred tax assets before netting	**2,923**	**3,311**
of which in other comprehensive income	95	33
Netting	-2,923	-3,311
Deferred tax assets after netting	**0**	**0**
Less deferred tax liabilities:		
property and equipment	-59	-58
Financial assets	-46	-3
Intangible assets	-1,494	-2,048
Other assets	-1,907	-1,765
Provisions	-66	-1
Deferred tax liabilities before netting	**-3,572**	**-3,875**
of which in other comprehensive income	-60	-15
Netting	2,923	3,311
Deferred tax liabilities after netting	**-649**	**-564**
Net value of deferred taxes	**-649**	**-564**

As of 31 December 2016, the Group companies' accumulated corporate income tax loss carryforwards amounted to EUR 23,723 thousand (2015: EUR 14,493 thousand). As of 31 December 2016, the Group companies' accumulated trade tax loss carryforwards amounted to EUR 23,056 thousand (2015: EUR 13,990). The trade tax loss carryforwards were generated exclusively in Germany. The difference between the corporate income tax and trade tax loss carryforwards was the result of corporate income tax loss carrybacks used in previous years and of trade tax add-backs.

Tax loss carryforwards that were not applied as a result of insufficient usability amounted to EUR 19,212 thousand (2015: EUR 7,651 thousand) as of the reporting date.

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

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Deferred tax assets		
Current	362	258
Non-current	2,561	3,053
Deferred tax liabilities		
Current	-1,303	-226
Non-current	-2,269	-3,649
Net value of deferred taxes	**-649**	**-564**

28. Trade accounts payable

The trade accounts payable shown as of the reporting date amounted to EUR 737 thousand (2015: EUR 1,071 thousand).

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

Trade accounts payable were recognised at their redemption amount.

29. Accrued current liabilities

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Obligations to employees	3,618	2,879
Invoices outstanding	2,072	3,168
Total	**5,690**	**6,047**

Obligations to employees included in particular wage and salary payments that are not due until the 2017 financial year. The increase in obligations to employees in the 2016 financial year resulted from personnel measures to downsize the Group's administrative departments at all sites.

As of 31 December 2016, accrued current liabilities did not include any obligations for restructuring measures; see also note 16. As of 31 December 2015, the liabilities associated with ongoing restructuring measures reported under accrued liabilities totalled EUR 104 thousand; these were mainly liabilities to employees.

30. Provisions

As of the 31 December 2016 reporting date, the Group had identified and measured all risks known to it. If the recognition requirements of IAS 37.14 were met, the risks were accounted for in the financial statements in the form of provisions.

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Contingent losses	286	700
Contract risks	290	444
Other	89	156
Total	**665**	**1,300**
of which current	72	266
of which non-current	593	1,034

The changes in provisions for the 2016 financial year were as follows:

in EUR thousand	Contract-risks	Contingent-losses	**Total**	Contract-risks	Contingent-losses	Other	**Total**
	Current			Non-current			
As of 1 January 2016	**250**	**16**	**266**	**194**	**684**	**156**	**1,034**
Reversal	-17	0	**-17**	0	-68	-87	**-155**
Use	-233	-16	**-249**	0	-341	-20	**-361**
Addition	0	0	**0**	90	6	38	**134**
Time value of money	0	0	**0**	6	5	2	**13**
Reclassification	0	72	**72**	0	-72	0	**-72**
As of 31 December 2016	**0**	**72**	**72**	**290**	**214**	**89**	**593**

The significant risks included the facts and circumstances presented below.

Current provisions for contract risks that included a provision for risks arising from contractual obligations as part of the sale of Spanish subsidiaries were used as a result of a settlement.

Non-current provisions for contract risks represented an obligation to dismantle installed fixtures at the end of a lease.

Non-current provisions for contingent losses included both provisions for spatial capacity adjustments and provisions for lease obligations.

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

Restructuring provisions were recognised during the 2015 financial year in connection with the closure of the field sales unit; see also note 16. As of 31 December 2016, these restructuring provisions totalled EUR 88 thousand (2015: EUR 384 thousand), which related exclusively to obligations arising under vehicle leases. Of this amount, EUR 16 thousand (2015: EUR 368 thousand) was shown under non-current provisions for contingent losses. During the 2016 financial year, restructuring provisions totalling EUR 68 thousand were reversed. As of 31 December 2016, EUR 72 thousand of the non-current provisions for contingent losses were reclassified as current provisions for contingent losses due to the terms of the vehicle leases.

The company expects most of the cash outflows from non-current provisions to occur in 2018.

31. Other current liabilities

Other current liabilities were comprised as follows:

Financial year ended on 31 December, in EUR thousand	2016	2015
Prepayments received	2,138	1,520
VAT liabilities	368	121
Other liabilities	456	769
Total	**2,962**	**2,410**

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

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

32. Pension obligations

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

Defined benefit plans

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

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

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

in %	2016	2015
Actuarial interest rate	2.00	2.68
Pension development	1.00	1.00

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

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

in EUR thousand	2016	2015
Current service cost	-	-
Interest expense	-30	-28
Interest income	28	26
Expenses for defined benefit post-employment benefits recognised in net income	**-2**	**-2**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**-193**	**41**

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

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

in EUR thousand	2016	2015
Present value of the defined benefit obligations as of 1 January	**1,133**	**1,145**
Current service cost	-	-
Interest expense	30	28
Actuarial gains (-) or losses (+) from changes in financial assumptions	198	-63
Actuarial gains (-) or losses (+) from experience adjustments	2	23
Present value of the defined benefit obligations as of 31 December	**1,363**	**1,133**

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the Company totalled EUR 1,363 thousand (2015: EUR 1,133 thousand).

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

in EUR thousand	2016	2015
Fair value of plan assets as of 1 January	**1,085**	**1,057**
Interest income	28	26
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	7	1
Contributions by the employer	-	-
Fair value of plan assets as of 31 December	**1,120**	**1,085**

The plan assets constituted pension liability insurance policies with benefit entitlements pledged to beneficiaries. The insurance company holds around 36% of its investments in Pfandbriefe and other secured loans, 23% in government bonds from industrialised countries and 15% in corporate bonds. The funds are invested in a variety of instruments to balance out fluctuations as much as possible and generate stable earnings. The plan assets solely constitute pledged pension liability insurance policies in the form of life insurance not traded on an active market.

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Present value of the defined benefit obligation (DBO)	1,363	1,133
Fair value of plan assets	-1,120	-1,085
Liability recognised in the statement of financial position	**243**	**48**

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

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

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

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

As of 31 December 2015		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0.50%	Decrease by 10.98%	Increase by 12.72%

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

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

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

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

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

Defined contribution plans

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

The contributions to defined contribution plans recognised in profit or loss including the current contribution payments totalled EUR 69 thousand (2015: EUR 88 thousand), EUR 38 thousand (2015: EUR 50 thousand) of which was attributable to contributions for current or previous Management Board members.

33. Equity

Subscribed capital

The share capital of 11880 Solutions AG was divided into 19,111,091 (2015: 19,111,091) no-par value shares with a notional interest in the share capital of EUR 1.00 per share. All no-par value shares issued by the Company have been fully paid-in. As of 31 December 2016, the number of shares outstanding amounted to 19,111,091 (2015: EUR 19,111,091).

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

Additional paid in capital

The additional paid in capital as of 31 December 2016 amounted to EUR 32,059 thousand – the same as in the previous year.

Accumulated deficit

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

in EUR thousand	
Accumulated deficit as of 1 January 2015	**-3,656**
Net income (loss) for the 2015 financial year	-9,344
Actuarial gains from pensions and similar obligations in the amount of EUR 41 thousand less deferred taxes totalling EUR 13 thousand	28
Accumulated deficit as of 31 December 2015	**-12,972**
Net income (loss) for the 2016 financial year	-14,675
Actuarial losses from pensions and similar obligations in the amount of EUR 193 thousand less deferred taxes totalling EUR 60 thousand	-133
Accumulated deficit as of 31 December 2016	**-27,780**

The net losses reported in the 2015 financial year from available-for-sale financial assets in the amount of EUR 59 thousand resulted from unrealised losses recorded in the financial year due to the change in fair value in the amount of EUR 85 thousand less deferred taxes in the amount of EUR 26 thousand.

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

Other components of equity

As of the reporting date, the other components of equity totalled EUR 99 thousand (2015: EUR 6 thousand).

The increase in this item in the by EUR 93 thousand (2015: decrease by EUR 60 thousand) in the financial year under review was recognised in other comprehensive income (loss) after tax and was the result of net gains from the disposal of available for sale financial assets in the amount of EUR 96 thousand (2015: net losses of EUR 59 thousand) and the losses from foreign currency translation amounting to EUR 3 thousand (2015: EUR 1 thousand).

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

Other notes and disclosures

34. Operating segments

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

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

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

The two segments' main key performance indicators for operations were revenues and EBITDA (earnings before interest, taxes, depreciation and amortisation). Management decided to no longer calculate the key figure "EBITDA before non-recurring items" that was additionally presented in the previous years. Any intersegment sales were recognised at amounts comparable with sales to third party customers and were eliminated during consolidation. Financial income and financial expenses were not components of earnings, since these are decided centrally and are not subject to the direct control of segment management.

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

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

Financial year ended on 31 December 2015 in EUR thousand	Directory Assistance	Digital	Group
Revenues			
Revenues from transactions with external customers	21,014	32,521	**53,535**
Total revenues	**21,014**	**32,521**	**53,535**
Earnings			
EBITDA	2,898	-3,229	**-331**
Net financial income			**186**
Earnings before income taxes			**-10,412**
Assets and liabilities			
Segment assets			**49,644**
Segment liabilities			**11,440**
Other segment information			
Capital expenditure for non-current fixed assets	729	4,277	**5,006**
Depreciation of plant and equipment	1,428	346	**1,774**
Amortisation of intangible assets	1,159	5,529	**6,688**
Amortisation of current intangible assets	0	1,805	**1,805**

35. Share-based payment

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

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

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

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

In the 2016 financial year, a personnel expense in the amount of EUR 21 thousand (2015: EUR 12 thousand) was recognised for the long-term variable Management Board remuneration element (deferrals). As of 31 December 2016, the commitment amounted to EUR 33 thousand (2015: EUR 12 thousand) and was shown under other non-current provisions.

The fair value of the phantom stocks granted in 2016 was estimated as of the 31 December 2016 reporting date based on the reporting date closing rate and amounted to EUR 6 thousand. For reasons of materiality, the Company refrained from using an option pricing model.

36. Other financial obligations and claims

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

	As of 31 December 2016 Obligations under			As of 31 December 2015 Obligations under		
in EUR thousand Maturity	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements
up to 1 year	2,991	1,289	508	3,163	1,559	753
between 1 and 5 years	1,334	866	0	2,484	1,724	0
Total	**4,325**	**2,155**	**508**	**5,647**	**3,283**	**753**

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

Claims under rental agreements

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

Financial year ended on 31 December, in EUR thousand	**2016**	**2015**
Maturity		
up to 1 year	337	156
between 1 and 5 years	85	243
Total	**422**	**399**

37. Contingent liabilities and assets

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

Litigation

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

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

The action for damages brought by 11880 Solutions AG against Deutsche Telekom AG for lost earnings of up to EUR 86 million was dismissed by the Düsseldorf Higher Regional Court in April 2015. The company filed an appeal with the German Federal Court of Justice (BGH) in May 2015 against the refusal of leave to appeal this ruling. This appeal was dismissed by the BGH in May 2016. Therefore, the action for damages was finally ruled against 11880 Solutions AG.

Tax risks

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

Guarantees

As of 31 December 2016, there were no guarantees outstanding at 11880 Solutions AG (2015: EUR 158 thousand).

38. Number of employees

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

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

2015 financial year	As of 31 December 2015		Annual average	
11880 Solutions Group	absolute	in full-time equivalents	absolute	in full-time equivalents
Total	801	698	848	737
of which operators and sales	561	465	609	491

39. Auditors' fees

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

in EUR thousand	2016	2015
Audits of financial statements	138	135
Other assurance services	103	0
Total	**241**	**135**

40. Financial risks

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

The Group's financial liabilities mainly comprised trade accounts payable and the available overdraft facilities, which were utilised as little as possible during the financial year.

The Group did not engage in derivatives trading in the 2015 and 2016 financial years.

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

Counterparty credit risk

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

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

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

The Group's financial assets available for sale are traded in euros and monitored continually. These investments should be classified as safe. The creditworthiness of the contractual partners for these financial instruments is reviewed regularly.

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

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

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

The default of the debt collection service could bring about a temporary loss of data that results in a loss of the pending receivable. The Group would be forced to select a new service provider and integrate it into the dunning processes; this start-up would require a certain amount of time. The likelihood of loss of the collection company is estimated at 5% and, were this to occur, would result in a negative effect on earnings of EUR 1.0 million (2015: EUR 1.8 million).

All major customers are subjected to a review of their creditworthiness, and the receivables portfolios are monitored on an ongoing basis. Counterparty credit risks are taken into account by means of specific valuation allowances and general impairment allowances on a portfolio basis.

The 11880 Solutions Group transacts business with a large number of customers. 11880 Solutions AG has a large portion of its revenues with customers in Germany invoiced centrally by Deutsche Telekom AG ("DTAG") (financial year 2016: 37%; financial year 2015: 30%). Receivables from DTAG from this invoicing contract as of 31 December 2016 accounted for 23% (2015: 19%) of the total trade accounts receivable of 11880 Solutions AG. In addition, DTAG is a very important supplier of advance services for 11880 Solutions AG. 11880 Solutions AG has leased a part of the German telephone line network from DTAG and receives a large proportion of the calls as well as some of the participant's data required for telephone DA services from DTAG via this network. If DTAG no longer meets its contractual obligations, this could have negative effects on the Company's operating result. However, due to DTAG's financial strength and profitability, and due to the obligations arising from the deregulation of the telecommunications market and the existing emergency plans, this case is not expected from today's point of view. Outsourcing customers are invoiced directly, both in Germany as well as in other European countries.

In 2016, ever more stringent requirements regarding the transparency of cash flows in the telecommunications sector (EU Payment Services Directive 2) presented the Group with a new risk. Legislators are pushing for Payment Services Directive 2 to be implemented in 2018. Depending on how the directive is implemented, this could either lead to a decline in revenues or increasing collection costs in the Directory Assistance segment. The probability of occurrence is estimated at 38%. Were this to occur, it would lead to a negative effect on earnings of EUR 0.3 million.

Liquidity risk

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

In both the financial year under review and the previous financial year, the only financial liabilities reported by the Group were trade accounts payable. These amounted to EUR 737 thousand as of 31 December 2016 (2015: EUR 1,071 thousand) and were due in full within a period of up to three months. Fore more information on trade accounts payable, see note 28.

Declining call volumes in the directory assistance business, which makes a significant positive contribution to the Company's earnings due to the recovery of overheads, are increasing pressure on the accelerated improvement of profitability in the Digital segment. With the help of continuous capacity adjustment and restructuring measures, the Group's cost structure will be improved so as to ensure sufficient liquidity. Cooperation options are also being reviewed to further reduce the liquidity risk. The likelihood of this liquidity risk is estimated at 10% and, were this to occur, would result in a negative effect on earnings of EUR 7.2 million.

Price risk

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

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

If the price of the fund shares acquired were to change by 0.50%, the effect on other comprehensive income/loss (equity) would amount to EUR 49 thousand (2015: EUR 88 thousand). Due to the portfolio structure, no loss of capital is anticipated in the medium term.

Currency risk

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

Interest rate risk

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

Capital management

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

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

As of 31 December 2016, the equity ratio was 68.21% (2015: 76.96%).

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

Fair value of financial instruments

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

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

Financial year ended on 31 December 2015 in EUR thousand	Carrying amounts pursuant to IAS 39 measurement category: Loans and receivables	Available-for-sale	Finacial liabilites measured at amortised cost	Fair value Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	-	17,530	-	17,530	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	940	-	-			
Trade accounts receivable	11,092	-	-			
Current other financial assets	690	-	-			
Non-current other financial assets	13	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	1,071			

41. Related party transactions

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

No other companies that were related parties existed as of 31 December 2016 and 31 December 2015.

Due to changes in the shareholder structure in late 2014, 11880 Solutions AG no longer has a majority shareholder. Therefore, it is no longer included in consolidated financial statements as a fully consolidated company.

Transactions with related parties (persons)

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

In financial year 2016, members of the management of Italiaonline S.p.A. (until 11 June 2016: Seat Pagine Gialle S.p.A. – formerly the ultimate parent company), Assgo – Milanofiori Nord (MI), Italy, were Supervisory Board members of 11880 Solutions AG. These persons were entitled to Supervisory Board remuneration for the 2016 financial year in the amount of EUR 29 thousand (2015: EUR 27 thousand), which accordingly was recognised as a current liability.

Remuneration of individuals in key management positions

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

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

in EUR thousand	2016	2015
Salaries and other current benefits	658	720
Multi-year variable remuneration (deferrals)	21	12
Defined contribution benefit plans	25	50
Total	**704**	**782**

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

During the 2016 financial year, remuneration totalling EUR 112 thousand was paid out to former members of the Management Board (2015: EUR 0 thousand).

A total of EUR 1,363 thousand was recognised as of 31 December 2016 (2015: EUR 1,133 thousand) as a provision for pension obligations to former members of the Management Board and their surviving dependants. For more information on pension commitments, see note 32.

The Supervisory Board members received remuneration totalling EUR 131 thousand in the 2016 financial year (2015: EUR 128 thousand).

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

42. Disclosure regarding the corporate bodies of 11880 Solutions AG

Supervisory Board of 11880 Solutions AG

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

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

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

Management Board of 11880 Solutions AG

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

43. Report on post-balance sheet date events

No reportable events of particular significance occurred between the 31 December 2016 reporting date and the time of preparation of these annual financial statements.

44. German Corporate Governance Code

The German Corporate Governance Code was adopted by the "Government Commission German Corporate Governance Code" on 26 February 2002 and has been revised several times in the meantime. The current version is dated 5 May 2015. The Code presents essential statutory regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards for good and responsible governance.

The joint declaration of compliance by the Management Board and Supervisory Board of 11880 Solutions AG in accordance with section 161 AktG relating to the German Corporate Governance Code was made on 15 December 2016. The exact wording of the declaration can be retrieved under https://ir.11880.com/corporate-governance/entsprechenserklaerung.

Planegg-Martinsried, 10 March 2017

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

Auditor´s audit certificate

We have audited the consolidated financial statements prepared by 11880 Solutions AG, Planegg, Martinsried - comprising the balance sheet, profit and loss statement and statement of comprehensive income, statement of equity trend, funds statement and notes to the financial statements - together with the corporate management report for the annual year from 1 January to 31 December 2016. Preparation of the consolidated financial statements and corporate management report in accordance with IFRS, as applicable within the EU, and also the applicable provisions of commercial law according to section 315a (1) HGB is in the responsibility of the company´s Management Board. It is our duty to deliver an opinion on the consolidated financial statements and corporate management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with section 317 HGB taking into account the German standards for a proper annual audit which were issued by the Institute of Public Auditors in Germany (IDW). Those standards require that an audit shall be planned and performed such that inaccuracies and violations materially affecting the presentation of net worth, financial position and result of operation in the consolidated financial statements in accordance with the applicable accounting provisions and corporate management report are identified with sufficient certainty. Knowledge of the business activities and economic and legal environment of the group as well as expectations as to possible errors are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system as well as evidence supporting disclosures in the consolidated financial statements and the corporate management report is examined primarily on a test basis within the scope of the audit. The audit includes an assessment of the annual financial statements of those companies included in the consolidated financial statements, a delimitation of the consolidated group, the accounting and consolidation principles applied and the main evaluations of the Management Board as well as the appreciation of the comprehensive presentation of the consolidated financial statement and the corporate management report. We believe that our audit provides a reasonable basis for our evaluation.

Our audit did not result in any objections.

In accordance with our duty we make a reference that the continuance of the group companies is jeopardized by risks which are presented in section 7, „Financial and liquidity risks“, of the corporate management report. There is explained that the continuance of the group companies depends in the medium to long-term on the realization of the growth in the Digital sector and successful implementation of the initiated cost reduction measures which were taken as basis of corporate planning.

In our opinion and based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable in the EU, and also the applicable provisions of commercial law according to section 315a (1) HGB and provide a true and fair view of the net assets, financial position and results of operations of the group taking into account these provisions. The corporate management report is consistent with the consolidated financial statements and as a whole provides an accurate view of the group´s position and presents the opportunities and risks of the future trend accurately.

Munich, 10 March 2017

PricewaterhouseCoopers GmbH
Certified audit firm

Stefano Mulas
Certified public accountant

ppa. Christoph Tübbing
Certified public accountant

Corporate Information

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

Information about single brands and subsidiaries are available at:

- www.11880.com

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

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

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

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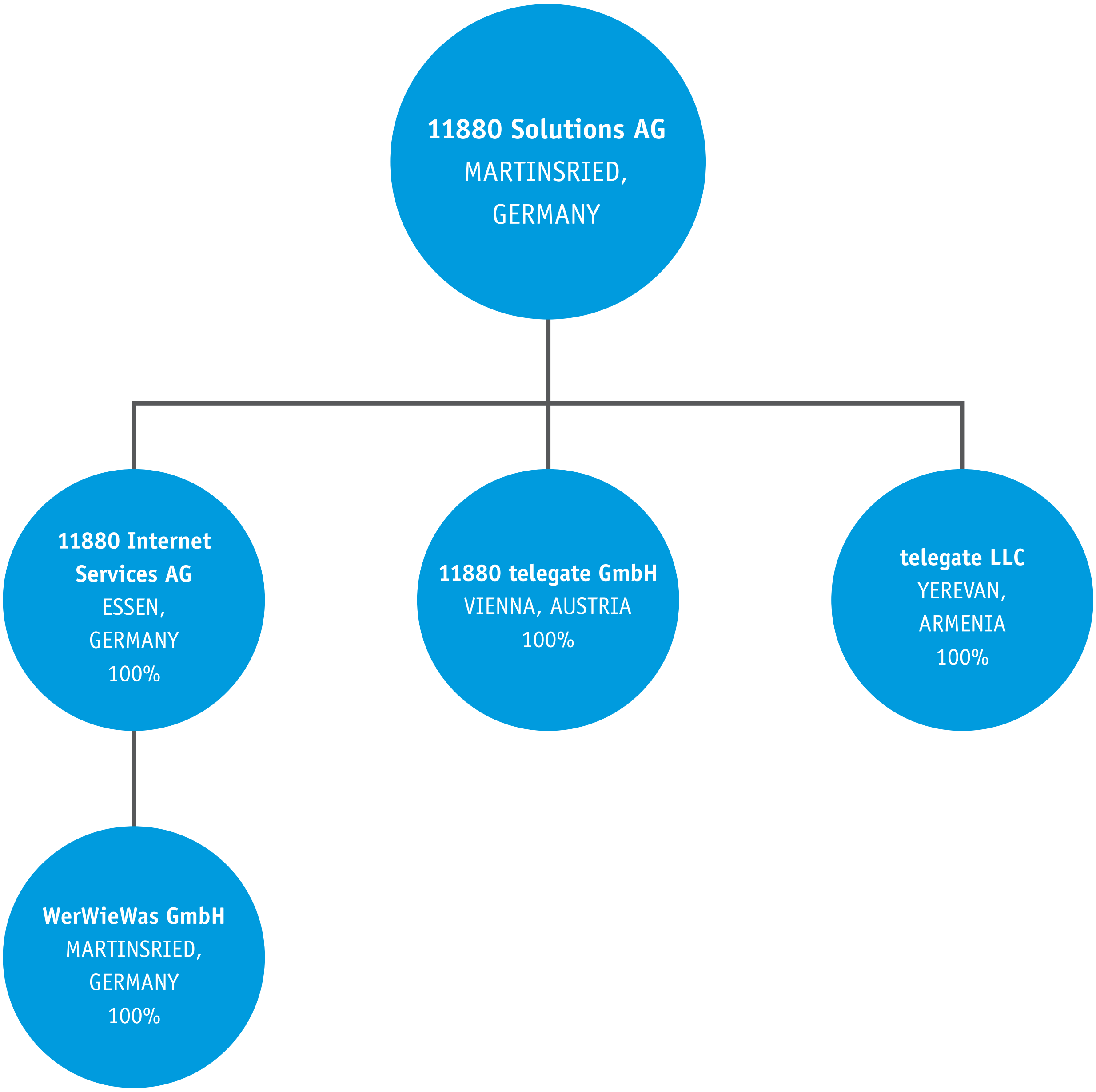
Auditor
PricewaterhouseCoopers GmbH
Certified audit firm
Munich

Forward-looking statements

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

Corporate Structure 11880 Solutions Group



Financial Calender 2017

March 23, 2017
Publication of the annual report 2016

May 11, 2017
Publication of the interim report for the 1st Quarter 2017

June 27, 2017
Annual General Meeting 2017

August 10, 2017
Publication of the financial report for the 1st half-year 2017

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