Prospectus

for the public offering

of

37,500,000 newly issued ordinary registered shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on January 11, 2015

and of

15,272,500 existing ordinary registered shares with no par value from the holdings of Tele Columbus Management S.à r.l., Luxembourg

and of

3,750,000 existing ordinary registered shares with no par value from the holdings of Tele Columbus Management S.à r.l., Luxembourg to cover a potential over-allotment

and at the same time

for the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard)

of the Frankfurt Stock Exchange

of

20,025,000 ordinary registered shares with no par value (existing share capital)

and of

up to 37,500,000 newly issued ordinary registered shares with no par value from a capital increase against cash contributions to be resolved by an extraordinary general shareholders' meeting of the Company,

each such share with a notional value of €1.00 in the share capital

and with full dividend rights as from January 1, 2014

of

Tele Columbus AG

Berlin

Price Range: €8.00–€12.00

International Securities Identification Number (ISIN): DE000TCAG172

German Securities Code (*Wertpapier-Kenn-Nummer*) (WKN): TCAG17

Common Code: 112065091

Trading Symbol: TC1

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International **J.P. Morgan**

Joint Bookrunners

BofA Merrill Lynch **Berenberg**

The date of this prospectus is January 12, 2015

TABLE OF CONTENTS

Summary of the Prospectus **1**
A—Introduction and Warnings 1
B—The Issuer 1
C—Securities 14
D—Risks 15
E—Offer 17
Zusammenfassung des Prospekts **25**
A—Einleitung und Warnhinweise 25
B—Emittent 25
C—Wertpapiere 42
D—Risiken 43
E—Angebot 46
Risk Factors **55**
Risks Relating to Our Business and the Industry in which we operate 55
Risks Relating to Our Financing Structure 65
Risks Relating to Regulatory and Legislative Matters 67
Risks Relating to the Offering, the Listing and the Shareholder Structure 70
General Information **73**
Responsibility for the Content of the Prospectus 73
Subject Matter of the Prospectus 73
Forward-Looking Statements 73
Information from Third Parties 74
Documents Available for Inspection 75
Note on Currency and Financial Information 76
Note Regarding Figures and Technical Terms 76
Presentation of Financial Information 76
The Offering **78**
Subject Matter of the Offering 78
Existing Shareholder 79
Price Range, Offer Period, Offer Price and Allotment 79
Expected Timetable for the Offering 80
Allotment Criteria 81
Stock Exchange Admission and Commencement of Trading 81
Delivery and Payment 81
Stabilization Measures, Over-Allotment and Greenshoe Option 82
Lock-Up Agreements 82
Designated Sponsors 83
Information on the Offer Shares 84
Interests of Parties Participating in the Offering 84
Reasons for the Offering, Use of Proceeds and Costs of the Offering **86**
Proceeds and Costs of the Offering 86
Reasons for the Offering and Use of Proceeds 87
Dividend Policy **88**
General Rules on Allocation of Profits and Dividend Payments 88
Dividend Policy and Earnings per Share 88
Capitalization and Indebtedness **90**
Dilution **93**
Selected Financial and Business Information **94**
Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations **103**
Overview 104
Segmentation 105
Preparation of the Combined Financial Statements 105
Key Events in the Periods under Review 107
Key Factors Affecting our Results of Operations 108
Key Performance Indicators 112

Comparison of Operating Profit/Loss for the Nine-Month Period Ended September 30, 2014 and the Nine-Month Period Ended September 30, 2013 . . . 118
Comparison of Operating Profit/Loss for the Financial Years 2013, 2012 and 2011 . . . 123
Financial Position . . . 128
Liquidity and Capitalization . . . 131
Commitments and Contingencies . . . 138
Qualitative and Quantitative Disclosures about Market Risks . . . 138
Critical Accounting Estimates and Policies . . . 140
Information from the Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH Prepared in Accordance with the German Commercial Code for the Financial Year Ended December 31, 2013 . . . 143
Market and Competitive Environment . . . 145
Introduction . . . 145
German TV Market . . . 145
German Broadband Internet Market . . . 149
German Fixed-Line Telephony Market . . . 154
Convergence Trends in the German Telecommunications and Media Market . . . 155
Business . . . 156
Overview . . . 156
Competitive Strengths . . . 158
Strategy . . . 161
Products and Services . . . 163
Network . . . 167
Operations . . . 169
Intellectual Property . . . 170
Research and Development . . . 171
Real Estate and Leases . . . 171
Employees . . . 172
Material Legal Disputes and Administrative Proceedings . . . 173
Insurance . . . 174
Material Contracts . . . 175
Financing Agreements . . . 175
Material Acquisitions, Divestures and Joint Ventures . . . 178
Other Material Contracts . . . 179
Regulation . . . 181
Telecommunications Regulation . . . 181
Media Regulation . . . 186
Antitrust Regulation . . . 190
General Information on Tele Columbus AG and the TC Group . . . 193
Incorporation, Entry in the Commercial Register, Name . . . 193
History and Development of the Business . . . 193
Domicile, Legal Form, Legislation, Financial Year, Registered Office, Duration, Corporate Purpose . . . 194
Structure of the TC Group . . . 195
Auditors . . . 197
Publications, Paying Agent . . . 197
Shareholder Structure . . . 198
Information on the Share Capital of Tele Columbus AG and Applicable Regulations . . . 200
Share Capital and Shares . . . 200
Certification and Transferability of the Shares . . . 200
Authorized Capital . . . 201
Authorization to Issue Convertible Bonds, Warrant Bonds and Profit Participation Rights and Conditional Capital . . . 201
Authorization to Acquire and Use Own Shares . . . 201
General Rules on Allocation of Profits and Dividend Payments . . . 202
General Provisions Governing a Liquidation of the Company . . . 202
General Provisions Governing Share Capital Increases and Decreases . . . 202
General Provisions on Subscription Rights . . . 203
Exclusion of Minority Shareholders . . . 204

Mandatory Takeover Bids 205
Disclosure Requirements for Shareholdings 205
Disclosure of Transactions of Persons Holding Management Responsibilities 206
Post-Admission Disclosure Requirements 206
Governing Bodies **207**
Overview 207
Management Board 210
Supervisory Board 217
Certain Information on the Members of the Management Board and the Supervisory Board . . 223
Management Participation Program 224
General Shareholders' Meeting 224
Corporate Governance and Compliance 226
Transactions and Relationships with Related Parties **228**
Overview 228
Relationships with Existing Shareholders and their Affiliates 228
Relationships with Members of the Management Board and the Supervisory Board 229
Information on Major Holdings of Tele Columbus AG **230**
Underwriting **231**
Subject of and Arrangements on Underwriting 231
Commissions 232
Termination/Indemnification 232
Selling Restrictions 233
Taxation in the Federal Republic of Germany **234**
Taxation of the Company 234
Taxation of Shareholders 235
Taxation in Luxembourg **243**
Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Resident Taxpayers 243
Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Non-Resident Taxpayers 244
Glossary **G-1**
Financial Information **F-1**
Unaudited Condensed Interim Financial Statements of the Group Prepared in Accordance with IAS 34 as of and for the Nine Months Ended September 30, 2014 . . . . . F-2
Audited Combined Financial Statements of the Group Prepared in Accordance with IFRS as of and for the Financial Years Ended December 31, 2013, December 31, 2012 and December 31, 2011 . . . . . F-21
Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH (now the Company) Prepared in Accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the Financial Year Ended December 31, 2013 . . . . . F-72
Recent Developments and Outlook **O-1**
Recent Developments O-1
Outlook O-1
Signature Page **S-1**

(This page has been left blank intentionally.)

SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention "not applicable".

A—Introduction and Warnings

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the shares of Tele Columbus AG, Berlin, Germany, should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Tele Columbus AG (formerly Tele Columbus Holding GmbH), Berlin, Germany (hereinafter "**TC AG**" or the "**Company**" and, together with its direct and indirect subsidiaries, the "**TC Group**", "**Group**" or "**we**", "**our**", "**us**"), together with Goldman Sachs International, London, United Kingdom ("**Goldman Sachs**"), J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**" and, together with Goldman Sachs, the "**Joint Global Coordinators**"), Merrill Lynch International, London, United Kingdom (acting under the marketing name BofA Merrill Lynch) ("**BofA Merrill Lynch**") and Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany ("**Berenberg**" and, together with BofA Merrill Lynch and the Joint Global Coordinators, the "**Joint Bookrunners**" or the "**Underwriters**") assume responsibility for this summary including its German translation pursuant to Section 5 (2b) No. 4 German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons who are responsible for the summary, including the translation thereof, or for the issuing (*Veranlassung*), can be held liable but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, all necessary key information.
A.2	**Consent regarding subsequent use of the Prospectus.**	Not applicable. Consent of the Company regarding the use of the Prospectus for a subsequent resale or final placement of securities by financial intermediaries has not been granted.

B—The Issuer

B.1	**Legal and commercial name.**	As of the date of the Prospectus, the Company's legal name is Tele Columbus AG. The Group's commercial name is "Tele Columbus".
B.2	**Domicile, legal form, legislation, country of incorporation.**	The Company has its registered office at Goslarer Ufer 39, 10589 Berlin, Germany, and is registered with the commercial register maintained by the local court (*Amtsgericht*) of Charlottenburg, Germany, under HRB 161349 B. The Company is a German stock corporation incorporated in Germany and governed by German law.

B.3	**Description of, and key factors relating to, the nature of the issuer's current operations and principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.**	We believe that we were the third largest cable operator in Germany in terms of the number of subscribers in 2013, with leading market positions in Eastern Germany. We operate in both the Level 4 network (the in-house broadband cable network, which transports signals from the transfer point outside of the subscriber's dwelling unit to the wall outlet in the subscriber's dwelling unit, "**L4**") and the Level 3 network (which transports signals from regional distribution networks to the transfer point outside of the subscriber's dwelling unit, "**L3**"). We provide a variety of television and telecommunication services to our customers, including basic cable television ("**CATV**"), premium television packages ("**Premium TV**") as well as Internet and telephony services. As of September 30, 2014, approximately 1.7 million homes in Germany were connected to our cable network ("**homes connected**"), of which approximately 1.3 million were provided with at least one of our services, such as CATV, Premium TV, Internet and telephony. Each such home is referred to as one "**unique subscriber**", each single service received by a unique subscriber is referred to as one revenue generating unit ("**RGU**") and the average revenues generated per unique subscriber ("**ARPU**") calculated by dividing December subscription revenues (including discounts, credits and installation fees) by December subscribers/RGUs as "**Year-End ARPU**", calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the year by the sum of the monthly total number of subscribers/RGUs for the year as "**Year-Average ARPU**" and calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the relevant quarter by the sum of the monthly total number of subscribers/RGUs for the relevant quarter as "**Quarterly-Average ARPU**". Our main source of income is subscription charges paid by CATV subscribers. Approximately 97% of our unique subscribers are tenants of premises located in multi-dwelling units ("**MDUs**") that are owned or administered by housing associations with which we have entered into concession and signal delivery agreements and maintain strong and long-standing relationships. The majority of subscribers located in premises owned or administered by housing associations are serviced on the basis of bulk contracts. Under these agreements, the housing associations pay a "bulk" amount to us for the provision of our CATV services to the individual premises which they can bill to tenants as operating costs according to the applicable rental law regulations (*Betriebskostenverordnung*). If we do not enter in bulk contracts, it is in the discretion of the individual tenants to decide whether they wish to receive CATV services from us. Approximately 65% of our CATV subscribers as of September 30, 2014 received our signal based on bulk arrangements we have with housing associations and other landlords and approximately 35% based on individual contracts. We provide our products and services through our two operating segments, "TV" and "Internet and Telephony": • ***TV.*** In our TV segment, we offer basic CATV services to our customers, comprising approximately 100 digital TV (free-TV) channels (including approximately 35 channels in HD quality) and more than 70 digital radio channels. In addition to our basic CATV services, we offer our Premium TV packages, which may comprise up to approximately 50 digital premium TV channels, including up to approximately 32 channels in HD quality. • ***Internet and Telephony.*** In our Internet and Telephony segment, we offer our customers broadband Internet access and fixed-line telephony services either as stand-alone products or as bundles incorporating both

broadband Internet and telephony services. Since November 2014 we also offer triple play products comprising broadband Internet, telephony and cable television (CATV and Premium TV) services.

Principal Market

We offer our services exclusively in Germany and are predominantly active in Eastern Germany (Berlin, Brandenburg, Saxony Anhalt, Saxony, Thuringia), as well as in selected regions in Western Germany, in particular in North Rhine-Westphalia and Hesse.

Competitive Strengths

We believe that our business is characterized by the following competitive strengths:

- We operate in the highly attractive German cable market.
- We hold regional leadership positions in Eastern Germany, an environment with attractive growth opportunities.
- We have stable and long-term client relationships which secure stable and predictable revenues from our CATV business as well as additional cross- and up-selling opportunities.
- We have a proven cable growth strategy and clearly defined investment plans.
- We have built a highly competitive integrated and upgraded "own" Level 3/4 network with attractive upside potential.
- We rely on an experienced management team.

Strategy

Our growth strategy is set up around our three key strategic objectives of achieving an RGU per subscriber of 1.7, increasing the percentage of homes connected to our "own" L3/L4 networks and upgraded to two-way transmission to 70% and reaching a blended monthly ARPU of €17 in the medium term. We aim to achieve these objectives by pursuing the following strategies:

- Increase blended ARPU and number of RGUs through higher penetration of existing basic CATV customer base with Internet, telephony and Premium TV offerings.
- Continue to upgrade our network and to increase "own" L3/L4 network infrastructure.
- Drive innovation by introducing innovative and comprehensive multimedia services and products.
- Strive for operational excellence through high quality of our services and a lean organization with customer focus.
- Play an active role in the ongoing consolidation of the L4 network operators.

B.4a	**Description of the most significant recent trends affecting the issuer and the industries in which it operates.**	Our business depends on the demand of German customers for television, Internet and telephony services as well as the housing associations' award of contracts. The German telecommunications and media market is characterized by convergence. Telephony and multimedia services are increasingly provided using a unified infrastructure and customers are seeking to receive television, multimedia and high-speed broadband Internet and telephony services from one provider at attractive prices for each service and, in particular, in relation to transmission quality and bandwidth offered. In response, service providers are bundling one or more combinations of (digital) television, broadband Internet access and telephony services.

In the German TV market, a significant trend has been the increase in pay-TV penetration, i.e. digital television services which can be purchased in addition to basic cable/satellite TV offerings. It was 10% in 2009 and reached 14% in 2012 (Source: Solon, Strategien und Visionen 2013). The German cable network market has been influenced by the historical split between regional L3 network operators and L4 network operators. Due to its former monopoly, Deutsche Telekom AG ("**DTAG**") was generally permitted to control the implementation of the build-out of the cable network and of telecommunications services in Germany until 1996, when the German Telecommunications Act (*Telekommunikationsgesetz*) came into force and DTAG was obliged to open and sell its network to competitors. As a result, following several mergers and acquisitions, two large competitors currently own the major part of the regional L3 networks, i.e., Kabel Deutschland Holding AG ("**KD**" and, after the takeover by Vodafone group ("**Vodafone**"), "**Vodafone/KD**") and Unitymedia Kabel Baden-Württemberg ("**Unitymedia/KBW**"). The L4 network was not part of the former monopoly of DTAG. In recent years, industry consolidation of L4 network operators has occurred and the five major L4 network operators in our core regions are currently Vodafone/KD, Unitymedia/KBW, PrimaCom Berlin GmbH ("**PrimaCom**"), Pepcom GmbH ("**Pepcom**") and the Group.

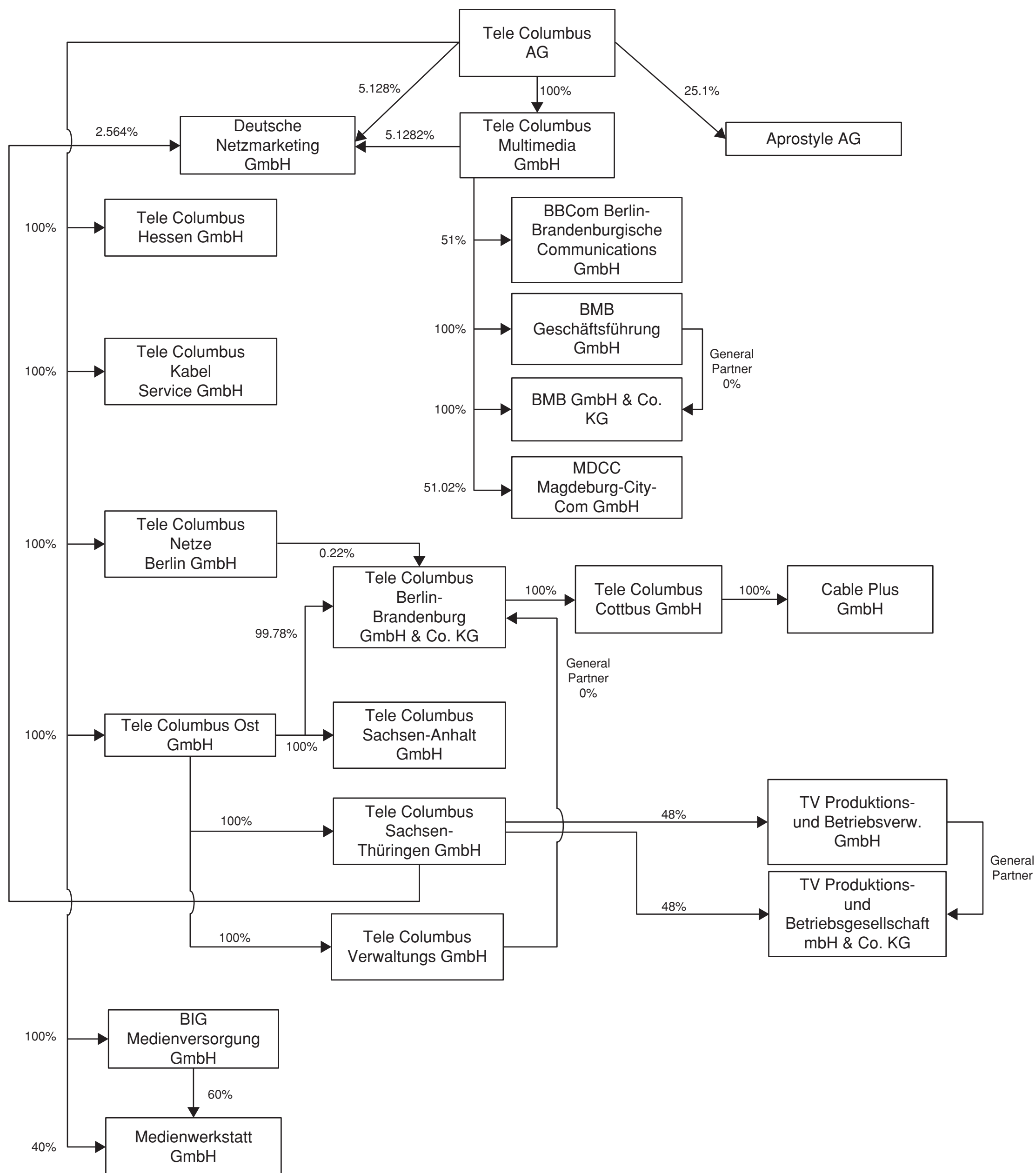
The German Internet market has been characterized by an increasing demand for bandwidth offered and a shift from DSL technology to cable. With approximately 18% of total Internet connections in 2013 (compared to approximately 11% in 2010), the cable segment is the fastest growing Internet access platform and continues to gain market share from the DSL segment (Sources: ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet; VATM, TK-Marktanalyse Deutschland 2013). In addition, the German government pursues the objective to secure broadband Internet with a bandwidth of at least 50 Mbit/s for practically all of the population in 2018, while the EU Commission aims for 100 Mbit/s bandwidth for 50% of the EU population until 2020. There are several subsidy programs available in Germany for the extension of infrastructure in certain areas, such as the program announced by the Federal State of Bavaria for high bandwidth Internet connections in rural areas.

Growth in the German fixed-line telephony market has become increasingly dependent on a quality broadband offering, given that telephony is increasingly bundled with broadband services and often provided on the basis of Internet protocol technology (Voice-over-IP). Fixed-line telephony has experienced significant price erosion, with operators predominantly offering flat-rate products. Competition in the fixed-line telephony market has increased due to the emergence of resellers, alternative carriers, declining mobile phone charges (and resulting mobile substitution) and alternative access technologies and service providers such as Skype. Under these market conditions, the market share of cable operators in the fixed line telephony market has increased consistently from 3.8% or 1.5 million subscribers in 2008 to 13.1% or 4.8 million subscribers in 2013 (Source: VATM, TK-Marktanalyse Deutschland 2013).

Our business has been affected by the upgrade of our network and the migration of our subscribers to our "own" network. In the recent past, in particular due to a major restructuring of our liabilities in 2011 and a terminated acquisition process by KD in 2012/2013, our means available for investments in the upgrade of our network were limited. Most recently, the restructuring of the Group in preparation for this offering took place, which separated the core operating business (including financing) from assets no longer considered material for the business of the Group and from subordinated shareholder financing.

B.5 **Description of the group and the issuer's position within the group.**

The Group is headed by Tele Columbus AG. The following chart provides an overview (in simplified form) of the direct and indirect shareholdings of the Group as of the date of the Prospectus:



B.6 **Persons who, directly or indirectly, have an interest in the issuer's capital or voting rights or have control over the issuer.**

Immediately prior to this offering, Tele Columbus Management S.à r.l., Luxembourg ("**TC Management**" or the "**Selling Shareholder**"), holds 100% of the ordinary registered shares with no par value (*Stückaktien*) currently issued by the Company. Upon completion of the offering, the Selling Shareholder will continue to hold 10% of the Company's share capital (assuming the full placement of the Offer Shares and a full exercise of the Greenshoe Option as defined below in E.3).

The sole shareholder of TC Management is Tele Columbus Holdings SA, Luxembourg, a non-publicly listed stock corporation. The shares in Tele Columbus Holdings SA are held by approximately 150 shareholders, which are registered in a non-public and confidential shareholder register under Luxembourg law held by Tele Columbus Holdings SA. As of December 31, 2014, the economic and voting interest on an as-converted basis (i.e. assuming that all outstanding warrants held by shareholders of

		Tele Columbus Holdings SA have been converted into shares of Tele Columbus Holdings SA) held by Tele Columbus New Management Participation GmbH & Co. KG ("**TC MP KG**") in Tele Columbus Holdings SA amounted to approximately 16.75% of the total economic and voting interest in Tele Columbus Holdings SA on an as-adjusted basis (i.e. after applying an adjustment factor pursuant to an agreement among the shareholders of Tele Columbus Holdings SA). On a look-through basis and based on the Company's share capital at the date of the Prospectus, TC MP KG holds approximately 16.75% of the share capital of the Company. TC MP KG is an investment vehicle of certain managers and certain members of the Supervisory Board of the Company. Tele Columbus Holdings SA is not listed, but the shares are traded on non-regulated platforms and markets. Certain shareholders of Tele Columbus Holdings SA informed the Company, that their indirect shareholdings in the Company (on a look-through basis) were as follows as of December 31, 2014 (after certain outstanding warrants held by shareholders of Tele Columbus Holdings SA would have been converted in shares of Tele Columbus Holdings SA): York Global Finance Offshore BDH (Luxembourg) S.àr.l.: 23.2%, Burlington Loan Management Limited: 9.7%, Silver Point Luxembourg Platform S.àr.l.: 7.6%, Citigroup Global Markets Limited: 5.5% and Goldman Sachs: 5.3%. The identity of other shareholders that directly or indirectly hold more than 3% in the Company's shareholdings is not known to the Company.
	Voting rights.	Each share entitles the shareholder to one vote at the general shareholders' meeting (*Hauptversammlung*) of the Company. There are no restrictions on voting rights.
	Whether the issuer is directly or indirectly owned or controlled and by whom and description of the nature of control.	The Company is directly controlled by TC Management which holds 100% of the shares and voting rights in the Company and, resulting therefrom, has the power to govern the financial and operating policies of the Company. Upon completion of the offering, TC Management will hold 10% of the Company's share capital (assuming the full placement of the Offer Shares and a full exercise of the Greenshoe Option as defined below in E.3) and therefore will no longer control the Company.
B.7	**Selected historical key financial information.**	The audited combined financial statements as of and for the financial years ended December 31, 2013, 2012 and 2011 were prepared in accordance with IFRS as adopted by the European Union ("**Audited Combined Financial Statements**"). They have been audited in accordance with Section 317 of the German Commercial Code (*HGB*) and German generally accepted standards for the audit of financial statements, which are promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*), by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Germany ("**KPMG**"), who issued an unqualified audit opinion thereon. The unaudited condensed interim financial statements of TC Group for the nine-month period ended September 30, 2014 (including combined comparative figures for the nine-month period ended September 30, 2013), have been prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34) ("**Unaudited Condensed Interim Financial Statements**"). Both the Audited Combined Financial Statements and the Unaudited Condensed Interim Financial Statements (together the "**Financial Statements**") were prepared on the basis of the total cost method. In the Prospectus, where financial information regarding the TC Group is labelled "audited", it means that this information was taken from the Audited Combined Financial Statements of TC Group, as of and for the financial years ended December 31, 2013, 2012 and 2011. The label "unaudited" is used in the Prospectus to indicate financial information that was taken or derived from our accounting records, internal management reporting systems or our Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014.

Selected Financial Information from the Income Statement

The following table shows selected income statement data of the Group for the nine-month periods ended September 30, 2014 and 2013 and selected combined income statement data of the Group for the financial years ended December 31, 2013, 2012 and 2011:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(audited unless otherwise indicated)		
	(in € million)				
Revenues[3]	159.4	153.5	206.2	205.3	204.7
Own work capitalized	4.7	3.5	6.9	7.0	6.7
Other income[3]	7.2	8.3	26.1	60.0	20.6
Total operating performance	**171.2**	**165.3**	**239.2**	**272.3**	**231.9**
Cost of materials[3]	(54.6)	(56.8)	(83.8)	(91.4)	(93.5)
thereof CATV signal fees (unaudited)	*(24.4)*	*(23.3)*	*(31.0)*	*(34.7)*	*(37.4)*
Personnel expenses[3]	(23.9)	(23.5)	(31.7)	(31.0)	(31.0)
Other expenses[3]	(27.9)	(22.2)	(32.5)	(32.1)	(33.5)
EBITDA[1][3]	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
Amortization and depreciation	(40.2)	(46.7)	(62.8)	(62.9)	(57.4)
EBIT[2]	**24.7**	**16.1**	**28.3**	**54.9**	**16.5**
Profit from investments in associates	0.0	0.0	0.0	0.0	0.1
Interest and similar income	0.0	0.1	0.4	0.6	0.5
Interest and similar expenses	(33.2)	(21.3)	(28.3)	(32.3)	(34.9)
Other finance income/costs	(1.1)	(0.1)	(0.5)	(0.1)	(2.6)
Profit before tax	**(9.6)**	**(5.2)**	**(0.0)**	**23.2**	**(20.5)**
Income tax expenses	(4.7)	(7.6)	(8.6)	(2.7)	(1.1)
Profit/loss for the period	**(14.3)**	**(12.8)**	**(8.6)**	**20.5**	**(21.6)**
Profit/loss attributable to owners of TC Group	(16.0)	(15.0)	(12.0)	17.6	(23.9)
Profit/loss attributable to non-controlling interests	1.7	2.2	3.3	2.9	2.3

(1) EBITDA is defined as net income (or loss) before amortization and depreciation, financial income and expenses and income taxes. EBITDA Margin represents EBITDA as a percentage of external revenues.

(2) EBIT is defined as net income (or loss) before financial income and expenses and income taxes.

(3) The following table shows non-recurring items included in our revenues, other income, cost of materials, personnel expenses and other expenses as well as total non-recurring items included in our EBITDA:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited unless otherwise indicated)		
	(in € million)				
EBITDA (audited)	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
Revenues	(0.1)	0.0	0.0	0.0	0.0
Other income[1]	(0.9)	(2.1)	(15.7)	(49.3)	(9.3)
Costs of materials[2]	1.2	0.1	1.7	10.6	6.3
Personnel expenses[3]	0.7	2.3	3.2	1.5	0.4
Other expenses[4]	7.1	3.2	7.7	6.5	7.1
Total non-recurring items	**8.0**	**3.6**	**(3.1)**	**(30.7)**	**4.5**
Normalized EBITDA[5]	**72.9**	**66.3**	**88.1**	**87.1**	**78.4**

(1) Includes non-recurring income in connection with a claim by KD against us for €38 million plus interest, ordering us to repay the purchase price paid by KD for an earlier acquisition of certain assets from the former Tele Columbus group, for which we established a provision, which was released in 2012 (the "**KD/Brenda Award**") as well as gains from asset sales, Eutelsat contract provisions, other provisions and the pass-through of costs and release of provisions in connection with financial restructuring.

(2) Includes non-recurring costs in connection with the Eutelsat contract provisions, parts of the costs related to Empire I and Empire II and parts of the costs related to other non-recurring items.

(3) Includes non-recurring expenses in connection with redundancy payments.

(4) Includes non-recurring expenses in connection with the KD/Brenda Award, parts of the costs related to Empire I and Empire II, financial restructuring costs, other net legal and consultancy fees and parts of the costs related to other non-recurring items.

(5) We define Normalized EBITDA as earnings before the financial result (earnings from investments in associates, interest income, interest expense and other financial result reported using the equity accounting), income taxes and depreciation and amortization of intangible assets and goodwill adjusted for non-recurring items.

Selected Financial Information from the Statement of Financial Position

The following table shows selected statement of financial position data of the Group as of September 30, 2014 and selected combined statement of financial position of the Group as of December 31, 2013, 2012 and 2011:

	As of September 30,	As of December 31,		
	2014	2013	2012	2011
	(unaudited)	(audited)		
	(in € million)			
Non-current assets				
Property, plant and equipment	200.8	207.8	206.9	204.5
Intangible assets and goodwill	383.4	372.2	380.7	386.1
Total non-current assets	**585.7**	**591.7**	**598.7**	**601.7**
Current assets				
Trade receivables	21.2	18.9	18.5	16.3
Cash and cash equivalents	36.1	70.5	22.0	45.6
Total current assets	**81.3**	**104.7**	**71.0**	**76.6**
Total assets	**667.1**	**696.4**	**669.7**	**678.3**
Equity				
Equity attributable to owners of TC Group	(104.3)	(68.2)	(88.7)	(107.5)
Total equity	**(99.6)**	**(61.5)**	**(82.6)**	**(101.8)**
Non-current liabilities				
Other provisions	7.8	11.4	27.0	20.8
Interest-bearing liabilities	630.2	43.5	601.9	597.0
Liabilities to related parties	0.0	13.2	19.4	19.1
Trade payables	35.7	32.7	27.0	25.6
Total non-current liabilities	**684.2**	**111.7**	**685.3**	**670.3**
Current liabilities				
Interest-bearing liabilities	2.6	578.1	11.2	13.7
Trade payables	37.2	43.2	27.9	30.6
Other financial liabilities	0.3	4.6	4.3	38.1
Other payables	15.8	8.0	7.2	15.6
Total current liabilities	**82.4**	**646.2**	**67.1**	**109.8**
Total equity and liabilities	**667.1**	**696.4**	**669.7**	**678.3**

Selected Financial Information from the Statement of Cash Flows

The following table shows an excerpt of certain line items of the statement of cash flows of the Group for the nine-month periods ended September 30, 2014 and 2013 and of the combined statement of cash flows of the Group for the financial years ended December 31, 2013, 2012 and 2011:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	(in € million)				
Net cash from operating activities	46.6	33.0	72.3	77.1	81.9
Net cash used in investing activities	(34.0)	(24.2)	(44.0)	(54.0)	(64.6)
Net cash from (used in) financing activities	(47.4)	9.2	5.8	(31.5)	(16.5)
Cash and cash equivalents as at the end of the reporting period	35.7	40.1	56.1	37.2	45.3
Liquid cash and cash equivalents as at the end of the reporting period	36.1	54.5	70.5	22.0	45.6

Selected Other Financial Data

We use several financial and non-financial key performance indicators, including RGUs, ARPU, EBITDA adjusted for exceptional non-recurring items (Normalized EBITDA) and normalized contribution margin, to track the financial performance of our business and to guide our management. None of these measures are measures of financial performance under IFRS, nor have these measures been reviewed by an outside consultant, expert or auditor. Unless otherwise noted, all of these non-IFRS measures are derived from management estimates. These non-IFRS measures are defined by our management and may not be comparable to similar measures used by other companies. Our management considers Normalized EBITDA to be one of several useful measures of performance for managing the business of the Group. This is a measure which is widely used in our industry. Other companies may use different adjustments or calculate these adjustments differently, and similarly titled measures published by them may therefore not be comparable to ours.

The following table shows EBITDA, Normalized EBITDA and Normalized EBITDA margin of the Group for the nine-month periods ended September 30, 2014 and 2013 and the financial years ended December 31, 2013, 2012 and 2011:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited unless otherwise indicated)		
	(in € million unless otherwise indicated)				
EBITDA (audited)	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
EBITDA margin (in % of revenues)	**40.7**	**40.8**	**44.2**	**57.4**	**36.1**
KD/Brenda Award	0.0	0.0	0.0	(38.0)	0.5
Gains/losses from asset sales	(0.5)	(0.6)	(0.7)	(0.4)	(0.7)
Eutelsat contract provisions[(1)]	1.0	0.0	(10.3)	8.1	3.5
Other provisions	0.0	0.0	(0.2)	(0.8)	(0.5)
Empire I and Empire II	0.1	0.0	0.0	0.1	0.9
Redundancy payments	0.7	2.3	1.7	0.4	0.2
Financial restructuring costs	5.5	1.5	3.8	5.4	2.6
Financial restructuring (pass-through of costs/release of provisions)	0.0	(0.8)	(1.5)	(9.3)	(6.3)
Other net legal and consultancy fees	0.5	0.6	0.6	0.1	0.5
Other non-recurring items[(2)]	0.8	0.6	3.5	3.7	3.8
Total non-recurring items	8.0	3.6	(3.1)	(30.7)	4.5
Normalized EBITDA	**72.9**	**66.3**	**88.1**	**87.1**	**78.4**
Normalized EBITDA margin (in % of revenues adjusted for non-recurring items)	**45.8**	**43.2**	**42.7**	**42.4**	**38.3**

(1) These amounts differ from the amounts by which provisions for expected losses on our Eutelsat agreement were established in 2012 and released in 2013, as the amount of the provisions was affected by several factors, such as new estimates in business plans, payments made under the Eutelsat agreement and renegotiations of the Eutelsat agreement, which partially offset each other and partially were not categorized as non-recurring.

(2) Includes expenses related to the migration to the SEPA payment transaction system, an agreement with NetCom Kassel GmbH (including, in particular, a termination fee), the streamlining of our customer portfolio ("Project Harmony"), significant increases of the prices of our products in 2008 and 2009, in some cases by 30%, as a result of which a significant proportion of customers terminated, or chose not to renew, the contracts concluded during that period ("Project Sunrise"), the relocation of our headquarters from Ernst-Reuter-Platz, Berlin, to Goslarer Ufer, Berlin, set-up costs of our quality contact center at our headquarters, an agreement with Deutsche Annington Immobilien AG (including, in particular, litigation costs) and provisions for contingent losses due to construction and deconstruction obligations under our lease agreement regarding our former headquarters at Ernst-Reuter-Platz, Berlin.

Selected Operating Data

The following table shows selected operating data of the Group as of or for the three-month period ended September 30, 2014 and as of or for the financial years ended December 31, 2013, 2012 and 2011:

	As of or for the Three-Month Period ended September 30	As of or for the Financial Year ended December 31,		
	2014	2013	2012	2011
	(unaudited) (in thousands unless otherwise indicated)			
Network				
Homes connected	1,720	1,749	1,856	1,963
Homes upgraded	1,068	1,040	1,016	928
% of homes connected	62%	59%	55%	47%
Own homes (homes not connected to 3rd party L3)	1,194	1,197	1,250	1,273
% of homes connected	69%	68%	67%	65%
Own homes upgraded	932	891	881	789
% of homes connected	54%	51%	48%	40%
Subscribers				
Unique subscribers	1,291	1,302	1,353	1,447
RGUs				
CATV	1,320	1,338	1,416	1,538
thereof CATV on own network	*919*	*917*	*950*	*972*
Premium TV	163	164	153	142
Internet	197	174	135	115
Telephony	166	146	112	87
Total RGUs	**1,846**	**1,822**	**1,816**	**1,881**
RGUs per unique subscriber (in units)	1.43	1.40	1.34	1.30
Penetration (in %)				
Internet in % of homes upgraded	18.4	16.7	13.3	12.4
Internet in % of own homes upgraded	20.1	18.5	14.5	13.7
Premium TV in % of CATV RGUs on own network	17.7	17.9	16.1	14.6
% of bundles(1)	73.0	71.9	68.2	63.9
Year-End ARPU(2) (in €/month for the year)				
Blended TV Year-End ARPU(2) per unique subscriber(4)	—	9.6	9.3	9.0
Blended Internet & telephony Year-End ARPU(2) per unique subscriber(5)	—	22.9	22.5	23.3
Total blended Year-End ARPU(2) per unique subscriber	**—**	**13.4**	**11.6**	**12.0**
Year-Average ARPU(3) (in €/month for the year)				
Blended TV Year-Average ARPU(3) per unique subscriber(4)	—(6)	9.5	9.4	9.2
Blended Internet & telephony Year-Average ARPU(3) per unique subscriber(5)	—(6)	22.4	21.9	21.9
Total blended Year-Average ARPU(3) per unique subscriber	**—(6)**	**13.2**	**12.4**	**11.6**

(1) Based on subscribers segmented by bundles, only Internet and only telephony.

(2) Year-End ARPU is defined as average revenues generated per unique subscriber calculated by dividing December subscription revenues (including discounts, credits and installation fees) by December subscribers/RGUs.

(3) Year-Average ARPU is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the year by the sum of the monthly total number of subscribers/RGUs for the year.

(4) Includes RGUs with partial services (*Teilregelleistung*) and Premium TV services.

(5) Includes Internet and telephony. Based on Internet RGUs.

(6) Quarterly-Average ARPU, which is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from provision of services during the relevant quarter by the sum of the monthly total number of subscribers/RGUs for the relevant quarter, was as follows for the three-month period ended September 30, 2014: Blended TV quarterly average ARPU per unique subscriber amounted to €9.7; blended Internet & telephony quarterly average ARPU per unique subscriber amounted to €21.8; total blended quarterly average ARPU per unique subscriber amounted to €14.0.

Selected Financial Data by Segment

We have changed our internal organization structure to reflect the economic characteristics of the Group and, as a result, have implemented a segment reporting with two segments, "TV" and "Internet and Telephony" in August 2014. In prior periods, we did not have reporting segments. As additional information, segment information was prepared retrospectively for the financial year 2013 and the nine-month period ended September 30, 2013 on the basis that is currently used in our reporting. This information is not available for the financial years 2012 and 2011. Segment assets and liabilities are not reported for operating segments as these measures are not used for decision making at segment level.

The following table shows selected financial data by segment of the Group for the nine-month period ended September 30, 2014:

	For the Nine-Month Period ended September 30, 2014 (unaudited) (in € million unless otherwise indicated)			
	TV	**Internet and Telephony**	**Reconciliation to interim financial statements[1]**	**Group total**
Revenues	**117.7**	**38.5**	**3.2**	**159.4**
EBITDA	**60.7**	**22.4**	**(18.2)**	**64.9**
Non-recurring expenses/income	0.9	0.1	7.0	8.0
Normalized EBITDA	**61.6**	**22.5**	**(11.1)**	**72.9**
Normalized contribution margin[2]	**65.6%**	**90.1%**	**—**	**—**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Normalized contribution margin is defined as total operating performance (total revenues, own work capitalized and other income) less cost of materials divided by total revenues.

The following table shows selected financial data by segment of the Group for the nine-month period ended September 30, 2013:

	For the Nine-Month Period ended September 30, 2013 (unaudited) (in € million unless otherwise indicated)			
	TV	**Internet and Telephony**	**Reconciliation to interim financial statements[1]**	**Group total**
Revenues	**119.0**	**31.5**	**3.0**	**153.5**
EBITDA	**63.6**	**12.3**	**(13.2)**	**62.7**
Non-recurring expenses/income	0.4	0.4	2.7	3.6
Normalized EBITDA	**64.0**	**12.8**	**(10.5)**	**66.3**
Normalized contribution margin[2]	**66.6%**	**74.0%**	**—**	**—**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Normalized contribution margin is defined as total operating performance (total revenues, own work capitalized and other income) less cost of materials divided by total revenues.

The following table shows selected financial data by segment of the Group for the financial year ended December 31, 2013:

	For the Financial Year ended December 31, 2013 (unaudited unless otherwise indicated) (in € million)			
	TV	**Internet and Telephony**	**Reconciliation to combined financial statements[1]**	**Group total**
Revenues	**158.9**	**43.3**	**4.1**	**206.2**[2]
EBITDA	**88.9**	**20.8**	**(18.5)**	**91.2**[2]
Non-recurring expenses/income	(9.4)	0.6	5.8	(3.1)
Normalized EBITDA	**79.5**	**21.3**	**(12.7)**	**88.1**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Audited.

Significant changes to the issuer's financial condition and operating results.	The following changes in our financial condition and operating results, as defined by revenues and the results from operations, occurred in the nine-month periods ended September 30, 2014 and 2013 and in the financial years 2013, 2012 and 2011: *Nine-Month Periods Ended September 30, 2014 and 2013* Total revenues in the nine-month period ended September 30, 2014 were €159.4 million, an increase by €5.9 million, or 3.8%, from the prior year period. Thereof, €117.7 million were generated in our TV segment (compared to €119.0 million in the nine-month period ended September 30, 2013), while €38.5 million were generated in our Internet and Telephony segment (compared to €31.5 million in the nine-month period ended September 30, 2013). The increase in revenues was the result of several factors that partly offset each other. CATV revenues decreased in the nine-month period ended September 30, 2014 due to a loss of housing associations contracts. This loss was mainly due to customers not willing to renew the contract with us at the existing or the newly proposed price level or we were not willing to commit to the investments required by the customer. This decrease in CATV revenues was offset by strong growth in revenues in our Internet and Telephony segment in the nine-month period ended September 30, 2014 and was complemented by an increase in growth in our Premium TV revenues. EBITDA in the nine-month period ended September 30, 2014 was €64.9 million, an increase by €2.2 million, or 3.5%, from the prior year period, while Normalized EBITDA in the nine-month period ended September 30, 2014 was €72.9 million, an increase by €6.6 million, or 10.0%, from the prior year period. As of September 30, 2014, we had a total of 1,846 thousand RGUs which almost equaled the amount of RGUs as of December 31, 2011. However, the composition of our RGUs changed to reflect the increasing demand for our Internet and telephony services and that a growing number of our subscribers purchase more than one of our service offerings. *Financial Years 2013, 2012 and 2011* Total revenues for the financial year ended December 31, 2013 were €206.2 million (thereof €158.9 million in our TV segment and €43.3 million in our Internet and Telephony segment), an increase by €0.9 million, or 0.4%, from the prior financial year as the result of several factors that largely offset each other. Total revenues for the financial year ended December 31, 2012 were €205.3 million, an increase by €0.6 million, or 0.3%, from the prior financial year. This increase was primarily due to increasing revenues from Internet and telephony services, which were partly offset by declining TV revenues mainly due to a loss of housing association contracts after the announcement of the KD Acquisition in May 2012. EBITDA increased from €73.9 million in 2011 by €43.9 million, or 59.4%, to €117.8 million in 2012 and thereafter decreased by €26.6 million, or 22.6%, to €91.2 million in 2013, while Normalized EBITDA increased from €78.4 million in 2011 by €8.7 million, or 11.1%, to €87.1 million in 2012 and by a further €1.0 million, or 1.1%, to €88.1 million in 2013. Compared to 2011, EBITDA increased by more than €17 million and Normalized EBITDA increased by approximately €10 million. Both the increase in EBITDA and the increase in Normalized EBITDA were due to higher revenues, in particular from Internet and telephony services, and cost savings from the migrations of our subscribers from third party L3 networks to our "own" L3 networks. As of December 31, 2013, we had a total of 1,822 thousand RGUs, which almost equaled the amount of RGUs as of December 31, 2011. However,

the composition of our RGUs changed to reflect the increasing demand for our Internet and telephony services and that a growing number of our subscribers purchase more than one of our service offerings. In the financial year ended December 31, 2013, total blended Year-End ARPU increased by €1.4, or 11.7%, to €13.4 from €12.0 in the financial year ended December 31, 2011. Total blended Year-Average ARPU increased from €11.6 in the financial year ended December 31, 2011 to €13.2 in the financial year ended December 31, 2013. The increase in blended Year-End ARPU resulted primarily from a higher number of Internet and telephony RGUs which have a significantly higher Year-End ARPU than our TV RGUs.

Financial Position

During the entire periods under review, our equity on a consolidated basis was negative, however the equity of the Company in its stand-alone financial statements in accordance with HGB was positive as of September 30, 2014. This was primarily due to accumulated losses from the past which, among other things, were due to our negative financial result caused by our high leverage and high interest rates, high amortization and depreciation as well as high legal, consulting and restructuring expenses in these historical periods.

From 2012 to 2013, our non-current liabilities decreased and our current liabilities increased significantly. Our non-current liabilities amounted to €111.7 million as of December 31, 2013 compared to €685.3 million as of December 31, 2012, while our current liabilities amounted to €646.2 million as of December 31, 2013 and €67.1 million as of December 31, 2012. These developments were primarily due to a lapse of time and, thus, a shift of term loans' maturity profile. As the maturities were extended in the first quarter of 2014 by way of a scheme of arrangement under English law, our non-current liabilities again increased to €684.2 million and our current liabilities again decreased to €82.4 million, in each case with effect as of September 30, 2014.

Cash Flows

In the nine-month period ended September 30, 2014, our net cash flow from operating activities increased by 41.2% to €46.6 million from the prior year period. In 2013 and in 2012, it amounted to €72.3 million and €77.1 million, respectively, a decrease of 6.2% and 5.9%, respectively, from the respective prior year period.

In the nine-month period ended September 30, 2014, our net cash flow from investing activities amounted to negative €34.0 million, an decrease by 40.5% from the prior year period. In 2013 and 2012, it amounted to negative €44.0 million and negative €54.0 million, respectively, an increase of 18.5% and 16.4% from the respective prior year period.

In the nine-month period ended September 30, 2014, our net cash flow from financing activities amounted to negative €47.4 million, a decrease from positive €9.2 million in the prior year period. In 2013 and 2012, it amounted to €5.8 million and negative €31.5 million, respectively, an increase by €37.3 million and a decrease of 90.9% from the respective prior year period.

Recent Developments

In November 2014, we launched our new triple play products comprising broadband Internet, telephony and cable television (CATV and Premium TV). We offer our customers three different kinds of products: a "Kombi 50 HD" package (including a telephone flat rate, Internet access at 50 Mbit/s as well as more than 100 digital TV programs, thereof 37 in HD quality); a "Kombi 50 Extra HD" package (including our Kombi 50 HD package and 30 additional Premium TV programs, thereof 10 in HD

		quality); and a "Kombi 50 Sky" package (including our Kombi 50 HD package and the Sky World package). This allows our customers to benefit from three services in one bundle for a lower price. In April 2015, we plan to launch our new Internet offering comprising download rates of up to 400 Mbit/s which is double the speed of currently available download rates in the German market. This new offering will initially be started in the city area of Potsdam and apply for approximately 40 thousand homes connected. In October 2014, our housing association contract with HOWOGE, a housing association in Berlin, had expired and was not renewed as planned. Due to this expiry we lost 26,804 homes connected. The number of RGUs therefore decreased by 22 thousand and the number of total RGUs decreased from 1,846 thousand on September 30, 2014 to 1,829 thousand on October 31, 2014 (part of the loss was offset by new homes contracted).
B.8	**Selected key pro forma financial information.**	Not applicable. No pro forma financial information has been prepared by the Company.
B.9	**Profit forecast or estimate.**	Not applicable. No profit forecast or profit estimate is being presented by the Company.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit report on the historical financial information included in the Prospectus has been issued without qualifications.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The issuer's working capital is sufficient for its present requirements.
C—Securities		
C.1	**A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.**	Ordinary registered shares with no par value, each with a notional value of €1.00 in the share capital and full dividend rights as from January 1, 2014. International Securities Identification Number (ISIN): DE000TCAG172 German Securities Code (*Wertpapierkennnummer*) (WKN): TCAG17 Common Code: 112065091
C.2	**Currency of the securities issue.**	Euro.
C.3	**The number of shares issued and fully paid and issued but not fully paid.**	The share capital of the Company is divided into 20,025,000 ordinary registered shares with no par value (*Stückaktien*) as of the date of the Prospectus.
	The par value per share, or that the shares have no par value.	The extraordinary general shareholders' meeting of the Company held on January 11, 2015 resolved on a capital increase against cash contributions by issuing up to 37,500,000 ordinary registered shares with no par value, which will be offered in this offering (the "**New Shares**"). The resolution on the capital increase is expected to be registered on January 15, 2015. On January 20, 2015, the Management Board will resolve, such resolution to be approved by the Supervisory Board on the same day, on the number of New Shares to be issued. The implementation of the capital increase regarding the New Shares is expected to be registered on January 21, 2015. Assuming full exercise of the Greenshoe Option (as defined below in E.3), the Company will issue further 3,750,000 ordinary registered shares with no par value from the authorized capital resolved by the

		general shareholders' meeting on September 10, 2014, as amended on January 11, 2015, ("**Authorized Capital 2014**") at the offer price. All shares issued as of the date of the Prospectus are, and all shares that will be issued prior to commencement of trading will be, fully paid up.
C.4	**A description of the rights attached to the securities.**	Each of the shares of the Company entitles the shareholder to one vote at the general shareholders' meeting of the Company. The New Shares carry full dividend rights as from January 1, 2014, i.e. for the full financial year 2014 and for all subsequent financial years. In the event of the Company's liquidation, the Company's assets that remain after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. The shares are freely transferable in accordance with the legal requirements for ordinary registered shares. There are no restrictions on the transferability of the Company's shares other than the lock-up agreements described below under E.5.
C.6	**An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.**	The Company expects to apply for admission of its shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) on January 12, 2015. The application for admission to trading will also include the New Shares. An admission decision regarding the shares of the Company and the New Shares is expected to be announced on January 21, 2015. Trading of the shares of the Company (including the New Shares) on the Frankfurt Stock Exchange is expected to commence on January 23, 2015.
C.7	**A description of dividend policy.**	In view of our investment requirements over the next few years and in the light of our current leverage, we do not expect to pay dividends for the financial years 2014 or 2015. From 2016 onwards, we will evaluate the potential for dividend payments reflecting our profitability levels, cash flows and planned investments. Under the new post-IPO financing agreement (the "**IPO Financing Agreement**"), the Company is restricted from paying any dividends or making other distributions to its shareholders as long as the relevant leverage ratio of the Group (i.e. the ratio of total net debt to Normalized EBITDA) exceeds the ratio of 4.0:1.0.
D—Risks		The following risks, alone or together with additional risks and uncertainties not currently known to the Company or that the Company might currently deem immaterial, could materially adversely affect the Group's business, financial condition and results of operations. If any of these risks were to materialize, investors could lose all or part of their investments. The order in which the risk factors are presented is not an indication of the likelihood of the risks actually occurring, the significance or degree of the risks or the scope of any potential impairment to the Group's business. The risks mentioned could materialize individually or cumulatively.
D.1	**Key information on the key risks that are specific to the issuer or its industry.**	***Risks Relating to Our Business and the Industry in which we operate*** • We operate in a highly competitive industry and competitive pressures could have a material adverse effect on our business. • We may fail to successfully market our existing products and services or fail to introduce and establish new or enhanced products and services.

- We may fail to keep our contracts with housing associations on commercially attractive terms or to enter into attractive new contracts with housing associations.
- Customer churn may rise and the number of our CATV subscribers may decline.
- Our business and the German market in which we operate may not be comparable with other cable companies and cable markets and we may not be able to achieve our strategic targets.
- Our business is subject to rapid technological changes and our markets are becoming increasingly competitive as a result of advances in technology and the progressive convergence of markets that used to be distinct.
- The rollout or improvement of competing technologies may disrupt the market for Internet access.
- An increase in market share of satellite distribution and other TV distribution technologies may negatively impact our CATV and Premium TV business.
- Our business is capital intensive, and we may fail to maintain, improve and further develop our cable network.
- We rely on Unitymedia/KBW, Vodafone/KD and others for signal delivery and on Eutelsat for TV platform and satellite transmission services.
- We do not have guaranteed access to programs and are dependent on program and platform capacity providers, broadcasters and collecting societies administering copyrights.
- We rely on third parties for access to and the operation of certain parts of our network.
- Events beyond our control could result in damage to our cable network, central systems and service platforms.
- We rely on third parties to provide services to our customers.
- Our conditional access systems are dependent on licensed technology and subject to illegal piracy risks.
- Sensitive customer data is an important part of our daily business, and leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect our business.
- We need to attract and retain strong executives and other personnel.
- Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.
- Our acquisitions may fail to deliver the expected results and may burden us with significant costs.
- We are subject to risks from legal and arbitration proceedings and may be prevented from pursuing our business activities or significant costs could arise.
- We face the risk of further market consolidation, which could result in additional competitive pressure.

Risks Relating to Our Financing Structure

- The Group may be adversely affected by its leverage and debt service obligations, including restrictions on our business and financial

		flexibility under the financing agreements, and financing may not be available in the required scope to meet our working capital needs or may only be available on less favorable terms in the future. • Our indebtedness imposes restrictions which limit our operating flexibility. • The loans under the IPO Financing Agreement will bear interest at a variable interest rate which could rise significantly, increasing our interest costs. • The Group's equity is negative which may have an adverse effect on the negotiations of agreements, in particular supply agreements. ***Risks Relating to Regulatory and Legislative Matters*** • We are subject to burdensome government regulation. • Government subsidies and other regulations may distort the markets we operate in and favor our competitors. • The regulatory environment may favor our competitors, which could adversely affect our competitive position. • We are subject to "must-carry" rules that require us to transmit certain programs on our network and limit our ability to plan resources. • We are subject to consumer protection laws, and the general terms and conditions incorporated in our customer contracts may be unenforceable. • The Company may be exposed to risks relating to the Spin-Off in which it acquired the operating business of Tele Columbus GmbH. • We could be required to pay additional taxes and other duties as a result of tax audits or changes in our effective tax rate. ***Risks Relating to the Offering, the Listing and the Shareholder Structure*** • The offering might not be completed and investors could lose security commissions paid and be exposed to risks from any short selling of our shares. • The Company will face additional administrative requirements and incur higher ongoing costs as a result of the listing.
D.3	**Key information on the key risks that are specific to the securities.**	• Future sales or market expectations of sales of a large number of shares by existing shareholders could cause the share price to decline. • The Company's shares have not yet been publicly traded, and there is no guarantee that a liquid market will develop or continue following the initial public offering. • The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investments. • Future capital increases could be dilutive and lead to substantial reductions in the value of our shares. • The Company's ability to pay dividends will depend inter alia on its debt covenants as well as in part on the distribution or transfer of profits from its subsidiaries. • The offering price per share will exceed the book value per share of the Company's equity.
E—Offer		
E.1	**The total net proceeds and an estimate of the**	The Company will receive the proceeds resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option (as defined

total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.	below in E.3) is exercised, the proceeds resulting from the exercise of the Greenshoe Option. The Selling Shareholder will receive the proceeds resulting from the sale of the Secondary Shares (as defined below in E.3). The amount of the proceeds of the offering as well as the costs related to the offering, depend on the offer price, which also determines the Underwriters' commissions, and on the number of shares that will be placed in the offering. However, the Company will aim to achieve total gross proceeds of around €300 million (excluding any proceeds resulting from the exercise of the Greenshoe Option as defined below in E.3), which corresponds to a full placement of 30,000,000 offered New Shares to be placed at an offer price of €10, which corresponds to the mid-point of the price range set for the offering of the Offer Shares (as defined below in E.3) (the "**Price Range**"). The Company will pay the portion of the expenses related to the offering and listing of the New Shares and, if and to the extent the Greenshoe Option is exercised, the costs attributable to the exercise of the Greenshoe Option. Based on the aforementioned assumptions, the commission payable to the Underwriters and attributable to the Company will be €9.0 million (excluding any costs attributable to the exercise of the Greenshoe Option). The net proceeds of the Company after deduction of the commissions and the other costs attributable to the Company (i.e. the portion of the total costs of €14.9 million related to the New Shares) would amount to €281.0 million. If the offer price is set at the low or high end of the Price Range, the number of New Shares to be placed may be significantly higher or lower than at the mid-point of the Price Range. The decision on the number of New Shares to be placed will be made on January 20, 2015 (see C.3 for more information) and will be based on the then envisaged minimum offer price depending on the progress of the bookbuilding process. Assuming full exercise of the Greenshoe Option (as defined below in E.3) and placement of all New Shares, the Company expects total gross proceeds to amount to approximately €330.0 million at the mid-point of the Price Range. Based on the aforementioned assumptions, the total commission payable to the Underwriters (assuming payment in full of the discretionary fee) and attributable to the Company will be €9.9 million. The other offering costs attributable to the Company would amount to €10.0 million. The total net proceeds of the Company would amount to approximately €310.1 million at the mid-point of the Price Range. At the low end, mid-point and high end of the Price Range, gross proceeds to the Selling Shareholder (assuming placement of the applicable respective number of Secondary Shares as defined below in E.3 and calculated under the assumption that after completion of the offering the Selling Shareholder continues to hold 10% of the Company's share capital as described below in E.3) would amount to approximately €111.2 million, €147.2 million and €183.3 million, respectively. Assuming an offer price at the low end, mid-point and high end of the Price Range, and that the maximum number of Secondary Shares is placed, and assuming no preferential allocation (as explained below under E.3), and assuming further payment in full of the discretionary fee of up to €1.4 million, €1.8 million and €2.3 million at the low end, mid-point and high end of the Price Range, respectively, the commission payable by the Selling Shareholder to the Underwriters (including such discretionary fee) will amount to €3.3 million, €4.4 million and €5.5 million, respectively. The Selling Shareholder will bear the portion of the offering and listing costs related to the Secondary Shares. We estimate that at the low end, mid-point and high end of the Price Range, net proceeds (less the portion of costs attributable to the Selling Shareholder and assuming

		no preferential allocation (as explained below under E.3)) would amount to approximately €103.8 million, €137.9 million and €172.1 million, respectively. Investors will not be charged with expenses by the Company or the Underwriters in connection with their role as underwriters.
E.2a	**Reasons for the offer, use of proceeds, estimated net amount of the proceeds.**	The Company's reasons for the offering are general corporate purposes, in particular to further upgrade its network and to build-up its "own" L3 network as well as the envisaged restructuring of its capital and its existing financial indebtedness (under the Senior Facilities Agreement ("**SFA**") and the Mezzanine Facilities Agreement ("**MFA**"), which will be repaid respectively refinanced) in order to achieve increased flexibility for its growth-oriented investment strategy. The Company also aims to improve its access to the capital markets and to a diversified base of new and international shareholders. The Company will use part of the proceeds of the offering in an amount equal to the nominal amount of the capital increase resolved by the extraordinary general shareholder's meeting on January 11, 2015, i.e. approximately €30.0 million, as well as the net proceeds resulting from the exercise of the Greenshoe Option, i.e. approximately €29.1 million at the mid-point of the Price Range (assuming full exercise of the Greenshoe Option), for general corporate purposes, in particular to further upgrade its network and build-up its "own" L3 network. The Company will use the remaining part of the proceeds in the amount of approximately €251.0 million to partly repay the Senior Tranche A facility under the SFA with an outstanding amount of €539.5 million as of October 31, 2014. As the Company aims to replace its entire existing financial indebtedness under the SFA and MFA, it will use funds from a new financing agreement (the IPO Financing Agreement) and available cash to refund the repayment of the SFA and MFA to the extent the net proceeds from the sale of the New Shares are not sufficient. As of October 31, 2014, the total outstanding indebtedness under the SFA (including the Senior Tranche A facility) amounted to €592.9 million with a final maturity on June 30, 2017 and the indebtedness under the MFA amounted to €35.3 million with a final maturity on June 30, 2018.
E.3	**A description of the terms and conditions of the offer.**	The offering consists of a total of 56,522,500 ordinary registered shares of the Company with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and with full dividend rights as from January 1, 2014, comprising: • 37,500,000 newly issued ordinary registered shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on January 11, 2015 (the "**New Shares**"); • 15,272,500 existing ordinary registered shares with no par value from the holdings of the Selling Shareholder (the "**Secondary Shares**"); and • 3,750,000 existing ordinary registered shares with no par value from the holdings of the Selling Shareholder to cover a potential over-allotment (the "**Over-Allotment Shares**", together with the New Shares and the Secondary Shares, the "**Offer Shares**"). For the purposes of admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange, with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Prospectus relates to a total of up to 57,525,000

ordinary registered shares with no par value of the Company consisting of:

- 20,025,000 ordinary registered shares with no par value (existing share capital); and
- up to 37,500,000 ordinary registered shares with no par value from the above-mentioned capital increase regarding the New Shares;

each with a notional value of €1.00 in the share capital and full dividend rights as from January 1, 2014.

This offering consists of initial public offerings in the Federal Republic of Germany and the Grand Duchy of Luxembourg and private placements in certain jurisdictions outside the Federal Republic of Germany and the Grand Duchy of Luxembourg. In the United States of America, the shares are being offered for sale only to qualified institutional buyers as defined in and in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside the United States of America, the shares are being offered in reliance on Regulation S under the Securities Act.

The number of Secondary Shares that will be finally placed in the offering depends on the number of New Shares that will be issued and the corresponding final volume of the total share capital of the Company. The number of Secondary Shares to be finally placed will be adjusted to ensure that after completion of the offering (assuming full placement of the Offer Shares and full exercise of the Greenshoe Option) TC Management, the Selling Shareholder, continues to hold 10% of the Company's share capital.

Offer Period

This offering will commence on January 13, 2015 and is expected to end on January 21, 2015, (i) at 12:00 (Central European Time) for retail investors and (ii) at 14:00 (Central European Time) for institutional investors.

Price Range and Offer Price

The Price Range within which purchase offers may be submitted is €8.00 to €12.00 per share. The Company expects to set the offer price jointly with the Selling Shareholder after consultation with the Joint Bookrunners, on the basis of a bookbuilding process, on or around January 21, 2015. The offer price is expected to be published in various media distributed across the entire European Economic Area ("*Medienbündel*") and on the Company's website (www.telecolumbus.com).

Amendments to the Terms of the Offering

The Company and the Selling Shareholder reserve the right, after consultation with the Joint Bookrunners, to reduce or increase the number of shares offered, to reduce or increase the upper/lower limits of the Price Range and/or to extend or curtail the offer period. The Company and the Selling Shareholder may increase the total number of shares offered in this offering up to a maximum of the total number of shares for which the application for admission to the regulated market of the Frankfurt Stock Exchange is filed in accordance with the Prospectus or any supplement published.

The underwriting agreement between the Company, the Selling Shareholder and each of the Underwriters, expected to be entered into on January 20, 2015 (the "**Underwriting Agreement**"), will provide that the Underwriters may terminate the Underwriting Agreement under

certain circumstances, even after the shares have been allotted and listed, up to delivery and settlement. If the Underwriting Agreement is terminated, the offering will not take place. In this case, any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.

Delivery and Payment

The delivery of the Offer Shares against payment of the offer price is expected to take place on January 26, 2015. With regard to the New Shares acquired by TC MP KG under the preferred allocation scheme (see below under "*—Preferential Allocation and Offering-Related Commitment*"), however, delivery may only be expected within three bank working days from the payment by TC MP KG of the aggregate purchase price for the Offer Shares allocated to TC MP KG which is expected to occur within one month following the offering. The Offer Shares will be made available to shareholders as co-ownership interests in the global share certificate.

Stabilization Measures, Over-Allotment and Greenshoe Option

In connection with the placement of the shares offered, J.P. Morgan, or persons acting on its behalf, will act as stabilization manager in agreement with the other Underwriters and may, acting in accordance with legal requirements, make over-allotments and take stabilization measures to support the market price of the shares of the Company and thereby counteract any selling pressure.

The stabilization manager is under no obligation to take any stabilization measures. No assurance can therefore be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the shares are listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than 30 days after this date (the "**Stabilization Period**").

Under the possible stabilization measures, investors may, in addition to the New Shares, be allotted up to 3,750,000 additional shares in the Company (Over-Allotment Shares) from the holdings of TC Management as part of the allotment of the shares to be placed.

In order to cover a potential over-allotment, J.P. Morgan will be provided for the account of the Underwriters in the form of a securities loan with up to 3,750,000 shares of TC Management; this number of shares will not exceed 10% of the number of New Shares. In connection with the over-allotment, the Company will grant the Underwriters an option to acquire up to 3,750,000 additional shares in the Company (equal to the number of Over-Allotment Shares) at the offer price ("**Greenshoe Option**"), which would be issued from the Authorized Capital 2014 for the sole purpose of enabling the stabilization manager to perform its redelivery obligation under the securities loan with TC Management. The Greenshoe Option shall be exercisable by J.P. Morgan acting as stabilization manager in agreement with the other Underwriters until the thirtieth day after commencement of the stock exchange trading of the shares.

		The stabilization manager is entitled to exercise the Greenshoe Option to the extent over-allotments of shares were initially made; the amount of shares is to be reduced by the number of shares held by the stabilization manager as of the date on which the Greenshoe Option is exercised and that were acquired by the stabilization manager in the context of stabilization measures. Once the Stabilization Period has ended, an announcement will be made by the stabilization manager within one week in various media distributed across the entire European Economic Area ("*Medienbündel*") as to whether stabilization measures were taken, when price stabilization started and finished, and the Price Range within which stabilization was taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of exercise and the number of shares concerned will also be announced promptly in the manner stated. **Allotment Criteria** The allotment of shares to retail investors and institutional investors will be decided by the Company and the Selling Shareholder after consultation with the Joint Bookrunners. The ultimate decision rests with the Company and the Selling Shareholder. Allotments will be made on the basis of the quality of the individual investors and individual orders, as well as other important allotment criteria to be determined after consultation with the Joint Bookrunners. **Preferential Allocation and Offering-Related Commitment** A preferential allocation mechanism has been set up for the benefit of the shareholders of Tele Columbus Holdings SA including TC MP KG. For purposes of this preferential allocation, the New Shares, the Secondary Shares and the Over-Allotment Shares will be initially reserved in order to allow shareholders of Tele Columbus Holdings SA on the first day of the offer period to place orders for preferential allocation of shares at the offer price without discount. TC MP KG has undertaken vis-à-vis the Company and the Underwriters to place on the first day of the offer period an order for preferential allocation of Offer Shares at the offer price without discount. Immediately thereafter, the Company will publish the maximum number of shares requested by the shareholders of Tele Columbus Holdings SA to be allocated under the preferential allocation. The preferential allocation among shareholders of Tele Columbus Holdings SA will be pro-rata based on their existing shareholdings. The shareholders have been informed about the preferential allocation by Tele Columbus Holdings SA. TC MP KG has agreed to a lock-up period ending twelve months after the first day of trading of the shares. The other shareholders will agree not to sell any shares they acquire in the preferential allocation for 180 days from the first day of trading of the shares.
E.4	**A description of any interest that is material to the issue/offer including conflicting interests.**	Goldman Sachs and J.P. Morgan are acting as Joint Global Coordinators and Joint Bookrunners in this offering. BofA Merrill Lynch and Berenberg have been appointed as additional Joint Bookrunners. In addition, Goldman Sachs and J.P. Morgan have been appointed as designated sponsors for the shares. The Underwriters will receive a commission and other payments upon successful completion of the offering. The amount of the commission will depend on the size of the offering and the offer price. The Underwriters therefore have an interest that as many shares as possible (in particular regarding Secondary Shares) are placed at the highest price possible. Goldman Sachs and J.P. Morgan will only receive fees as designated sponsors if the offering is completed.

		Goldman Sachs, J.P. Morgan, BofA Merrill Lynch, Berenberg and their affiliates have provided and/or may in the future, from time to time, provide services to companies of the Group and/or the Selling Shareholder in the ordinary course of business in their capacity as financial institutions, in particular advisory services in connection with M&A and financing transactions. They may at any time in the future act as principal or agent for one or more than one party, hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt or equity securities or loans of the TC Group and enter into financing arrangements (including swaps) with various parties including investors in debt or equity securities or loans of the Group. In the event of a successful offering the other Underwriters may also be selected as financial advisor in future transactions or act as lender or arranger of future financing transactions or trade for their own account or the accounts of customers, in debt or equity securities or loans of the TC Group. J.P. Morgan and Goldman Sachs are parties to the IPO Financing Agreement as original lenders and will provide financing to TC Group under the IPO Financing Agreement once the offering is completed. Goldman Sachs Lending Partners LLC and J.P. Morgan provided loans (Tranche A under the SFA) to TC Group. The Company intends to use part of the net proceeds of the offering to partly repay the Group's outstanding financial indebtedness under its Senior Facilities Agreement (SFA). To the extent the net proceeds from the sale of the New Shares are not sufficient to fund the repayment of the SFA and MFA the Company will use its draw under the €375 million facility A of the IPO Financing Agreement. The Underwriters Goldman Sachs and J.P. Morgan, which are either directly or through their affiliates also lenders under the IPO Financing Agreement therefore have an interest that the proceeds for the Company in the offering are maximized, so that the amount of repayment, which can be made from the net proceeds of the offering, is higher and the drawing under the IPO Financing Agreement is lower. TC Management is the direct shareholder of the Company and as such has an influence on the decisions which the Company will take with respect to the offering. Goldman Sachs is an indirect shareholder of the Company. The offering proceeds received by the Company will, due to the intended repayment of indebtedness, strengthen the financial position and equity base of the Company. The equity value of the shareholding of the Selling Shareholder and, indirectly, of the indirect shareholders, will increase by €8.65 per share due to the offering (calculated as accretion of net asset value at the mid-point of the Price Range and excluding any proceeds resulting from the exercise of the Greenshoe Option). Consequently, the Selling Shareholder and its indirect shareholders have an interest in the success of the offering on the best possible terms.
E.5	**Name of the person or entity offering to sell the security.**	The shares are being offered for sale by the Underwriters.
	Lock-up agreements: the parties involved; and indication of the period of the lock up.	In the Underwriting Agreement, the Company will commit to an obligation vis-à-vis the Underwriters in accordance with the relevant provisions of German securities law that it will refrain from certain measures regarding capital increases and measures with similar effect during the period ending six months after the date of the first day of trading of the shares without the prior written consent of the Joint Global Coordinators, which may not be unreasonably withheld.

		In the Underwriting Agreement, TC Management will commit to an obligation vis-à-vis the Underwriters that it will not enter into certain transactions regarding its shares or take part in certain measures regarding the Company's share capital during the period ending six months after the date of the first day of trading of the shares. In addition to that, TC MP KG has agreed to identical restrictions with respect to the sale of its shares in the Company during the period ending twelve months after the date of first trading of the shares.
E.6	**The amount and percentage of immediate dilution resulting from the offer. In case of a subscription offer to the existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.**	The carrying amount of the net asset value of the Company (calculated as total assets minus total liabilities, i.e. equalling the shareholders' equity) in its interim statement of financial position based on the financial information of the Company as of October 31, 2014 amounted to a negative €101.4 million as of October 31, 2014, and would amount to a negative €5.06 per share, based on 20,025,000 outstanding shares of the Company immediately before the offering. Assuming aggregate net proceeds to the Company of approximately €281.0 million (from the sale of the New Shares and excluding any proceeds from the exercise of the Greenshoe Option), the carrying amount—had the Company already received the aggregate net proceeds by October 31, 2014—of the thus adjusted total net asset value on the Company's interim statement of financial position as of October 31, 2014, would have been €179.6 million (based on the mid-point of the Price Range); this corresponds to approximately €3.59 per share (calculated on the basis of 50,025,000 shares outstanding after full implementation of the capital increase regarding the New Shares). That would correspond to a direct dilution of €6.41 (64.1%) per share for the parties acquiring the Offer Shares at the mid-point of the Price Range. At the lower and high end of the Price Range, the corresponding figures would be €4.89 (61.2%) and €7.99 (66.6%), respectively. Assuming full exercise of the Greenshoe Option, the carrying amount of the thus adjusted total net asset value on the Company's interim statement of financial position as of October 31, 2014, would have been €208.7 million (based on the mid-point of the Price Range); this corresponds to approximately €3.94 per share (calculated on the basis of 53,025,000 shares). That would correspond to a direct dilution of €6.06 (60.6%) per share for the parties acquiring the Offer Shares at the mid-point of the Price Range. Under the assumption that the capital increase regarding the New Shares is fully implemented, the accretion to the net asset value per share (comparing the net asset values prior to and after the offering) will be €8.65 (based on an offer price at the mid-point of the Price Range and excluding any proceeds resulting from the exercise of the Greenshoe Option). Under the assumption that the capital increase regarding the New Shares is fully implemented and the Greenshoe Option is fully exercised, the accretion to the net asset value per share (comparing the net asset values prior to and after the offering) will be €9.0 (based on an offer price at the mid-point of the Price Range).
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	Not applicable. Investors will not be charged with expenses by the Company or the Underwriters in connection with their role as underwriters.

ZUSAMMENFASSUNG DES PROSPEKTS

Zusammenfassungen bestehen aus erforderlichen Angaben, die als „Punkte” bezeichnet werden. Diese Punkte sind in den Abschnitten A - E (A.1 - E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapieren und Emittenten in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art der Wertpapiere und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In diesem Fall enthält die Zusammenfassung eine kurze Beschreibung des Punktes mit dem Hinweis „Entfällt”.

A—Einleitung und Warnhinweise

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**”) verstanden werden. Bei jeder Anlageentscheidung bezüglich der Aktien der Tele Columbus AG, Berlin, Deutschland, sollte sich der Anleger auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der klagende Anleger unter den einzelstaatlichen Rechtsvorschriften des entsprechenden Staats des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Die Tele Columbus AG (vormals Tele Columbus Holding GmbH), Berlin, Deutschland (im Folgenden auch „**TC AG**” oder die „**Gesellschaft**” und, gemeinsam mit ihren direkten und indirekten Tochtergesellschaften, die **„TC-Gruppe**”, die „**Gruppe**” oder „**wir**”, „**unser**”, „**uns**”) sowie Goldman Sachs International, London, Vereinigtes Königreich („**Goldman Sachs**”), J.P. Morgan Securities plc, London, Vereinigtes Königreich („**J.P. Morgan**” und, gemeinsam mit Goldman Sachs, die „**Joint Global Coordinators**”), die Merrill Lynch International, London, Vereinigtes Königreich (welche unter der Vermarktungsbezeichnung BofA Merrill Lynch auftritt) („**BofA Merrill Lynch**”) und Joh. Berenberg, Gossler & Co. KG, Hamburg, Deutschland („**Berenberg**”, und, gemeinsam mit BofA Merrill Lynch und den Joint Global Coordinators, die „**Joint Bookrunners**”) oder die „**Konsortialbanken**”) übernehmen gemäß § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für diese Zusammenfassung, einschließlich ihrer deutschen Übersetzung. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich der Übersetzung hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Zustimmung zur späteren Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung des Prospekts für einen späteren Weiterverkauf oder eine endgültige Platzierung der Aktien durch Finanzintermediäre ist nicht erteilt worden.

B—Emittent

B.1	**Juristische und kommerzielle Bezeichnung.**	Die juristische Bezeichnung der Gesellschaft zum Datum des Prospekts ist Tele Columbus AG. Die kommerzielle Bezeichnung der Gruppe lautet „Tele Columbus”.
B.2	**Sitz, Rechtsform, geltendes Recht, Land der Gründung.**	Die Gesellschaft hat ihren Sitz am Goslarer Ufer 39, 10589 Berlin, Deutschland, und ist im Handelsregister des Amtsgerichts Charlottenburg, Deutschland, unter HRB 161349 B eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in Deutschland gegründet wurde und deutschem Recht unterliegt.

B.3	**Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten samt der hierfür wesentlichen Faktoren, Hauptprodukt- und/oder -dienstleist-ungskategorien sowie Hauptmärkte, auf denen der Emittent vertreten ist.**	Wir gehen davon aus, dass wir im Jahr 2013 der drittgrößte Kabelnetzbetreiber in Deutschland gemessen an der Zahl der Kunden waren und führende Marktpositionen in Ostdeutschland innehaben. Wir betreiben vornehmlich Kabelnetzwerke der Netzebene 4 (ein Kabelnetzwerk im Inneren einer Wohnanlage, das Signale vom Übertragungspunkt außerhalb der Wohnanlage zur Anschlussdose in der Wohneinheit des Kunden verteilt, „**L4**") und der Netzebene 3 (das Signale von regionalen Verteilungsnetzwerken zum Übertragungspunkt außerhalb der Wohneinheit des Kunden transportiert, „**L3**"). Wir bieten unseren Kunden eine Reihe von Leistungen im Bereich Fernsehen und Telekommunikation an. Unser Angebot umfasst ein Grundangebot an Kabelfernsehkanälen („**CATV**"), Premium TV Pakete („**Premium TV**") sowie Internet und Telefondienste. Zum 30. September 2014 waren ungefähr 1,7 Millionen Wohneinheiten in Deutschland mit unserem Kabelnetzwerk verbunden („**angeschlossene Wohneinheiten**"). Etwa 1,3 Millionen davon haben zumindest eines unserer Angebote (wie z.B. CATV, Premium TV, Internet oder Telefon) bezogen. Jede dieser Wohneinheiten wird nachfolgend als „**Endkunde**" bezeichnet und jede Einzelleistung, die ein Endkunde bezieht, als Umsatz generierende Einheit („**RGU**"). Der pro Endkunde erzielte durchschnittliche Umsatz („**ARPU**") wird, berechnet als Umsatz aus Anschlussgebühren im Dezember (einschließlich Rabatte, Gutschriften und Installationsgebühren) geteilt durch Kunden/RGUs im Dezember, im Folgenden mit „**Jahresend-ARPU**" bezeichnet, berechnet als Umsatz aus Anschlussgebühren für das Jahr (einschließlich Rabatten, Gutschriften und Installationsgebühren) geteilt durch die Summe der monatlichen Gesamtzahl an Kunden/RGUs während des Jahres im Folgenden mit „**Jahresdurchschnitts-ARPU**" bezeichnet und berechnet als Gesamtumsatz aus während des relevanten Quartals aufgrund von erbrachten Dienstleistungen erwirtschafteten Anschlussgebühren (einschließlich Rabatten, Gutschriften und Installationsgebühren) geteilt durch die Summe der monatlichen Gesamtzahl an Kunden/RGUs während des relevanten Quartals berechnet im Folgenden als „**Quartalsdurchschnitts-ARPU**" bezeichnet. Unsere Einnahmen setzen sich hauptsächlich aus Anschlussgebühren zusammen, die von Kunden, die CATV beziehen, gezahlt werden. Ungefähr 97 % unserer Endkunden sind Mieter von Wohnungen in Mehrfamilienhäusern („**MFHs**"), die Wohnungswirtschaftsgesellschaften gehören oder von diesen verwaltet werden. Mit diesen Wohnungswirtschaftsgesellschaften haben wir Gestattungsverträge und Signallieferungsverträge abgeschlossen. Wir unterhalten mit ihnen intensive und dauerhafte Beziehungen. Die Mehrheit der Endkunden, die in Wohnungswirtschaftsgesellschaften gehörenden oder von diesen verwalteten Wohnungen wohnen, wird auf Basis von Sammelinkassoverträgen bedient. Unter diesen Verträgen zahlen die Wohnungswirtschaftsgesellschaften einen Gesamtbetrag für die Bereitstellung unserer CATV Anschlüsse für die einzelnen Wohnungen. Den Betrag legen die Wohnungsbaugesellschaften als Betriebskosten im Einklang mit der geltenden Betriebskostenverordnung auf ihre Mieter um. Sofern wir keine Sammelinkassoverträge abschließen, liegt der Bezug unserer CATV Leistungen im Ermessen der Mieter. Zum 30. September 2014 belieferten wir ca. 65 % unserer CATV Endkunden unter Sammelinkassoverträgen, die wir mit Wohnungswirtschaftsgesellschaften und anderen Vermietern abgeschlossen haben. Gleichzeitig erfolgte die Signallieferung an ca. 35 % der CATV-Endkunden aufgrund einzelvertraglicher Basis. Wir bieten unsere Produkte und Leistungen in unseren zwei operativen Segmenten, „TV" und „Internet und Telefon" an: • ***TV.*** In unserem TV Segment bieten wir unseren Kunden CATV an, das ungefähr 100 digitale TV Kanäle (frei empfangbare Sender) umfasst und ca. 35 Kanälen in HD Qualität einschließt. Ebenfalls enthalten sind mehr als 70 digitale Radiokanäle. Zusätzlich zu CATV bieten wir unsere

Premium TV Pakete an. Diese können bis zu ca. 50 digitale Premium TV Kanäle enthalten, davon wiederum bis zu ca. 32 Kanäle in HD Qualität.

- ***Internet und Telefonie.*** In unserem Internet und Telefonie Segment bieten wir unseren Kunden Breitband-Internetzugang und Leistungen rund um den Bereich Festnetztelefon an. Diese Leistungen können einzeln bezogen werden oder als Paket, das Internet und Telefon enthält. Seit November 2014 bieten wir auch Dreier-Kombi-Pakete an, die Internet, Telefon- und TV- (CATV und Premium TV) Dienste enthalten.

Hauptmarkt

Wir bieten unsere Leistungen ausschließlich in Deutschland an. Wir sind vornehmlich in Ostdeutschland (Berlin, Brandenburg, Sachsen-Anhalt und Thüringen) sowie in ausgewählten Regionen in Westdeutschland, insbesondere in Nordrhein-Westfalen und Hessen tätig.

Wettbewerbsstärken

Wir sind der Ansicht, dass sich unser Geschäft durch die folgenden Wettbewerbsstärken auszeichnet:

- Wir sind im sehr attraktiven deutschen Kabelmarkt tätig.
- Wir haben regionale Führungspositionen in Ostdeutschland inne, einem Umfeld mit attraktiven Wachstumsmöglichkeiten.
- Wir verfügen über stabile und langfristige Kundenbeziehungen, die stabile und kalkulierbare Umsätze aus unserem CATV Geschäft sowie zusätzliche Vermarktungsmöglichkeiten sichern.
- Wir verfolgen eine Wachstumsstrategie, die sich in der Vergangenheit schon bewährt hat, und haben klar definierte Investitionspläne.
- Wir haben ein in hohem Maße wettbewerbsfähiges integriertes und ausgebautes „eigenes" Level 3/4 Netzwerk aufgebaut, das attraktives Wachstumspotential schafft.
- Wir bauen auf ein erfahrenes Management.

Strategie

Unsere Wachstumsstrategie stellt auf das Erreichen von drei wichtigen Kennzahlen ab: das Erreichen von 1,7 RGUs pro Endkunde, die Erhöhung des Prozentsatzes an Wohneinheiten, die mit unseren „eigenen" L3/L4 aufgerüsteten und rückkanalfähigen Netzwerken verbunden sind, auf 70 % und ein mittelfristiges Erreichen eines monatlichen ARPU aus allen Diensten von €17. Wir wollen diese wichtigen Ziele mit Hilfe der folgenden Strategien erreichen:

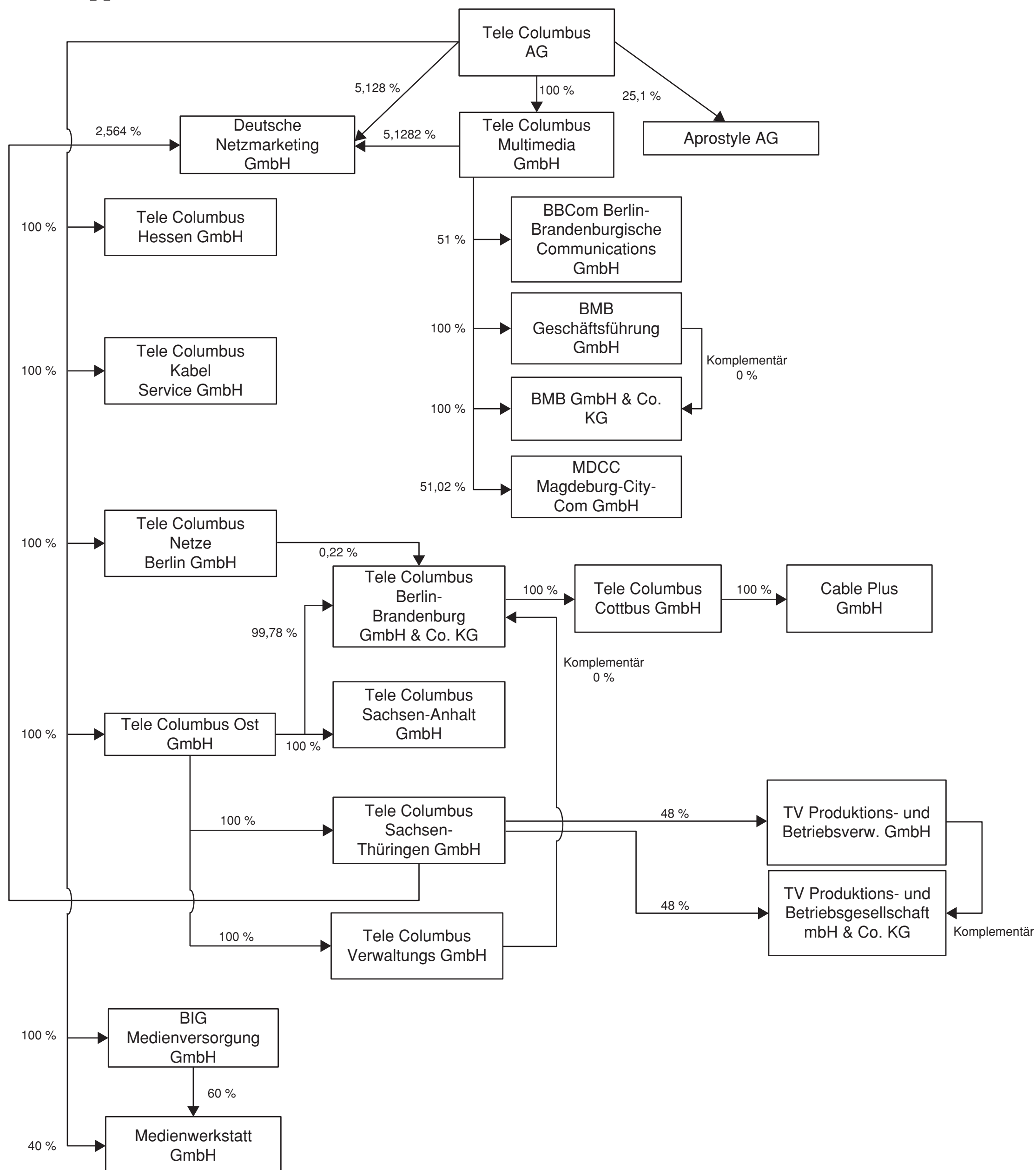
- Steigerung des Gesamt-ARPU und der Anzahl an RGUs durch eine größere Durchdringung der bestehenden Kabelfernsehkunden mit Internet, Telefon und Premium TV Angeboten.
- Weiterer Ausbau unseres Kabelnetzes und Verbesserung unserer „eigenen" L3/L4 Netzwerkinfrastruktur.
- Verbesserung des Produktportfolio durch Einführung von innovativen und umfassenden Multimedia-Dienstleistungen und Produkten.
- Operative Verbesserungen durch hohe Qualität unserer Dienste und eine schlanke Organisation mit Kundenfokus.
- Wir wollen eine aktive Rolle bei der fortschreitenden Konsolidierung der L4 Anbieter spielen.

B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**	Unser Geschäft hängt von der Nachfrage unserer deutschen Kunden nach Fernseh-, Internet- und Telefondienstleistungen ab sowie von den Vertragsschlüssen mit Wohnungswirtschaftsgesellschaften. Der deutsche Telefon- und Medienmarkt ist zunehmend durch Konvergenz geprägt. Telefon- und Multimedia-Dienste werden unter Nutzung einheitlicher Infrastrukturen angeboten. Kunden bevorzugen den Bezug einheitlicher Multimedia-, Hochgeschwindigkeits-Breitband-Internet- und Telefonleistungen von einem Anbieter zu attraktiven Preisen, die der einzelnen Leistung sowie der angebotenen Übertragungsqualität und Bandbreite entsprechen. Als Reaktion darauf bieten Anbieter einzelne oder mehrere Bündel von Diensten in den Bereichen Digital-Fernsehen, Breitband-Internetzugang und Telefonie an. Ein wichtiger Trend im deutschen TV-Markt ist die wachsende Verbreitung des Pay-TV, d.h. digitale Fernseh-Dienste, die zusätzlich zum bestehenden Kabel- oder Satelliten-Fernsehen erworben werden können. Der Anteil des Pay-TV betrug in 2009 10 % und erreichte 2012 14 % (Quelle: Solon, Strategien und Visionen 2013). Der deutsche Kabelmarkt hat sich aufgrund der historischen Aufspaltung zwischen den regionalen L3-Netzbetreibern und den L4-Netzbetreibern entwickelt. Aufgrund ihrer vormaligen Monopolstellung kontrollierte die Deutsche Telekom AG („**DTAG**") bis 1996 den Aufbau der Kabelnetze und Telekommunikationsdienste in Deutschland. Infolge des deutschen Telekommunikationsgesetzes von 1996 wurde die DTAG dann verpflichtet, ihr Kabelnetz für Wettbewerber zu öffnen und an Wettbewerber zu verkaufen. Nach zahlreichen M&A-Transaktionen gehört mittlerweile der Großteil der regionalen L3-Netze den zwei großen Kabelnetzbetreibern Kabel Deutschland Holding AG („**KD**", nach der Übernahme durch die Vodafone-Gruppe („**Vodafone**") „**Vodafone/KD**") und Unitymedia Kabel Baden-Württemberg („**Unitymedia/KBW**"). Das L4-Netzwerk war nicht Teil des früheren Monopols der DTAG. In den vergangenen Jahren hat ein Konsolidierungsprozess der L4-Netzbetreiber stattgefunden. Die fünf größten L4-Netzbetreiber in unseren Kernregionen sind derzeit Vodafone/KD, Unitymedia/KWB, PrimaCom Berlin GmbH („**PrimaCom**"), Pepcom GmbH („**Pepcom**") und die Gruppe. Der deutsche Internetmarkt zeichnet sich durch eine wachsende Nachfrage nach höherer Bandbreite und einen Wechsel von DSL- auf Kabelangebote aus. Das Kabelsegment ist mit ca. 18 % aller Internetanschlüsse in 2013 (zum Vergleich: ca. 11 % aller Internetanschlüsse in 2010) die am schnellsten wachsende Internetzugangsmöglichkeit und nimmt dem DSL-Segment zunehmend Marktanteile ab (Quellen: ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet; VATM, TK-Marktanalyse Deutschland 2013). Darüber hinaus verfolgt die deutsche Bundesregierung das Ziel, bis 2018 für nahezu die gesamte Bevölkerung einen Breitbandinternetzugang mit einer Bandbreite von mindestens 50 Mbit/s zur Verfügung zu stellen. Die Europäische Kommission strebt sogar eine Bandbreite von 100 Mbit/s für 50 % der EU-Bevölkerung bis 2020 an. Für den Ausbau der Infrastruktur bestehen in bestimmten Teilen Deutschlands verschiedenste staatliche Förderprogramme, wie beispielsweise das vom Freistaat Bayern angekündigte Programm zur Schaffung von Internetanschlüssen mit hoher Bandbriete in ländlichen Regionen. Wachstum in Deutschland im Bereich Festnetztelefonie ist zunehmend von einem hochwertigen Breitbandangebot abhängig geworden, da Telefondienste vermehrt mit Breitbanddiensten gebündelt und auf Basis der Internet-Protokoll-Technologie (Voice-Over-IP) bereitgestellt werden. Der Bereich Festnetztelefon hat einen erheblichen Preisverfall aufgrund des zunehmenden Angebots von Flatrate-Produkten erfahren. Der Wettbewerb im Festnetzsegment hat sich durch das Aufkommen von Weiterverkäufern, von alternativen Betreibern, durch sinkende Mobilfunkgebühren (und der daraus resultierenden Substitution durch den Mobilfunk) sowie aufgrund von alternativen Zugangstechnologien und Providern von anderen Diensten wie Skype verstärkt. Unter diesen Marktverhältnissen ist der Marktanteil

der Kabelnetzbetreiber am Festnetzmarkt stetig von 3,8 % oder 1,5 Millionen Beziehern in 2008 auf 13,1 % oder 4,8 Millionen Bezieher in 2013 gewachsen (Quelle: VATM, TK-Marktanalyse Deutschland 2013).

Die Aufrüstung unseres Netzes und die Überführung unserer Kunden in unser „eigenes" Netzwerk haben sich auf unser Geschäft ausgewirkt. In der jüngeren Vergangenheit waren die Mittel für Investitionen zum Ausbau unseres Netzes begrenzt. Hintergrund waren insbesondere eine finanzielle Restrukturierung in 2011 sowie der abgebrochene Verkaufsprozess (Erwerb durch KD in 2012/2013). In der letzten Zeit fand eine Umstrukturierung der Gruppe in Vorbereitung auf dieses Angebot statt. Als Teil dieser Umstrukturierung wurde das Kerngeschäft (einschließlich der Finanzierung) von Vermögensteilen, die nicht mehr als wesentlich für das Geschäft der Gruppe angesehen wurden, sowie von nachrangigen Gesellschafterdarlehen getrennt.

B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**	Die Gruppe wird von der Tele Columbus AG geleitet. Die nachfolgende Darstellung gibt (in vereinfachter Form) einen Überblick der direkten und indirekten Beteiligungen der Gruppe zum Datum des Prospekts:



B.6	**Personen, die eine direkte oder indirekte Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten oder Kontrolle über den Emittenten ausüben.**	Unmittelbar vor Durchführung des Angebots hält die Tele Columbus Management S.à r.l., Luxembourg („**TC Management**" oder der „**Verkaufende Aktionär**") 100 % der derzeit von der Gesellschaft ausgegebenen Stückaktien. Nach Durchführung des Angebots wird der Verkaufende Aktionär weiterhin 10 % des Grundkapitals der Gesellschaft halten (unter Annahme der vollständigen Platzierung der Angebotenen Aktien und einer vollständigen Ausübung der Greenshoe Option, wie unten in E.3 definiert). Die einzige Gesellschafterin der TC Management ist die nicht börsennotierte Aktiengesellschaft Tele Columbus Holdings SA, Luxemburg. Die Anteile an der Tele Columbus Holdings SA werden von ungefähr 150 Aktionären gehalten, die in einem nicht-öffentlichen und vertraulichen Aktionärsregister der Tele Columbus Holdings SA nach Luxemburger Recht eingetragen sind. Am 31. Dezember 2014 entsprachen das wirtschaftliche Interesse und die Stimmrechtsbeteiligung auf umgewandelter Basis (das heißt unter der Annahme, dass alle ausstehenden Optionen, die Aktionäre der Tele Columbus Holdings SA halten, in Aktien der Tele Columbus Holdings SA umgewandelt wurden) der Tele Columbus New Management Participation GmbH & Co. KG („**TC MP KG**") an der Tele Columbus Holdings SA ungefähr 16,75 % des gesamten wirtschaftlichen Interesses und der Stimmrechtsbeteiligung an der Tele Columbus Holdings SA auf einer angepassten Basis (das heißt unter Anwendung eines Anpassungsfaktors, der zwischen den Aktionären der Tele Columbus Holdings SA vertraglich vereinbart worden ist). Auf durchgerechneter Basis und basierend auf dem Grundkapital der Gesellschaft zum Datum des Prospekts, hält die TC MP KG ungefähr 16,75 % des Grundkapitals der Gesellschaft. TC MP KG ist ein Investmentvehikel einiger Manager und einiger Mitglieder des Aufsichtsrats der Gesellschaft. Obwohl die Tele Columbus Holdings SA nicht börsennotiert ist, werden ihre Anteile auf nicht regulierten Märkten und Plattformen gehandelt. Einzelne Aktionäre der Tele Columbus Holdings SA haben die Gesellschaft informiert, dass ihre indirekte Beteilung an der Gesellschaft (auf durchgerechneter Basis) zum 31. Dezember 2014 (wenn bestimmte ausstehende Optionen, die Aktionäre der Tele Columbus Holdings SA halten, in Aktien der Tele Columbus Holdings SA umgewandelt wurden) wie folgt sein würden: York Global Finance Offshore BDH (Luxembourg) S.à r.l.: 23,2 %, Burlington Loan Management Limited: 9,7 %, Silver Point Luxembourg Platform S.à r.l.: 7,6 %, Citigroup Global Markets Limited: 5,5 % und Goldman Sachs: 5,3 %. Die Identität anderer Aktionäre, die direkt oder indirekt mehr als 3 % der Anteile an der Gesellschaft halten, ist der Gesellschaft nicht bekannt.
	Stimmrechte.	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Beschränkungen des Stimmrechts.

	Ob an dem Emittenten unmittelbare oder mittelbare Beteiligungen oder Beherrschungsverhältnisse bestehen, wer diese Beteiligungen hält bzw. diese Beherrschung ausübt und welcher Art die Beherrschung ist.	Die Gesellschaft wird direkt von der TC Management kontrolliert, die 100 % der Aktien an der Gesellschaft hält (und damit ebenso viele Stimmrechte ausüben kann). Folglich kann die TC Management die Finanz- und Geschäftspolitik der Gesellschaft bestimmen. Nach Durchführung des Angebots wird die TC Management 10 % des Grundkapitals der Gesellschaft halten (unter Annahme der vollständigen Platzierung der Angebotenen Aktien und einer vollständigen Ausübung der Greenshoe Option, wie unten in E.3 definiert) und insofern ihre Kontrollmehrheit an der Gesellschaft verlieren.
B.7	**Ausgewählte wesentliche Finanzinformationen.**	Die geprüften kombinierten Abschlüsse für die am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahre wurden in Übereinstimmung mit den IFRS, wie sie in der Europäischen Union anzuwenden sind, aufgestellt (die „**Geprüften Kombinierten Abschlüsse**"). Sie wurden in Übereinstimmung mit § 317 des Handelsgesetzbuchs (HGB) und den vom Institut der Wirtschaftsprüfer in Deutschland festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durch die KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Deutschland („**KPMG**") geprüft, die einen uneingeschränkten Bestätigungsvermerk erteilt hat. Der ungeprüfte verkürzte Zwischenabschluss der TC Gruppe für den zum 30. September 2014 abgelaufenen Neunmonatszeitraum (einschließlich kombinierter Vergleichszahlen für den zum 30. September 2013 abgelaufenen Neunmonatszeitraum) ist in Übereinstimmung mit den IFRS, wie sie in der Europäischen Union für Zwischenberichterstattungen (IAS 34) anzuwenden sind, aufgestellt worden (der „**Ungeprüfte Verkürzte Zwischenabschluss**"). Sowohl die Geprüften Kombinierten Abschlüsse als auch der Ungeprüfte Verkürzte Zwischenabschluss (zusammen die „**Abschlüsse**") wurden auf Grundlage des Gesamtkostenverfahrens aufgestellt. In dem Prospekt bedeutet die Kennzeichnung von Finanzinformationen als „geprüft", dass die Information aus dem Geprüften Kombinierten Abschlüssen der TC Gruppe für die zum 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahren entnommen wurden. Die Kennzeichnung „ungeprüft" zeigt in dem Prospekt an, dass es sich um Finanzinformationen handelt, die aus den Buchhaltungsunterlagen, den internen Managementberichtssystemen oder dem Ungeprüften Verkürzten Zwischenabschluss für den zum 30. September 2014 abgelaufenen Neunmonatszeitraum entnommen oder abgeleitet wurden.

Ausgewählte Finanzinformationen der Gewinn- und Verlustrechnung

Die nachfolgende Tabelle zeigt ausgewählte Angaben aus der Gewinn- und Verlustrechnung der Gruppe für die am 30. September 2014 und 2013 abgelaufenen Neunmonatszeiträume sowie aus der kombinierten Gewinn- und Verlustrechnung der Gruppe für die am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahre:

	Neunmonatszeitraum abgelaufen am 30. September		Geschäftsjahr abgelaufen am 31. Dezember		
	2014	2013	2013	2012	2011
	(ungeprüft)		(geprüft, soweit nicht anders angegeben)		
	(in € Millionen)				
Umsatzerlöse[3]	159,4	153,5	206,2	205,3	204,7
Aktivierte Eigenleistungen	4,7	3,5	6,9	7,0	6,7
Andere Erträge[3]	7,2	8,3	26,1	60,0	20,6
Gesamtleistung	**171,2**	**165,3**	**239,2**	**272,3**	**231,9**
Materialaufwand[3]	(54,6)	(56,8)	(83,8)	(91,4)	(93,5)
davon Signallieferungsgebühren aus CATV (ungeprüft)	*(24,4)*	*(23,3)*	*(31,0)*	*(34,7)*	*(37,4)*
Leistungen an Arbeitnehmer[3]	(23,9)	(23,5)	(31,7)	(31,0)	(31,0)
Andere Aufwendungen[3]	(27,9)	(22,2)	(32,5)	(32,1)	(33,5)
EBITDA[1][3]	**64,9**	**62,7**	**91,2**	**117,8**	**73,9**
Abschreibungen	(40,2)	(46,7)	(62,8)	(62,9)	(57,4)
EBIT[2]	**24,7**	**16,1**	**28,3**	**54,9**	**16,5**
Ergebnis aus Beteiligungen an assoziierten Unternehmen	0,0	0,0	0,0	0,0	0,1
Zinsen und ähnliche Erträge	0,0	0,1	0,4	0,6	0,5
Zinsen und ähnliche Aufwendungen	(33,2)	(21,3)	(28,3)	(32,3)	(34,9)
Sonstiges Finanzergebnis	(1,1)	(0,1)	(0,5)	(0,1)	(2,6)
Ergebnis vor Steuern	**(9,6)**	**(5,2)**	**(0,0)**	**23,2**	**(20,5)**
Steuern vom Einkommen und Ertrag	(4,7)	(7,6)	(8,6)	(2,7)	(1,1)
Jahresergebnis	**(14,3)**	**(12,8)**	**(8,6)**	**20,5**	**(21,6)**
Ergebnis der Anteilseigner der Muttergesellschaft	(16,0)	(15,0)	(12,0)	17,6	(23,9)
Ergebnis der nicht beherrschenden Anteile	1,7	2,2	3,3	2,9	2,3

(1) EBITDA ist definiert als Gewinn (oder Verlust) vor Abschreibungen, Finanzerträgen und -aufwendungen und Ertragsteuern. Die EBITDA Marge zeigt das EBITDA als Prozentsatz der externen Umsatzerlöse.

(2) EBIT ist definiert als Gewinn (oder Verlust) vor Finanzerträgen und -aufwendungen und Ertragsteuern.

(3) Die nachfolgende Tabelle zeigt die in unseren Umsatzerlösen, anderen Erträgen, Materialaufwendungen, Leistungen an Arbeitnehmer und anderen Aufwendungen enthaltenen außergewöhnlichen Aufwendungen sowie die Summe aller in unserem EBITDA enthaltenen außergewöhnlichen Aufwendungen:

	Neunmonatszeitraum abgelaufen am 30. September		Geschäftsjahr abgelaufen am 31. Dezember		
	2014	2013	2013	2012	2011
	(ungeprüft)		(ungeprüft, soweit nicht anders angegeben)		
	(in € Millionen)				
EBITDA (geprüft)	**64,9**	**62,7**	**91,2**	**117,8**	**73,9**
Umsatzerlöse	(0,1)	0,0	0,0	0,0	0,0
Andere Erträge[1]	(0,9)	(2,1)	(15,7)	(49,3)	(9,3)
Materialaufwand[2]	1,2	0,1	1,7	10,6	6,3
Leistungen an Arbeitnehmer[3]	0,7	2,3	3,2	1,5	0,4
Andere Aufwendungen[4]	7,1	3,2	7,7	6,5	7,1
Summe außergewöhnliche Aufwendungen	**8,0**	**3,6**	**(3,1)**	**(30,7)**	**4,5**
Normalisiertes EBITDA[5]	**72,9**	**66,3**	**88,1**	**87,1**	**78,4**

(1) Andere Erträge enthält Erträge aus außergewöhnlichen Aufwendungen im Zusammenhang mit einer Forderung der KD gegen uns auf Rückzahlung des von KD gezahlten Kaufpreises für eine frühere Akquisition bestimmter Vermögensgegenstände der früheren Tele

Columbus Gruppe in Höhe von €38 Millionen zuzüglich Zinsen, für die wir eine im Jahr 2012 wieder aufgelöste Rückstellung gebildet hatten (die „**KD/Brenda-Zahlung**"), sowie Gewinne aus Veräußerungen von Vermögensgegenständen, Rückstellungen für den Eutelsat-Vertrag, sonstigen Rückstellungen und finanziellen Umstrukturierungen (Weiterbelastung von Kosten/Auflösung von Rückstellungen).

(2) Materialaufwand enthält Kosten aus außergewöhnlichen Aufwendungen im Zusammenhang mit Rückstellungen für den Eutelsat-Vertrag, Teilen von Empire I and Empire II und Teilen der sonstigen außergewöhnlichen Aufwendungen.

(3) Leistungen an Arbeitnehmer enthalten Kosten aus außergewöhnlichen Aufwendungen im Zusammenhang mit Abfindungszahlungen.

(4) Andere Aufwendungen enthalten Kosten aus außergewöhnlichen Aufwendungen im Zusammenhang mit der KD/Brenda-Zahlung, Teilen von Empire I and Empire II, finanziellen Umstrukturierungskosten, anderen Rechtsberatungskosten und Beratungskosten und Teilen der sonstigen außergewöhnlichen Aufwendungen.

(5) Wir definieren Normalisiertes EBITDA als Ergebnis vor Finanzergebnis (Einkünfte von Beteiligungen an assoziierten Gesellschaften, Zinseinkünfte, Zinsaufwendungen und andere Finanzergebnisse nach der Equity-Methode), Ertragsteuern und Abschreibungen auf immaterielle Vermögenswerte und Firmenwerte bereinigt um außergewöhnliche Aufwendungen.

Ausgewählte Finanzinformationen aus der Bilanz

Die nachfolgende Tabelle zeigt ausgewählte Angaben aus der Bilanz der Gruppe zum 30. September 2014 sowie ausgewählte Angaben aus der kombinierten Bilanz der Gruppe zum 31. Dezember 2013, 2012 und 2011:

	Zum 30. September 2014	Zum 31. Dezember 2013	2012	2011
	(ungeprüft)	(geprüft)		
	(in € Millionen)			
Langfristige Vermögenswerte				
Sachanlagevermögen	200,8	207,8	206,9	204,5
Immaterielle Vermögenswerte und Firmenwerte	383,4	372,2	380,7	386,1
Summe langfristige Vermögenswerte	**585,7**	**591,7**	**598,7**	**601,7**
Kurzfristige Vermögenswerte				
Forderungen aus Lieferungen und Leistungen	21,2	18,9	18,5	16,3
Zahlungsmittel	36,1	70,5	22,0	45,6
Summe kurzfristige Vermögenswerte	**81,3**	**104,7**	**71,0**	**76,6**
Summe Aktiva	**667,1**	**696,4**	**669,7**	**678,3**
Eigenkapital				
Eigenkapital entfallend auf die Anteilseigner der TC Gruppe	(104,3)	(68,2)	(88,7)	(107,5)
Summe Eigenkapital	**(99,6)**	**(61,5)**	**(82,6)**	**(101,8)**
Langfristige Schulden				
Sonstige Rückstellungen	7,8	11,4	27,0	20,8
Zinstragende Verbindlichkeiten	630,2	43,5	601,9	597,0
Verbindlichkeiten gegenüber nahestehenden Unternehmen	0,0	13,2	19,4	19,1
Verbindlichkeiten aus Lieferungen und Leistungen	35,7	32,7	27,0	25,6
Summe Langfristige Schulden	**684,2**	**111,7**	**685,3**	**670,3**
Kurzfristige Schulden				
Zinstragende Verbindlichkeiten	2,6	578,1	11,2	13,7
Verbindlichkeiten aus Lieferungen und Leistungen	37,2	43,2	27,9	30,6
Sonstige finanzielle Verbindlichkeiten	0,3	4,6	4,3	38,1
Sonstige Verbindlichkeiten	15,8	8,0	7,2	15,6
Summe Kurzfristige Schulden	**82,4**	**646,2**	**67,1**	**109,8**
Summe Eigenkapital und Schulden	**667,1**	**696,4**	**669,7**	**678,3**

Ausgewählte Finanzinformationen aus der Kapitalflussrechnung

Die nachfolgende Tabelle zeigt ausgewählte Einzelposten aus der Kapitalflussrechnung der Gruppe für die am 30. September 2014 und 2013 abgelaufenen Neunmonatszeiträume sowie aus der Kapitalflussrechnung aus dem kombinierten Abschluss für die am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahre:

	Neunmonatszeitraum abgelaufen am 30. September		Geschäftsjahr abgelaufen am 31. Dezember		
	2014	2013	2013	2012	2011
	(ungeprüft)		(geprüft)		
	(in € Millionen)				
Cash Flow aus operativer Tätigkeit	46,6	33,0	72,3	77,1	81,9
Cash Flow aus Investitionstätigkeit	(34,0)	(24,2)	(44,0)	(54,0)	(64,6)
Cash Flow aus Finanzierungstätigkeit	(47,4)	9,2	5,8	(31,5)	(16,5)
Zahlungsmittel am Ende der Periode	35,7	40,1	56,1	37,2	45,3
Realisierbare Zahlungsmittel am Ende der Periode	36,1	54,5	70,5	22,0	45,6

Andere ausgewählte Finanzdaten

Wir verwenden einige finanzielle und nicht finanzielle Kennzahlen, einschließlich RGUs, ARPU, EBITDA bereinigt um außerordentliche einmalige Beträge (Normalisiertes EBITDA) und den normalisierten Deckungsbeitrag, um die finanzielle Leistungsfähigkeit unseres Geschäfts zu verfolgen und unser Management zu informieren. Keine dieser Kennzahlen sind finanzielle Leistungskennzahlen unter IFRS. Diese Kennzahlen wurden nicht durch einen externen Berater, Gutachter oder Wirtschaftsprüfer geprüft. Soweit nicht anders angegeben, leiten sich diese nicht-IFRS Kennzahlen von den Einschätzungen des Management ab. Diese nicht-IFRS Kennzahlen hat unser Management definiert und sie sind gegebenenfalls nicht mit ähnlichen Kennzahlen von anderen Gesellschaften vergleichbar. Unser Management erachtet das Normalisierte EBITDA als eine von vielen nützlichen Kennzahlen für die Führung des Geschäfts der Gruppe. Der Gebrauch dieser Kennzahl ist in unserer Branche weitverbreitet. Andere Unternehmen verwenden gegebenenfalls abweichende Posten für die Bereinigung oder berechnen auf abweichende Weise die Posten für die Bereinigung. Daher sind von anderen Unternehmen veröffentlichte Kennzahlen gegebenenfalls trotz ähnlicher Bezeichnung nicht mit unseren Kennzahlen vergleichbar.

Die nachfolgende Tabelle zeigt EBITDA, Normalisiertes EBITDA und die Normalisierte EBITDA-Marge der Gruppe für die am 30. September 2014 und 2013 abgelaufenen Neunmonatszeiträume sowie für die am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahre:

	Für den Neunmonatszeitraum abgelaufen am 30. September		Für das Geschäftsjahr abgelaufen am 31. Dezember		
	2014	**2013**	**2013**	**2012**	**2011**
	(ungeprüft)		(ungeprüft, soweit nicht anders angegeben)		
	(in € Millionen, soweit nicht anders angegeben)				
EBITDA (geprüft)	**64,9**	**62,7**	**91,2**	**117,8**	**73,9**
EBITDA Marge (in % der Umsatzerlöse)	**40,7**	**40,8**	**44,2**	**57,4**	**36,1**
KD/Brenda-Zahlung	0,0	0,0	0,0	(38,0)	0,5
Gewinne/Verluste aus Veräußerungen von Vermögenswerten	(0,5)	(0,6)	(0,7)	(0,4)	(0,7)
Rückstellungen für den Eutelsat-Vertrag[1]	1,0	0,0	(10,3)	8,1	3,5
Sonstige Rückstellungen	0,0	0,0	(0,2)	(0,8)	(0,5)
Empire I und Empire II	0,1	0,0	0,0	0,1	0,9
Abfindungszahlungen	0,7	2,3	1,7	0,4	0,2
Finanzielle Umstrukturierungskosten	5,5	1,5	3,8	5,4	2,6
Finanzielle Umstrukturierung (Weiterbelastung von Kosten/Auflösung von Rückstellungen)	0,0	(0,8)	(1,5)	(9,3)	(6,3)
Andere Rechtsberatungskosten und Beratungskosten	0,5	0,6	0,6	0,1	0,5
Sonstige außergewöhnliche Aufwendungen[2]	0,8	0,6	3,5	3,7	3,8
Summe außergewöhnliche Aufwendungen	8,0	3,6	(3,1)	(30,7)	4,5
Normalisiertes EBITDA	**72,9**	**66,3**	**88,1**	**87,1**	**78,4**
Normalisierte EBITDA-Marge (in % der Umsatzerlöse angepasst um außergewöhnliche Beträge)	**45,8**	**43,2**	**42,7**	**42,4**	**38,3**

(1) Diese Beträge weichen von denjenigen Beträgen ab, um welche die Rückstellung für Drohverluste aufgrund unseres Eutelsat-Vertrages in 2012 gebildet und in 2013 aufgelöst wurden, weil die Höhe der Rückstellung von diversen zum Teil gegenläufigen und zum Teil nicht als außergewöhnlich eingestuften Faktoren, wie beispielsweise neuen Schätzungen im Business Plan, aufgrund des Eutelsat-Vertrags getätigten Zahlungen sowie Neuverhandlungen des Eutelsat-Vertrags, beeinflusst wurde.

(2) Beinhaltet Kosten im Zusammenhang mit der Umstellung auf das SEPA-Zahlungsverkehrssystem, einem Vertrag mit der NetCom Kassel GmbH (insbesondere ein Auflösungsentgelt), der Konsolidierung unseres Produktportfolios („Projekt Harmony"), signifikanten Erhöhungen der Preise für unsere Produkte in 2008 und 2009, in manchen Fällen um 30 %, infolgedessen ein erheblicher Teil unserer Kunden in diesem Zeitraum ihre Verträge kündigten oder nicht verlängerten („Projekt Sunrise"), der Verlegung unserer Hauptgeschäftsstelle vom Ernst-Reuter-Platz, Berlin zum Goslarer Ufer, Berlin, Anschaffungskosten betreffend unseres Qualitäts-Kontaktcenters in unserer Hauptgeschäftsstelle, einem Vertrag mit der Deutsche Annington Immobilien AG (insbesondere Kosten im Zusammenhang mit einem Rechtsstreit) und Drohverlustrückstellungen für Aufbau- und Rückbauverpflichtungen aus dem Mietvertrag für unsere frühere Hauptgeschäftsstelle am Ernst-Reuter-Platz, Berlin.

Ausgewählte operative Daten

Die nachfolgende Tabelle zeigt ausgewählte operative Daten der Gruppe zum oder für den am 30. September 2014 abgelaufen Dreimonatszeitraum und zum oder für die am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahre:

	Zum oder für den Dreimonatszeitraum abgelaufen am 30. September	Zum oder für das Geschäftsjahr abgelaufen am 31. Dezember		
	2014	2013	2012	2011
	(ungeprüft) (in Tausend, soweit nicht anders angegeben)			
Netzwerk				
Angeschlossene Wohneinheiten	1.720	1.749	1.856	1.963
Wohneinheiten mit ausgebautem Netz	1.068	1.040	1.016	928
% der angeschlossenen Wohneinheiten	62 %	59 %	55 %	47 %
„Eigene" Wohneinheiten (Wohneinheiten überführt von L3 von Drittanbietern)	1.194	1.197	1.250	1.273
% der angeschlossenen Wohneinheiten	69 %	68 %	67 %	65 %
„Eigene" Wohneinheiten	932	891	881	789
% der angeschlossenen Wohneinheiten	54 %	51 %	48 %	40 %
Kunden				
Endkunden	1.291	1.302	1.353	1.447
RGUs				
CATV	1.320	1.338	1.416	1.538
davon CATV aus dem eigenen Netzwerk	*919*	*917*	*950*	*972*
Premium TV	163	164	153	142
Internet	197	174	135	115
Telefon	166	146	112	87
Summe RGUs	**1.846**	**1.822**	**1.816**	**1.881**
RGUs pro Endkunde (in Einheiten)	1,43	1,40	1,34	1,30
Verbreitung (in %)				
Internet in % von Wohneinheiten mit ausgebautem Netz	18,4	16,7	13,3	12,4
Internet in % von eigenen Wohneinheiten mit ausgebautem Netz	20,1	18,5	14,5	13,7
Premium TV in % der CATV RGUs aus dem eigenen Netz	17,7	17,9	16,1	14,6
% der Pakete(1)	73,0	71,9	68,2	63,9
Jahresend-ARPU(2) (in €/Monat für das Jahr)				
Gemischtes TV Jahresend-ARPU(2) pro Endkunde(4)	—	9,6	9,3	9,0
Gemischtes Internet & Telefon Jahresend-ARPU(2) pro Endkunde(5)	—	22,9	22,5	23,3
Gesamtes gemischtes Jahresend-ARPU(2) pro Endkunde	**—**	**13,4**	**11,6**	**12,0**
Jahresdurchschnitts-ARPU(3) (in €/Monat für das Jahr)				
Gemischtes TV Jahresdurchschnitts-ARPU(3) pro Endkunde(4)	—(6)	9,5	9,4	9,2
Gemischtes Internet & Telefon Jahresdurchschnitts-ARPU(3) pro Endkunde(5)	—(6)	22,4	21,9	21,9
Gesamtes gemischtes Jahresdurchschnitts-ARPU(3) pro Endkunde	**—(6)**	**13,2**	**12,4**	**11,6**

(1) Basiert auf Kunden, die entweder Pakete, nur Internet- oder nur Telefonleistungen beziehen.

(2) Jahresend-ARPU ist definiert als pro Endkunde erzielter durchschnittlicher Umsatz berechnet als Umsatz aus Anschlussgebühren im Dezember (einschließlich Rabatte, Gutschriften und Installationsgebühren) geteilt durch Kunden/RGUs im Dezember.

(3) Jahresdurchschnitts-ARPU ist definiert als pro Endkunde erzielter durchschnittlicher Umsatz berechnet als Umsatz aus Anschlussgebühren für das Jahr (einschließlich Rabatte, Gutschriften und Installationsgebühren) geteilt durch die Summe der monatlichen Gesamtzahl an Kunden/RGUs während des Jahres.

(4) Enthält RGUs mit Teilregelleistungen und Premium TV Leistungen.

(5) Enthält Internet und Telefon. Basiert auf Internet RGUs.

(6) Quartalsdurchschnitts-ARPU, das definiert ist als pro Endkunde erzielter durchschnittlicher Umsatz berechnet als Umsatz aus Anschlussgebühren für das relevante Quartal (einschließlich Rabatte, Gutschriften und Installationsgebühren) geteilt durch die Summe der monatlichen Gesamtzahl an Kunden/RGUs während des relevanten Quartals, war für den zum 30. September 2014 endenden Dreimonatszeitraum wie folgt: Gemischtes TV Quartalsdurchschnitts-ARPU pro Endkunde betrug €9,7, gemischtes Internet & Telefon Quartalsdurchschnitts-ARPU pro Endkunde betrug €21,8 und gesamtes gemischtes Quartalsdurchschnitts-ARPU pro Endkunde betrug €14,0.

Ausgewählte Finanzdaten nach Segmenten

Wir haben unsere interne Organisationsstruktur mit Wirkung zum August 2014 geändert, um sie an die wirtschaftliche Struktur der Gruppe auszurichten, und haben in der Folge eine Segmentberichterstattung mit zwei Segmenten, „TV" und „Internet und Telefon", eingeführt. In vorhergehenden Geschäftsjahren verfügten wir über keine Segmentberichterstattung. Segmentinformationen sind auf der Basis, auf der wir gegenwärtig berichten, als zusätzliche Informationen nachträglich für das am 31. Dezember 2013 abgelaufene Geschäftsjahr und den am 30. September 2013 abgelaufenen Neunmonatszeitraum zusammengestellt worden. Für die am 31. Dezember 2012 und 31. Dezember 2011 abgelaufenen Geschäftsjahre waren keine Segmentinformationen verfügbar. Es werden keine Informationen zu Aktiva und Passiva innerhalb der operativen Segmente dargestellt, da diese auf Segmentebene nicht entscheidungserheblich sind.

Die nachfolgende Tabelle zeigt ausgewählte Finanzdaten nach Segmenten für die Gruppe für den am 30. September 2014 abgelaufenen Neunmonatszeitraum:

	Neunmonatszeitraum abgelaufen am 30. September 2014 (ungeprüft) (in € Millionen, soweit nicht anders angegeben)			
	TV	Internet und Telefonie	Überleitung zu den Abschlüssen(1)	Gruppe Gesamt
Umsatzerlöse	**117,7**	**38,5**	**3,2**	**159,4**
EBITDA	**60,7**	**22,4**	**(18,2)**	**64,9**
Außergewöhnliche Aufwendungen/Einnahmen	0,9	0,1	7,0	8,0
Normalisiertes EBITDA	**61,6**	**22,5**	**(11,1)**	**72,9**
Normalisierter Deckungsbeitrag(2)	**65,6 %**	**90,1 %**	**—**	**—**

(1) Beinhaltet Konzernzentrale- und Holdingkosten, die nicht eindeutig unserem TV Segment oder unserem Internet und Telefonie Segment zugeordnet werden können.

(2) Normalisierter Deckungsbeitrag ist definiert als Gesamtleistung (Gesamtumsatzerlöse, aktivierte Eigenleistungen und andere Erträge) abzüglich Materialaufwand geteilt durch Gesamtumsatzerlöse.

Die nachfolgende Tabelle zeigt ausgewählte Finanzdaten nach Segmenten für die Gruppe für den am 30. September 2013 abgelaufenen Neunmonatszeitraum:

	Neunmonatszeitraum abgelaufen am 30. September 2013 (ungeprüft) (in € Millionen, soweit nicht anders angegeben)			
	TV	Internet und Telefonie	Überleitung zu den Abschlüssen(1)	Gruppe Gesamt
Umsatzerlöse	**119,0**	**31,5**	**3,0**	**153,5**
EBITDA	**63,6**	**12,3**	**(13,2)**	**62,7**
Außergewöhnliche Aufwendungen/Einnahmen	0,4	0,4	2,7	3,6
Normalisiertes EBITDA	**64,0**	**12,8**	**(10,5)**	**66,3**
Normalisierter Deckungsbeitrag(2)	**66,6 %**	**74,0 %**	**—**	**—**

(1) Beinhaltet Konzernzentrale- und Holdingkosten, die nicht eindeutig unserem TV Segment oder unserem Internet und Telefonie Segment zugeordnet werden können.

(2) Normalisierter Deckungsbeitrag ist definiert als Gesamtleistung (Gesamtumsatzerlöse, aktivierte Eigenleistungen und andere Erträge) abzüglich Materialaufwand geteilt durch Gesamtumsatzerlöse.

Die nachfolgende Tabelle zeigt ausgewählte Finanzdaten nach Segmenten für die Gruppe für das am 31. Dezember 2013 abgelaufene Geschäftsjahr:

	Geschäftsjahr abgelaufen am 31. Dezember 2013 (ungeprüft, soweit nicht anders angegeben) (in € Millionen)			
	TV	Internet und Telefonie	Überleitung zu den kombinierten Abschlüssen[(1)]	Gruppe Gesamt
Umsatzerlöse	**158,9**	**43,3**	**4,1**	**206,2**[(2)]
EBITDA	**88,9**	**20,8**	**(18,5)**	**91,2**[(2)]
Außergewöhnliche Aufwendungen/Einnahmen	(9,4)	0,6	5,8	(3,1)
Normalisiertes EBITDA	**79,5**	**21,3**	**(12,7)**	**88,1**

(1) Beinhaltet Konzernzentrale- und Holdingkosten, die nicht eindeutig unserem TV Segment oder unserem Internet und Telefonie Segment zugeordnet werden können.

(2) Geprüft.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten.

Umsatzerlöse und Betriebsergebnisse, die gute Indikatoren für die Entwicklung unserer Finanz- und Ertragslage sind, haben sich in den am 30. September 2014 und 2013 abgelaufenen Neunmonatszeiträumen sowie in den am 31. Dezember 2013, 2012 und 2011 abgelaufenen Geschäftsjahren wie folgt entwickelt:

Am 30. September 2014 und 2013 abgelaufene Neunmonatszeiträume

Die Summe der Umsatzerlöse in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum betrug €159,4 Millionen, eine Steigerung um €5,9 Millionen oder 3,8 % gegenüber dem Vorjahreszeitraum. Hiervon wurden €117,7 Millionen in unserem TV Segment (verglichen mit €119,0 Millionen in dem am 30. September 2013 abgelaufenen Neunmonatszeitraum) und €38,5 Millionen in unserem Internet und Telefonie Segment erwirtschaftet (verglichen mit €31,5 Millionen in dem am 30. September 2013 abgelaufenen Neunmonatszeitraum). Die Steigerung der Umsatzerlöse war das Ergebnis verschiedener Effekte, die sich teilweise gegenseitig aufhoben. Die Umsatzerlöse aus CATV gingen in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum zurück, basierend auf einem Verlust von Verträgen mit Wohnungswirtschaftsgesellschaften. Dieser Verlust wurde hauptsächlich durch Kunden generiert, die eine Verlängerung der Verträge mit dem vereinbarten oder dem neu angebotenen Preislevel ablehnten oder in Fällen, in denen wir nicht bereit waren, uns zu Investitionen zu verpflichten, die von Kunden gefordert wurden. Diesem Verlust an Umsatzerlösen aus CATV stand ein starkes Wachstum bei den Umsatzerlösen aus unserem Internet und Telefonie Segment in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum gegenüber. Dies wurde ergänzt durch gesteigertes Wachstum in unseren Umsatzerlösen aus Premium TV.

Das EBITDA in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum betrug €64,9 Millionen, beruhend auf einer Steigerung um €2,2 Millionen oder 3,5 % gegenüber dem Vorjahreszeitraum, während das Normalisierte EBITDA in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum €72,9 Millionen betrug, beruhend auf einer Steigerung um €6,6 Millionen oder 10,0 % gegenüber dem Vorjahreszeitraum.

Zum 30. September 2014 hatten wir in der Summe 1.846 Tausend RGUs, was ungefähr der Zahl zum 31. Dezember 2011 entspricht. Allerdings hat sich die Zusammensetzung unserer RGUs verändert und spiegelt neben der gestiegenen Nachfrage nach unseren Internet und Telefonie-Angeboten auch die wachsende Zahl der Nutzer, die mehr als eines unserer Angebote beziehen, wider.

Geschäftsjahre 2013, 2012 und 2011

Die Summe der Umsatzerlöse betrug für das am 31. Dezember 2013 abgelaufene Geschäftsjahr €206,2 Millionen (davon €158,9 Millionen in unserem TV Segment und €43,3 Millionen in unserem Internet und Telefonie Segment), eine Steigerung um €0,9 Millionen beziehungsweise 0,4 % gegenüber dem vorangehenden Geschäftsjahr. Dies war die Folge einiger Einflussfaktoren, die sich größenteils gegeneinander aufgehoben haben. Die Summe der Umsatzerlöse betrug für das am 31. Dezember 2012 abgelaufene Geschäftsjahr €205,3 Millionen, eine Steigerung um €0,6 Millionen beziehungsweise 0,3 % gegenüber dem vorangehenden Geschäftsjahr. Diese Steigerung geht vorrangig auf höhere Umsatzerlöse in unserem Internet und Telefonie Segment zurück, die durch die Verminderung der Umsatzerlöse aus TV teilweise kompensiert wurden. Der Grund hierfür liegt im Wesentlichen in dem Verlust von Verträgen mit Wohnungswirtschaftsgesellschaften nach der Ankündigung des Erwerbs durch KD im Mai 2012.

Das EBITDA ist von €73,9 Millionen in 2011 um €43,9 Millionen beziehungsweise 59,4 % auf €117,8 Millionen in 2012 angestiegen und anschließend in 2013 um €26,6 Millionen beziehungsweise 22,6 % auf €91,2 Millionen gesunken, während das Normalisierte EBITDA von €78,4 Millionen in 2011 um €8,7 Millionen beziehungsweise 11,1 % auf €87,1 Millionen in 2012 und um weitere €1,0 Millionen beziehungsweise 1,1 % auf €88,1 Millionen in 2013 angestiegen ist. Im Vergleich zu 2011 ist das EBITDA um mehr als €17 Millionen und das Normalisierte EBITDA ungefähr um €10 Millionen gestiegen. Die Gründe für beide Steigerungen sind höhere Umsatzerlöse, insbesondere aus Internet und Telefondiensten, sowie Kosteneinsparungen aus der Überführung unserer Kunden von den L3 Netzwerken von Drittanbietern in unsere „eigenen" Netzwerke.

Zum 31. Dezember 2013 hatten wir in der Summe 1.822 Tausend RGUs und damit nahezu eine Anzahl von RGUs wie zum 31. Dezember 2011. Indessen hat sich die Zusammensetzung unserer RGUs verändert, um der Entwicklung Rechnung zu tragen, dass die Nachfrage nach unseren Internet und Telefondiensten steigt und eine wachsende Zahl unserer Kunden mehr als eine unserer angebotenen Dienste abnimmt. In dem am 31. Dezember 2013 abgelaufenen Geschäftsjahr stieg die Summe des gemischten Jahresend-ARPU von €12.0 in dem am 31. Dezember 2011 abgelaufenen Geschäftsjahr um €1,4 beziehungsweise 11,7 %, auf €13,4. Der gemischte Jahresdurchschnitts-ARPU stieg von €11,6 in dem am 31. Dezember 2011 abgelaufenen Geschäftsjahr auf €13,2 in dem am 31. Dezember 2013 abgelaufenen Geschäftsjahr. Der Anstieg des gemischten Jahresend-ARPU beruht in erster Linie auf einer größeren Zahl an Internet und Telefon RGUs, die ein wesentlich höheres Jahresend-ARPU als unsere TV RGUs haben.

Finanzlage

Während der gesamten Berichtsperiode war unser Eigenkapital auf konsolidierter Basis negativ, wobei das Eigenkapital der Gesellschaft in ihrem Einzelabschluss nach HGB zum 30. September 2014 positiv war. Der Grund hierfür liegt vorrangig in den Verlustvorträgen aus der Vergangenheit. Diese gehen unter anderem auf unser negatives Finanzergebnis zurück, das auf unserem hohen Verschuldungsgrad, hohen Zinssätzen, hohen Abschreibungen, hohen Aufwendungen für Rechtsberatung sowie hohe Beratungskosten und Restrukturierungskosten in den vergangenen Berichtsperioden beruht.

Von 2012 bis 2013 haben sich unsere langfristigen Schulden wesentlich verringert und unsere kurzfristigen Schulden wesentlich erhöht. Unsere langfristigen Schulden betrugen €111,7 Millionen zum 31. Dezember 2013 verglichen mit €685,3 Millionen zum 31. Dezember 2012. Unsere kurzfristigen Schulden betrugen zum 31. Dezember 2013 €646,2 Millionen und zum 31. Dezember 2012 €67.1 Millionen. Diese Entwicklung ist hauptsächlich auf eine Umgruppierung der langfristigen Darlehen aufgrund des Zeitablaufs und der damit einhergehenden Verschiebung des Fälligkeitsprofils zurückzuführen. Nachdem die Laufzeiten im ersten Quartal 2014 im Rahmen eines sog. Scheme of Arrangement nach englischem Recht verlängert wurden, erhöhten sich unsere langfristigen Schulden wiederum auf €684,2 Millionen und unsere kurzfristigen Schulden reduzierten sich auf €82,4 Millionen (jeweils zum 30. September 2014).

Cash Flows

Die Cash Flows aus operativer Tätigkeit sind in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum um 41,2 % auf €46,6 Millionen gestiegen. In 2013 und in 2012 betrugen sie €72,3 Millionen bzw. €77,1 Millionen, was einer Reduzierung um 6,2 % bzw. 5,9 %, jeweils verglichen mit dem entsprechenden Vorjahreszeitraum, entsprach.

Die Cash Flows aus Investitionstätigkeit sind in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum um 40,5 % auf einen Minusbetrag von €34,0 Millionen gesunken. In 2013 und 2012 beliefen sich die Minusbeträge auf €44,0 Millionen bzw. €54,0 Millionen, was einer Steigerung um 18,5 % bzw. 16,4 %, jeweils verglichen mit dem entsprechenden Vorjahreszeitraum, entsprach.

Die Kapitalflüsse aus Finanzierungstätigkeit sind in dem am 30. September 2014 abgelaufenen Neunmonatszeitraum von positiven €9,2 Millionen auf einen Minusbetrag von €47,4 Millionen gesunken. In 2013 und in 2012 beliefen sie sich auf €5,8 Millionen bzw. minus €31,5 Millionen, was einer Steigerung um €37,3 Million bzw. einem Rückgang von 90,9 %, jeweils verglichen mit dem entsprechenden Vorjahreszeitraum, entsprach.

Aktuelle Entwicklungen

Im November 2014 haben wir unsere neuen Dreier-Kombi- Pakete eingeführt. Diese enthalten eine Internet-Flatrate, eine Telefon-Flatrate sowie Kabelfernsehen und unsere Premium TV Angebote. Wir bieten unseren Kunden drei verschiedene Varianten an: das „Kombi 50 HD" Paket, das eine Telefon-Flatrate, Internetanschluss mit 50 Mbit/s und mehr als 100 digitale TV-Sender, davon 37 in HD Qualität enthält; das „Kombi 50 Extra HD" Paket, das zusätzlich 30 Premium-Sender, 10 davon in HD Qualität enthält und das „Kombi 50 Sky" Paket, das dagegen zusätzlich das Sky Welt Paket enthält.

		Unsere Kunden erhalten dadurch die Möglichkeit, drei Dienste in einem Paket zu einem günstigeren Preis zu bekommen. Im April 2015 planen wir, unser neues Internet-Angebot mit Download-Raten von bis zu 400 Mbit/s auf den Markt zu bringen, und damit doppelt so schnelle Übertragungsraten wie gegenwärtig auf dem deutschen Markt verfügbar, zu ermöglichen. Das Angebot ist zunächst in der Stadtregion Potsdam für insgesamt rund 40.000 angeschlossene Wohneinheiten verfügbar. Im Oktober 2014 war unser Vertrag mit HOWOGE, einer Wohnungswirtschaftsgesellschaft in Berlin, ausgelaufen und ist nicht erneuert worden, wie ursprünglich geplant. Aufgrund dieser Vertragsbeendigung verloren wir 26.804 angeschlossene Wohneinheiten. Die RGUs sanken deshalb um 22 Tausend und die Summe der RGUs sank von 1.846 Tausend am 30. September 2014 auf 1.829 Tausend am 31. Oktober 2014 (ein Teil des Verlusts wurde durch neu unter Vertrag genommene Wohneinheiten ausgeglichen).
B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder-schätzungen.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder Gewinnschätzung erstellt.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Bestätigungsvermerke zu den in dem Prospekt enthaltenen historischen Finanzinformationen wurden ohne Einschränkung erteilt.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Das Geschäftskapital des Emittenten reicht aus, um die bestehenden Anforderungen zu erfüllen.
C—Wertpapiere		
C.1	**Beschreibung von Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere, einschließlich Wertpapierkennung.**	Auf den Namen lautende Stammaktien ohne Nennbetrag, jeweils mit einem anteiligen Betrag des Grundkapitals von €1,00 und voller Gewinnanteilsberechtigung ab dem 1. Januar 2014. International Securities Identification Number (ISIN): DE000TCAG172 Wertpapierkennnummer (WKN): TCAG17 Common Code: 112065091
C.2	**Währung der Wertpapieremmission.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten und der ausgegebenen, aber nicht voll eingezahlten Aktien.**	Das Grundkapital der Gesellschaft ist zum Datum des Prospekts eingeteilt in 20.025.000 auf den Namen lautende Stammaktien ohne Nennbetrag (Stückaktien).
	Nennwert pro Aktie, bzw. Angabe, dass Aktien keinen Nennwert haben.	Die außerordentliche Hauptversammlung der Gesellschaft vom 11. Januar 2015 beschloss eine Kapitalerhöhung gegen Bareinlage durch Ausgabe von bis zu 37.500.000 auf den Namen lautende Stammaktien ohne Nennbetrag, die im Rahmen des Angebots angeboten werden (die „**Neuen Aktien**"). Die Eintragung des Beschlusses über die Kapitalerhöhung wird für den 15. Januar 2015 erwartet. Am 20. Januar 2015 wird der Vorstand, mit am selben Tag zu erteilender Genehmigung des Aufsichtsrats, einen Beschluss über die Anzahl der auszugebenden Neuen Aktien treffen. Die

		Durchführung der Kapitalerhöhung betreffend die Neuen Aktien wird voraussichtlich am 21. Januar 2015 eingetragen. Unter der Annahme, dass die Greenshoe Option (wie in E.3 unten definiert) vollumfänglich ausgeübt wird, wird die Gesellschaft weitere 3.750.000 auf den Namen lautende Stammaktien ohne Nennbetrag aus dem von der Hauptversammlung am 10. September 2014 beschlossenen und am 11. Januar 2015 geänderten genehmigten Kapital („**Genehmigtes Kapital 2014**") zum Angebotspreis ausgeben. Alle Aktien, die zum Datum des Prospekts ausgegeben werden, und alle Aktien, die vor der Handelsaufnahme emittiert werden, werden vollständig eingezahlt sein.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte**	Jede Aktie der Gesellschaft gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Die Aktien sind ab dem 1. Januar 2014, also für das Geschäftsjahr 2014 und alle nachfolgenden Geschäftsjahre, in voller Höhe gewinnberechtigt. Im Falle einer Liquidation der Gesellschaft werden die Vermögensgegenstände der Gesellschaft, die nach der Befriedigung aller Verbindlichkeiten der Gesellschaft übrig bleiben, zwischen den Aktionären im Verhältnis ihrer Anteile an der Gesellschaft aufgeteilt.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Nicht anwendbar. Die Aktien sind gemäß den gesetzlichen Regelungen, die für auf den Namen lautende Stammaktien gelten, frei übertragbar. Mit Ausnahme der unten in E.5. beschriebenen Lock-up-Vereinbarungen bestehen keine Einschränkungen der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Angabe, ob für die angebotenen Wertpapiere die Zulassung zum Handel in einem geregelten Markt beantragt wurde bzw. werden soll, Nennung aller geregelten Märkte, in denen die Wertpapiere gehandelt werden oder werden sollen.**	Die Gesellschaft wird voraussichtlich am 12. Januar 2015 die Zulassung ihrer Aktien zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse sowie gleichzeitig zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen. Der Antrag auf Zulassung zum Handel wird außerdem die Neuen Aktien umfassen. Es wird erwartet, dass der Beschluss über die Zulassung der Aktien der Gesellschaft und der Neuen Aktien zum Handel am 21. Januar 2015 ergeht. Der Handel der Aktien der Gesellschaft (einschließlich der Neuen Aktien) an der Frankfurter Wertpapierbörse wird voraussichtlich am 23. Januar 2015 aufgenommen werden.
C.7	**Beschreibung der Dividendenpolitik.**	Mit Blick auf die erforderlichen Investitionen in den nächsten Jahren und unseren derzeitigen Verschuldungsgrad gehen wir nicht davon aus, dass wir für die Geschäftsjahre 2014 und 2015 Dividenden ausschütten werden. Von 2016 an werden wir die Möglichkeit einer Dividendenausschüttung vor dem Hintergrund unserer Profitabilität, der Cash Flows und der geplanten Investitionen auswerten. Unter der neuen, sich an das Angebot anschließenden Finanzvereinbarung (die „**IPO Finanzierungsvereinbarung**") unterliegt die Gesellschaft Beschränkungen in Hinblick auf Dividendenzahlungen und andere Ausschüttungen an Aktionäre, solange der relevante Verschuldungsgrad der Gruppe (d.h. Nettofinanzverbindlichkeiten gegenüber dem Normalisierten EBITDA) ein Verhältnis von 4.0:1.0 überschreitet.
D—Risiken		Die folgenden Risiken könnten allein oder zusammen mit weiteren Risiken und Unsicherheiten, die der Gesellschaft derzeit nicht bekannt sind oder die sie derzeit möglicherweise als unwesentlich erachtet, die Geschäfts-, Finanz- und Ertragslage der Gruppe erheblich beeinträchtigen. Wenn sich Risiken materialisieren sollten, könnten Anleger ihre Investition ganz oder teilweise verlieren.

		Die Reihenfolge, in der die Risikofaktoren dargestellt sind, stellt weder eine Aussage über die Eintrittswahrscheinlichkeit noch über die Bedeutung und Höhe der Risiken oder das Ausmaß der möglichen Beeinträchtigung des Geschäfts der Gruppe dar. Die genannten Risiken könnten einzeln oder kumulativ eintreten.
D.1	**Zentrale Angaben zu den zentralen Risiken, die dem Emittenten oder seiner Branche eigen sind.**	***Risiken im Zusammenhang mit unserer Geschäftstätigkeit und der Branche, in der wir tätig sind*** • Wir sind in einer wettbewerbsintensiven Branche tätig. Der Wettbewerbsdruck könnte erhebliche nachteilige Auswirkungen auf unser Geschäft haben. • Es könnte uns nicht gelingen, erfolgreich unsere bestehenden Produkte und Dienste zu vermarkten oder neue oder verbesserte Produkte und Leistungen einzuführen und zu etablieren. • Es könnte uns nicht gelingen, unsere Verträge mit Wohnungswirtschaftsgesellschaften, die wir zu wirtschaftlich attraktiven Konditionen abgeschlossen haben, zu verlängern oder neue attraktive Verträge mit Wohnungswirtschaftsgesellschaften abzuschließen. • Wir könnten vermehrt Kunden durch Kündigung verlieren und die Anzahl unserer CATV Kunden könnte sinken. • Unser Geschäft und der deutsche Markt, auf dem wir tätig sind, könnte nicht mit dem Geschäft anderer Kabelnetzbetreiber oder anderen Kabelmärkten zu vergleichen sein und wir könnten nicht in der Lage sein, unsere strategischen Ziele zu erreichen. • Unser Geschäft unterliegt schnellem technologischem Wandel und die Wettbewerbsdichte in unseren Märkten steigt infolge von Weiterentwicklungen der Technologie sowie der zunehmenden Konvergenz von Telekommunikationsmärkten, die früher getrennt waren. • Die Einführung oder die Verbesserung von konkurrierenden Technologien könnte den Markt für Internetzugang stören. • Eine Steigerung des Marktanteils von Satellitenübertragung und anderer TV-Übertragungstechnik könnte sich negativ auf unser CATV und Premium TV Geschäft auswirken. • Unser Geschäft ist kapitalintensiv und wir könnten nicht über ausreichende Mittel verfügen, um unser Kabelnetz zu unterhalten, aufzurüsten und auszubauen. • Wir sind für die Lieferung von Signalen auf Unitymedia/KBW, Vodafone/KD und andere Gesellschaften angewiesen sowie auf Eutelsat als TV-Plattform und für die Satellitenübertragung. • Wir haben keinen gesicherten Zugang zu Programmen und sind von Anbietern für Programme und der Kapazität auf Plattformen abhängig. Zudem sind wir von Sendeanstalten und Urheberrechtsverwertungsgesellschaften abhängig. • Für den Zugang zu und den Betrieb bestimmter Teile unseres Netzes sind wir auf Drittanbieter angewiesen. • Ereignisse, die nicht unserer Kontrolle unterliegen, könnten zu Schäden an unserem Kabelnetz, Zentralsystemen und Plattformen für unsere Dienste führen. • Wir sind bezüglich der Bereitstellung unserer Dienste an unsere Kunden von Dritten abhängig.

- Unsere Zugangskontrollsysteme hängen von einer lizensierten Technologie ab. Ferner bestehen Risiken im Bereich illegaler Piraterie.
- Der Umgang mit vertraulichen Kundendaten ist ein wichtiger Bestandteil unseres täglichen Geschäfts. Ein Verlust dieser Daten könnte gesetzliche Regelungen und Verordnungen verletzen. Dies wiederum könnte zu Strafen führen, unseren Ruf beeinträchtigen und Kunden könnten sich abwenden. Zudem könnte der Verlust solcher Daten unser Geschäft negativ beeinflussen.
- Wir müssen qualifiziertes Führungspersonal und anderes Personal gewinnen und halten.
- Streiks und andere Arbeitskampfmaßnahmen können unser Geschäft stören oder zusätzliche Kosten für den Betrieb unseres Geschäfts verursachen.
- Von uns durchgeführte Akquisitionen könnten nicht die erwarteten Ergebnisse liefern und uns mit erheblichen zusätzlichen Kosten belasten.
- Wir unterliegen Risiken aus gerichtlichen Verfahren oder Schiedsverfahren, die uns daran hindern könnten, unsere Geschäftsaktivitäten fortzuführen oder zu hohen Kosten führen könnten.
- Eine weitere Marktkonsolidierung kann dazu führen, dass wir stärkerem Wettbewerbsdruck unterliegen.

Risiken im Zusammenhang mit unserer Finanzierungsstruktur

- Die Gruppe könnte durch ihren Verschuldungsgrad und der Verpflichtung zur Bedienung der Schulden beeinträchtigt werden, insbesondere durch Beschränkungen unserer Geschäftstätigkeit und finanziellen Flexibilität durch Auflagen in unseren Kreditverträgen. Finanzmittel könnten nicht im erforderlichen Maße zur Verfügung stehen, um unseren Bedarf an Betriebskapital zu decken, oder Finanzmittel könnten in der Zukunft nur zu ungünstigeren Konditionen verfügbar sein.
- Unsere Schuldenlast führt zu Beeinträchtigungen, die unsere operative Flexibilität einschränken.
- Die IPO Finanzierungsvereinbarung wird variable Zinsen vorsehen, die erheblich steigen und damit unsere Zinsaufwendungen erhöhen können.
- Das Eigenkapital der Gruppe ist negativ und kann zu einer Beeinträchtigung bei der Verhandlung von Verträgen, insbesondere beim Einkauf, führen.

Risiken im Zusammenhang mit behördlichen und gesetzlichen Anforderungen

- Wir unterliegen gesetzlichen Anforderungen mit erheblichen Belastungen.
- Staatliche Subventionen und anderweitige Regulierung könnten den Markt stören, in dem wir tätig sind, und unsere Wettbewerber begünstigen.
- Das regulatorische Umfeld könnte unsere Wettbewerber begünstigen und unsere Wettbewerbsposition beeinträchtigen.
- Wir unterliegen den Übertragungspflichten, die uns vorschreiben, bestimmte Programme auf unserem Netz zu

		übertragen, was unsere Ressourcenplanung beeinträchtigen könnte. • Wir unterliegen Verbraucherschutzgesetzen und unsere allgemeinen Geschäftsbedingungen in unseren Kundenverträgen könnten nicht durchsetzbar sein. • Im Zusammenhang mit der Abspaltung, durch die die Gesellschaft das operative Geschäft der Tele Columbus GmbH erworben hat, könnte sie Risiken ausgesetzt sein. • Wir könnten verpflichtet sein, zusätzliche Steuern oder andere Abgaben aufgrund von steuerlichen Betriebsprüfungen oder Änderungen unseres effektiven Steuersatzes zu zahlen. ***Risiken im Zusammenhang mit dem Angebot, der Börsennotierung und der Aktionärsstruktur*** • Das Angebot könnte nicht vollzogen werden und Anleger könnten gezahlte Erwerbsprovisionen verlieren und erheblichen Risiken aus etwaigen Leerverkäufen ausgesetzt sein. • Die Gesellschaft wird infolge der Börsenzulassung zusätzlichen administrativen Anforderungen unterliegen und höhere laufende Kosten zu tragen haben.
D.3	**Zentrale Angaben zu den zentralen Risiken, die den Wertpapieren eigen sind.**	• Zukünftige Verkäufe einer großen Zahl von Aktien durch bedeutende Aktionäre oder die Erwartung von solchen Verkäufen im Markt könnte dazu führen, dass der Aktienpreis sinkt. • Die Aktien der Gesellschaft wurden bislang nicht öffentlich gehandelt und es besteht keine Gewähr, dass sich nach dem Börsengang ein liquider Markt entwickelt oder aufrechterhalten werden kann. • Der Preis und das Handelsvolumen der Aktien der Gesellschaft könnten erheblich schwanken und Anleger könnten ihr Investment ganz oder teilweise verlieren. • Zukünftige Kapitalerhöhungen könnten verwässernd wirken und könnten den Wert unserer Aktien erheblich verringern. • Die Fähigkeit der Gesellschaft, Dividenden auszuschütten, hängt unter anderem von ihren Verpflichtungen aus den Finanzierungsverträgen und der Gewinnausschüttung oder Gewinnabführung durch ihre Tochtergesellschaften ab. • Der Angebotspreis pro Aktie wird den Buchwert des Eigenkapitals der Gesellschaft pro Aktie übersteigen
E—Angebot		
E.1	**Gesamtnettoerlöse und geschätzte Gesamtkosten der Emission/des Angebots, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.**	Die Gesellschaft erhält die Erlöse aus dem Verkauf der Neuen Aktien und, sofern und soweit die Greenshoe Option (wie unten in E.3 definiert) ausgeübt wird, die Erlöse aus der Ausübung der Greenshoe Option. Der Verkaufende Aktionär erhält die Erlöse aus dem Verkauf der Zweitplatzierungsaktien (wie unten in E.3 definiert). Die Höhe der Erlöse aus dem Angebot und die Kosten im Zusammenhang mit dem Angebot sind vom Platzierungspreis, der auch die Höhe der zu zahlenden Provisionen der Konsortialbanken bestimmt, und der Zahl der im Angebot platzierten Aktien abhängig. Die Gesellschaft wird darauf abzielen, Gesamtbruttoerlöse in Höhe von ungefähr €300 Millionen zu erzielen (ohne etwaige Erlöse aus der Ausübung der Greenshoe Option wie unten in E.3 definiert), was einer

vollständigen Platzierung der 30.000.000 angebotenen Neuen Aktien zu einem Angebotspreis von €10, was der Mitte der für das Angebot der Angebotenen Aktien (wie unten in E.3 definiert) bestimmten Preisspanne (die „**Preisspanne**") entspricht. Die Gesellschaft wird den Teil der Kosten tragen, der auf das Angebot und die Börsennotierung der Neuen Aktien entfällt und, sofern und soweit die Greenshoe Option ausgeübt wird, die Kosten, die auf die Ausübung der Greenshoe Option entfallen. Auf der Grundlage der vorstehenden Annahmen wird der Teil der Provision der Konsortialbanken, der auf die Gesellschaft entfällt, €9,0 Millionen betragen (ohne Kosten, die auf die Ausübung der Greenshoe Option entfallen). Die Nettoerlöse der Gesellschaft würden sich nach Abzug der Provision und der sonstigen auf die Gesellschaft entfallenden Kosten (d.h. der Anteil an den Gesamtkosten in Höhe von €14,9 Millionen, der auf die Neuen Aktien entfällt) auf €281,0 Millionen belaufen. Wird der Platzierungspreis hingegen am oberen oder unteren Ende der Preisspanne festgesetzt, kann die Anzahl der zu platzierenden Neuen Aktien deutlich geringer oder höher sein als in der Mitte der Preispanne. Die Entscheidung, wie viele Neue Aktien platziert werden, wird am 20. Januar 2015 getroffen (siehe C.3 für weitere Informationen) und wird sich nach dem dann zu erwartenden minimalen Angebotspreis richten, der gemäß dem Fortschritt im Bookbuildingverfahren bestimmt wird.

Unter der Annahme, dass die Greenshoe Option (wie unten in E.3 definiert) vollständig ausgeübt wird und alle Neuen Aktien platziert werden, erwartet die Gesellschaft Gesamtbruttoerlöse von ungefähr €330,0 Millionen in der Mitte der Preisspanne. Auf der Grundlage der vorstehenden Annahmen wird der Gesamtteil der Provision der Konsortialbanken, der auf die Gesellschaft entfällt (unter Annahme der vollständigen Gewährung der ermessensabhängigen Provision), €9,9 Millionen betragen. Die sonstigen auf die Gesellschaft entfallenden Kosten des Angebots werden €10,0 Millionen betragen. Die gesamten Nettoerlöse werden ungefähr €310,1 Millionen in der Mitte der Preisspanne betragen.

Der Gesamtbruttoerlös des Verkaufenden Aktionärs (unter der Annahme der Platzierung der entsprechend anwendbaren Zahl von Zweitplatzierungsaktien und berechnet unter der Voraussetzung, dass der Verkaufende Aktionär, wie unten unter E.3 beschrieben, nach Durchführung des Angebots weiterhin 10 % des Grundkapitals der Gesellschaft hält) beträgt am unteren Ende, in der Mitte und am oberen Ende der Preisspanne circa €111,2 Millionen, €147,2 Millionen beziehungsweise €183,3 Millionen. Unter der Annahme, dass der Angebotspreis am unteren Ende, in der Mitte und am oberen Ende der Preisspanne liegt, dass die höchstmögliche Zahl der Zweitplatzierungsaktien platziert wird, dass keine bevorrechtigte Zuteilung (wie unten unter E.3 beschrieben) vorliegt und dass weiterhin die ermessensabhängige Provision von bis zu €1,4 Millionen, €1,8 Millionen beziehungsweise €2,3 Millionen am unteren Ende, in der Mitte beziehungsweise am oberen Ende der Preisspanne im vollem Umfang gewährt wird, wird die vom Verkaufenden Aktionär zu bezahlende Provision der Konsortialbanken (einschließlich einer solchen ermessensabhängigen Provision) €3,3 Millionen, €4,4 Millionen beziehungsweise €5,5 Millionen betragen. Der Verkaufende Aktionär wird den Anteil der übrigen Kosten tragen, der auf das Angebot und die Börsennotierung der Zweitplatzierungsaktien entfällt. Wir nehmen an, dass am unteren Ende, in der Mitte und

		am oberen Ende der Preisspanne die Nettoerlöse (abzüglich der vom Verkaufenden Aktionär zu zahlenden Kosten und unter der Annahme, dass keine bevorrechtigte Zuteilung (wie unten unter E.3 beschrieben)) vorliegt circa €103,8 Millionen, €137,9 Millionen beziehungsweise €172,1 Millionen betragen. Anlegern werden keine Kosten von der Gesellschaft oder den Konsortialbanken im Zusammenhang mit ihrer Funktion als Konsortialbanken in Rechnung gestellt.
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.**	Die Gründe der Gesellschaft für das Angebot sind allgemeine Gesellschaftszwecke, insbesondere der weitere Ausbau ihres Kabelnetzes und des „eigenen" L3 Netzwerks sowie die geplante Umstrukturierung ihres Kapitals und ihrer bestehenden Finanzverbindlichkeiten (unter dem Senior Facilities Agreement („**SFA**") und dem Mezzanine Facilities Agreement („**MFA**"), die zurückgezahlt bzw. refinanziert werden), um dadurch eine höhrere Flexibilität für die Umsetzung ihrer wachstumsorientierten Investitionstrategie zu erreichen. Zudem möchte die Gesellschaft ihren Zugang zu den Kapitalmärkten verbessern und die Basis ihrer Aktionäre mit neuen und internationalen Aktionären diversifizieren. Die Gesellschaft wird einen Teil der Erlöse aus dem Angebot in Höhe des Nominalbetrages der am 11. Januar 2015 von der Hauptversammlung beschlossenen Kapitalerhöhung von ungefähr €30,0 Millionen sowie die Nettoerlöse aus der Ausübung der Greenshoe Option von ungefähr €29,1 Millionen in der Mitte der Preisspanne (unter der Annahme der vollständigen Ausübung der Greenshoe Option) für generelle Gesellschaftszwecke, insbesondere den weiteren Ausbau ihres Kabelnetzes und des „eigenen" L3 Netzwerks verwenden. Die Gesellschaft wird den verbleibenden Teil der Erlöse in Höhe von ungefähr €251,0 Millionen darauf verwenden, die Senior Tranche A Fazilität unter dem SFA, bei der zum 31. Oktober 2014 €539,5 Millionen ausstehen, teilweise zurückzuführen. Da die Gesellschaft ihre gesamte bestehende Finanzierung unter dem SFA und dem MFA ersetzen möchte, wird sie Mittel unter einer neuen Finanzierungsvereinbarung (der IPO Finanzierungsvereinbarung) sowie verfügbare Zahlungsmittel für die Rückzahlung des SFA und des MFA verwenden, soweit die Nettoerlöse aus dem Verkauf der Neuen Aktien hierfür nicht ausreichen. Zum 31. Oktober 2014 beliefen sich die ausstehenden Verbindlichkeiten unter dem SFA (einschließlich der Senior Tranche A Fazilität) auf €592,9 Millionen mit Endfälligkeit am 30. Juni 2017 und unter dem MFA auf €35,3 Millionen mit Endfälligkeit am 30. Juni 2018.
E.3	**Beschreibung der Angebotskonditionen.**	Das Angebot besteht aus einer Gesamtzahl von 56.522.500 auf den Namen lautenden Stammaktien ohne Nennbetrag (Stückaktien), jede Aktie mit einem anteiligen Betrag des Grundkapitals von €1,00 und voller Gewinnanteilsberechtigung ab dem 1. Januar 2014, und beinhaltet: • 37.500.000 neu emittierte auf den Namen lautende Stammaktien ohne Nennbetrag aus einer Kapitalerhöhung gegen Bareinlage, welche eine außerordentliche Hauptversammlung der Gesellschaft am 11. Januar 2015 beschlossen hat (die „**Neuen Aktien**"); • 15.272.500 existierende auf den Namen lautende Stammaktien ohne Nennbetrag aus dem Aktienbesitz des Verkaufenden Aktionärs (die „**Zweitplatzierungsaktien**"); und

- 3.750.000 existierende auf den Namen lautende Stammaktien ohne Nennbetrag aus dem Aktienbesitz des Verkaufenden Aktionärs, um eine mögliche Mehrzuteilung abzudecken („**Mehrzuteilungsaktien**" und zusammen mit den Neuen Aktien und den Zweitplatzierungsaktien, die „**Angebotenen Aktien**").

Für Zwecke der Zulassung zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse bezieht sich der Prospekt auf eine Gesamtzahl von bis zu 57.525.000 auf den Namen lautende Stammaktien ohne Nennbetrag der Gesellschaft, bestehend aus:

- 20.025.000 auf den Namen lautende Stammaktien ohne Nennbetrag (bestehendes Grundkapital); und
- bis zu 37.500.000 auf den Namen lautende Stammaktien ohne Nennbetrag aus der vorstehend genannten Kapitalerhöhung bezüglich der Neuen Aktien;

jeweils mit einem anteiligen Betrag des Grundkapitals von €1,00 und voller Gewinnanteilsberechtigung ab dem 1. Januar 2014.

Dieses Angebot besteht aus erstmaligen öffentlichen Angeboten in der Bundesrepublik Deutschland und im Großherzogtum Luxemburg und Privatplatzierungen in bestimmten anderen Jurisdiktionen außerhalb der Bundesrepublik Deutschlands und des Großherzogtums Luxemburg. In den Vereinigten Staaten von Amerika werden die Aktien nur zum Verkauf an qualifizierte institutionelle Anleger (*Qualified Institutional Buyers*) gemäß der Definition in Rule 144A nach dem U.S. Securities Act von 1933 in der derzeit gültigen Fassung („**Securities Act**") angeboten. Außerhalb der Vereinigten Staaten von Amerika werden die Aktien auf Grund von Regulation S nach dem Securities Act angeboten.

Die finale Anzahl der Zweitplatzierungsaktien, die platziert werden, bestimmt sich nach der Anzahl der ausgegebenen Neuen Aktien und der entsprechenden finalen Höhe des Grundkapitals der Gesellschaft. Die Anzahl der Zweitplatzierungsaktien, die final platziert werden, wird derart angepasst, dass der Verkaufende Aktionär nach Durchführung des Angebots (unter Annahme der vollständigen Platzierung der Angebotenen Aktien und einer vollständigen Ausübung der Greenshoe Option) weiterhin 10 % des Grundkapitals der Gesellschaft hält.

Angebotszeitraum

Das Angebot beginnt am 13. Januar 2015 und endet voraussichtlich am 21. Januar 2015, (i) um 12:00 (Mitteleuropäischer Zeit) für Privatanleger und (ii) um 14:00 (Mitteleuropäischer Zeit) für institutionelle Anleger.

Preisspanne und Platzierungspreis

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, beträgt €8,00 bis €12,00 je Aktie. Die Gesellschaft wird voraussichtlich den Platzierungspreis zusammen mit dem Verkaufenden Aktionär und nach Beratung mit den Joint Bookrunners auf der Grundlage des Bookbuildingverfahrens am oder um den 21. Januar 2015 bestimmen. Der Platzierungspreis wird voraussichtlich durch verschiedene Medien mit Verbreitung im gesamten Europäischen Wirtschaftsraum (*Medienbündel*) und unter der Internetadresse der Gesellschaft (www.telecolumbus.com) veröffentlicht werden.

Änderung der Angebotskonditionen

Die Gesellschaft und der Verkaufende Aktionär behalten sich das Recht vor, nach Beratung mit den Joint Bookrunners die Anzahl der angebotenen Aktien zu verringern oder zu erhöhen, die obere oder untere Begrenzung der Preisspanne zu senken oder zu erhöhen und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Die Gesellschaft und der Verkaufende Aktionär können die Gesamtzahl der angebotenen Aktien in diesem Angebot maximal bis zu der Gesamtzahl von Aktien erhöhen, für die eine Zulassung zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse in Übereinstimmung mit dem Prospekt oder eventuell veröffentlichten Nachträgen beantragt wurde.

Der Übernahmevertrag, der voraussichtlich zwischen der Gesellschaft, dem Verkaufenden Aktionär und jeder der Konsortialbanken am 20. Januar 2015 geschlossen werden wird (der „**Übernahmevertrag**"), regelt, dass die Konsortialbanken unter bestimmten Umständen von dem Übernahmevertrag zurücktreten können und zwar auch noch nachdem die Aktien zugeteilt und börsennotiert wurden, bis zur Lieferung und Zahlung der Aktien. Sollte es zu einem Rücktritt vom Übernahmevertrag kommen, wird das Angebot nicht durchgeführt. In diesem Fall sind bereits erfolgte Zuteilungen an Anleger unwirksam. Ein Anspruch auf Lieferung besteht in diesem Fall nicht. Ansprüche in Bezug auf bereits erbrachte Erwerbsprovisionen und im Zusammenhang mit der Zeichnung entstandene Kosten eines Anlegers richten sich allein nach dem Rechtsverhältnis zwischen dem Anleger und dem Finanzinstitut, bei dem er sein Kaufangebot abgegeben hat. Sollten Anleger sogenannte Leerverkäufe vorgenommen haben, so tragen sie das Risiko, ihre Lieferverpflichtungen nicht erfüllen zu können.

Lieferung und Abrechnung

Die Angebotenen Aktien werden voraussichtlich am 26. Januar 2015 gegen Zahlung des Angebotspreises geliefert. Die Lieferung der Neuen Aktien, die die TC MP KG im Rahmen der bevorrechtigten Zuteilung erworben hat (siehe unten unter „*—Bevorrechtigte Zuteilung und Angebotsbezogene Verpflichtung*"), wird voraussichtlich jedoch erst drei Bankarbeitstage nach Zahlung des gesamten Kaufpreises durch TC MP KG für die an TC MP KG zugeteilten Aktien erfolgen. Diese Zahlung wird voraussichtlich innerhalb eines Monats nach dem Angebot erfolgen. Die Angebotenen Aktien werden den Aktionären als Miteigentumsanteile an der Globalurkunde zur Verfügung gestellt.

Stabilisierungsmaßnahmen, Mehrzuteilungen und Greenshoe Option

Im Zusammenhang mit der Platzierung der angebotenen Aktien wird J.P. Morgan oder in dessen Namen handelnde Personen in Übereinstimmung mit den weiteren Konsortialbanken als Stabilisierungsmanager auftreten; sie können im rechtlich zulässigen Rahmen Mehrzuteilungen vornehmen und Stabilisierungsmaßnahmen ergreifen, um den Marktpreis der Aktien der Gesellschaft zu stützen und dadurch einem etwaigen Verkaufsdruck entgegenzuwirken.

Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen zu ergreifen. Es kann daher nicht zugesichert werden, dass Stabilisierungsmaßnahmen ergriffen

werden. Sollten Stabilisierungsmaßnahmen ergriffen werden, können sie jederzeit ohne Ankündigung eingestellt werden. Solche Maßnahmen können ab dem Zeitpunkt der Notierungsaufnahme der Aktien im regulierten Markt an der Frankfurter Wertpapierbörse vorgenommen werden und müssen spätestens am 30. Kalendertag nach diesem Zeitpunkt eingestellt werden (der „**Stabilisierungszeitraum**").

Im Rahmen möglicher Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Neuen Aktien bis zu 3.750.000 zusätzliche Aktien (Mehrzuteilungsaktien) aus dem Aktienbesitz der TC Management als Teil der Zuteilung der zu platzierenden Aktien zugeteilt werden.

Um eine mögliche Mehrzuteilung abzudecken, werden J.P. Morgan für Rechnung der Konsortialbanken in Form eines Wertpapierdarlehens bis zu 3.750.000 Aktien der TC Management zur Verfügung gestellt werden; diese Anzahl der Aktien wird 10 % der angebotenen Neuen Aktien nicht übersteigen. Im Zusammenhang mit der Mehrzuteilung wird die Gesellschaft den Konsortialbanken eine Option zum Erwerb von bis zu 3.750.000 zusätzlichen Aktien an der Gesellschaft (entsprechend der Anzahl der Mehrzuteilungsaktien) zum Angebotspreis gewähren („**Greenshoe Option**"). Diese würden aus dem Genehmigten Kapital 2014, ausschließlich zur Erfüllung der Rücklieferungsverpflichtungen gemäß dem Wertpapierdarlehen zwischen dem Stabilisierungsmanager und TC Management, ausgegeben. Die Greenshoe Option kann durch J.P. Morgan als Stabilisierungsmanager in Übereinstimmung mit den Konsortialbanken bis zum dreißigsten Tag nach Handelsaufnahme der Aktien ausgeübt werden.

Der Stabilisierungsmanager ist berechtigt, die Greenshoe Option in dem Maß der ursprünglichen Mehrzuteilung auszuüben. Dabei ist der Aktienbetrag um die Anzahl der Aktien zu vermindern, die von dem Stabilisierungsmanager am Tag der Ausübung der Greenshoe Option gehalten und von diesem im Zusammenhang mit Stabilisierungsmaßnahmen erworben wurden.

Nach dem Ende des Stabilisierungszeitraums wird der Stabilisierungsmanager innerhalb einer Woche durch verschiedene Medien mit Verbreitung im gesamten Europäischen Wirtschaftsraum (*Medienbündel*) bekannt geben, ob Stabilisierungsmaßnahmen ergriffen wurden, wann die Kursstabilisierung begann und endete sowie innerhalb welcher Kursspanne die Stabilisierung erfolgte; letzteres wird für jeden Fall bekannt gegeben werden, in dem eine Kursstabilisierungsmaßnahme ergriffen wurde. Die Ausübung der Greenshoe Option, der Zeitpunkt der Ausübung sowie die Anzahl der betroffenen Aktien werden ebenfalls unverzüglich in der beschriebenen Art und Weise bekannt gemacht werden.

Zuteilungskriterien

Über die Zuteilung von Aktien an Privatanleger und institutionelle Anleger wird von der Gesellschaft und dem Verkaufenden Aktionär nach Beratung mit den Joint Bookrunners entschieden. Die endgültige Entscheidung liegt bei der Gesellschaft und dem Verkaufenden Aktionär. Zuteilungen erfolgen anhand der Qualität der einzelnen Anleger und der Qualität der einzelnen Aufträge sowie sonstiger wichtiger, nach Beratung mit den Joint Bookrunners festzulegender Zuteilungskriterien.

		Bevorrechtigte Zuteilung und Angebotsbezogene Verpflichtung Zugunsten der Aktionäre der Tele Columbus Holdings SA, einschließlich der TC MP KG, wurde ein bevorrechtigter Zuteilungsmechanismus eingerichtet. Für diese bevorrechtige Zuteilung werden anfänglich die Neuen Aktien, die Zweitplatzierungsaktien und die Mehrzuteilungsaktien zur Verfügung gestellt, derenbezüglich die Aktionäre der Tele Columbus Holdings SA am ersten Tag des Angebotszeitraums eine bevorrechtigte Zuteilung zum Angebotspreis (ohne Abschlag) beantragen können. TC MP KG hat sich gegenüber der Gesellschaft und den Konsortialbanken verpflichtet, am ersten Tag des Angebotszeitraums die bevorrechtigte Zuteilung von Angebotsaktien zum Angebotspreis ohne Abschlag zu beantragen. Die Gesellschaft wird unmittelbar danach die maximale Anzahl der Aktien veröffentlichen, für die die Aktionäre der Tele Columbus Holdings SA die bevorrechtigte Zuteilung in Anspruch genommen haben. Die bevorrechtigte Zuteilung unter den Aktionären der Tele Columbus Holdings SA findet anteilig gemessen an ihren bestehenden Beteiligungen statt. Die Aktionäre wurden von der Tele Columbus Holdings SA über die bevorrechtigte Zuteilung informiert. TC MP KG hat einer Lock-up-Frist zugestimmt, die zwölf Monate nach dem ersten Handelstag der Aktien endet. Die anderen Aktionäre werden zustimmen, etwaige Aktien, die sie im Rahmen der bevorrechtigten Zuteilung erworben haben, in den 180 Tagen ab dem ersten Handelstag der Aktien nicht zu veräußern.
E.4	**Beschreibung aller für die Emission/das Angebot wesentlichen Interessen, einschließlich Interessenkonflikten.**	Goldman Sachs und J.P. Morgan handeln als Joint Global Coordinators und Joint Bookrunners bei diesem Angebot. BofA Merrill Lynch und Berenberg sind als zusätzliche Joint Bookrunners ernannt worden. Darüber hinaus wurden Goldman Sachs und J.P. Morgan als designierte Börsenhändler (*Designated Sponsors*) für die Aktien beauftragt. Die Konsortialbanken erhalten bei erfolgreichem Abschluss des Angebots eine Provision sowie weitere Zahlungen. Die Höhe der Provision hängt von der Größe des Angebots und der Höhe des Angebotspreises ab. Die Konsortialbanken haben daher ein Interesse daran, dass so viele Aktien wie möglich (insbesondere Zweitplatzierungsaktien), zum höchstmöglichen Preis platziert werden. Goldman Sachs und J.P. Morgan erhalten nur dann Gebühren als designierte Börsenhändler, wenn das Angebot erfolgreich abgeschlossen wird. Goldman Sachs, J.P. Morgan, BofA Merrill Lynch, Berenberg und mit ihnen verbundene Unternehmen haben in der Vergangenheit und/oder werden in der Zukunft im Rahmen ihres üblichen Geschäftsbetriebs in ihrer Funktion als Finanzinstitute, Dienstleistungen für die Gruppe und/oder den Verkaufenden Aktionär erbringen. Dies umfasst insbesondere Beratungsleistungen bei M&A-Transaktionen sowie bei Finanztransaktionen. Es ist möglich, dass sie in der Zukunft als Eigen- oder Fremdgeschäft für eine oder mehr als eine Partei handelnd, Kauf- und Verkaufspositionen (Long- oder Shortpositionen) in Aktien oder anderen Wertpapieren der TC Gruppe halten und möglicherweise selbst Aktien oder andere Wertpapiere oder Darlehen der TC Gruppe für eigene oder fremde Rechnung handeln oder mit verschiedenen Parteien, einschließlich Investoren von Schuld- oder Eigenkapitaltiteln oder Finanzierungen der Gruppe, Finanzierungsvereinbarungen (einschließlich Swaps) abschließen.

		Im Falle eines erfolgreichen Angebots ist es möglich, dass auch die anderen Konsortialbanken als Finanzberater für zukünftige Transaktionen verpflichtet werden oder als Darlehensgeber oder Konsortialführer für zukünftige Finanzierungstransaktionen oder im eigenen Namen oder im Namen ihrer Kunden Aktien oder andere Wertpapiere oder Darlehen der TC Gruppe handeln. Goldman Sachs und J.P. Morgan sind als ursprüngliche Darlehensgeber Parteien der IPO Finanzierungsvereinbarung und werden der TC Gruppe unter der IPO Finanzierungsvereinbarung eine Finanzierung zur Verfügung stellen, sobald das Angebot durchgeführt wurde. Goldman Sachs Lending Partners LLC und J.P. Morgan haben der TC Gruppe Kredite (Tranche A des SFA) gewährt. Die Gesellschaft will Teile der Nettoerlöse aus dem Angebot zur teilweisen Rückzahlung ihrer offenen Verbindlichkeiten unter dem Senior Facilities Agreement (SFA) verwenden. Soweit die Nettoerlöse aus dem Verkauf der Neuen Aktien nicht für die Rückzahlung der ausstehenden Verbindlichkeiten unter dem SFA und MFA ausreichen, wird die Gesellschaft Finanzmittel aus der Fazilität A von €375 Millionen unter der neuen IPO Finanzierungsvereinbarung verwenden. Die Konsortialbanken Goldman Sachs und J.P. Morgan, die entweder unmittelbar oder mittelbar durch verbundene Unternehmen Kreditgeber unter der IPO Finanzierungsvereinbarung sind, haben daher ein Interesse daran, dass die Erlöse für die Gesellschaft aus dem Angebot maximiert werden, so dass der Betrag der Nettoerlöse aus dem Angebot, der für die Rückzahlung verwendet werden kann, höher, und die Ziehung unter der IPO Finanzierungsvereinbarung niedriger ausfallen. TC Management ist unmittelbarer Gesellschafter der Gesellschaft und hat Einfluss auf Entscheidungen, die die Gesellschaft in Bezug auf das Angebot trifft. Goldman Sachs ist indirekter Gesellschafter der Gesellschaft. Die Erlöse aus dem Angebot, die die Gesellschaft erhält, werden entsprechend der geplanten Rückzahlung von Verbindlichkeiten, die Finanzlage und Eigenkapitalbasis der Gesellschaft stärken. Der Eigenkapitalwert der Anteile des Verkaufenden Aktionärs und, mittelbar, der indirekten Gesellschafter wird sich durch das Angebot um €8,65 je Aktie erhöhen (berechnet als Zuwachs des Nettobuchwerts in der Mitte der Preisspanne und ohne Erlöse aus der Ausübung der Greenshoe Option). Daher haben der Verkaufende Aktionär und seine indirekten Gesellschafter ein Interesse am Erfolg des Angebots zu den bestmöglichen Konditionen.
E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Kauf anbietet.**	Die Aktien werden von den Konsortialbanken zum Kauf angeboten.
	Lock-up-Vereinbarungen; die beteiligten Parteien und Lock-up-Frist.	Die Gesellschaft wird sich gegenüber den Konsortialbanken im Übernahmevertrag unter Beachtung der einschlägigen Regelungen des deutschen Wertpapierrechts verpflichten, innerhalb eines Zeitraums von sechs Monaten nach dem ersten Tag des Börsenhandels der Aktien nicht ohne vorherige schriftliche Zustimmung der Joint Bookrunners, die nicht unbillig verweigert werden darf, von bestimmten Maßnahmen zur Kapitalerhöhung oder Maßnahmen mit ähnlichem Effekt abzusehen. TC Management wird sich im Übernahmevertrag gegenüber den Konsortialbanken verpflichten, innerhalb von sechs Monaten ab

		dem Tag nach dem ersten Tag des Börsenhandels der Aktien der Gesellschaft von bestimmten Transaktionen betreffend ihre Aktien abzusehen und sich nicht an bestimmten Maßnahmen betreffend das Grundkapital zu beteiligen. Zudem hat sich die TC MP KG für einen Zeitraum von zwölf Monaten nach dem ersten Tag des Börsenhandels zu gleichen Einschränkungen bezüglich ihrer Aktien an der Gesellschaft verpflichtet.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung. Im Fall eines Zeichnungsangebots an die existierenden Anteilseigner Betrag und Prozentsatz der unmittelbaren Verwässerung für den Fall, dass sie das Angebot nicht zeichnen.**	Der Nettobuchwert der Gesellschaft (berechnet als Summe der Aktiva abzüglich Schulden, was dem bilanziellen Eigenkapital entspricht) in der Zwischenbilanz auf der Grundlage der Finanzinformationen der Gesellschaft zum 31. Oktober 2014 belief sich zum 31. Oktober 2014 auf minus €101,4 Millionen und würde sich, basierend auf 20.025.000 ausgegebenen Aktien der Gesellschaft unmittelbar vor dem Angebot, auf minus €5,06 je Aktie belaufen. Unter der Annahme, dass der gesamte Nettoerlös der Gesellschaft (aus dem Verkauf der Neuen Aktien und ausschließlich etwaiger Erlöse aus der Ausübung der Greenshoe Option) circa €281,0 Millionen betragen würde und dass die Gesellschaft bereits diesen gesamten Nettoerlös zum 31. Oktober 2014 erhalten hätte, würde der entsprechend angepasste Nettobuchwert in der Zwischenbilanz der Gesellschaft zum 31. Oktober 2014 eine Höhe von €179,6 Millionen haben (berechnet auf Grundlage der Mitte der Preisspanne); dies entspricht circa €3,59 je Aktie (berechnet auf der Grundlage von 50.025.000 ausgegebenen Aktien nach der vollständigen Durchführung der Kapitalerhöhung bezüglich der Neuen Aktien). Damit würde eine unmittelbare Verwässerung von €6,41 (64,1 %) je Aktie für die Erwerber der Angebotenen Aktien in der Mitte der Preisspanne einhergehen. Am unteren beziehungsweise am oberen Ende der Preisspanne betrügen die entsprechenden Werte €4,89 (61,2 %) beziehungsweise €7,99 (66,6 %). Unter der Annahme der vollständigen Ausübung der Greenshoe Option würde der entsprechend angepasste Nettobuchwert in der Zwischenbilanz der Gesellschaft zum 31. Oktober 2014 eine Höhe von €208,7 Millionen haben (berechnet auf Grundlage der Mitte der Preisspanne); dies entspricht circa €3,94 je Aktie (berechnet auf der Grundlage von 53.025.000 ausgegebenen Aktien). Damit würde eine unmittelbare Verwässerung von €6,06 (60,6 %) je Aktie für die Erwerber der Angebotenen Aktien in der Mitte der Preisspanne einhergehen. Unter der Annahme, dass die Kapitalerhöhung betreffend die Neuen Aktien vollständig durchgeführt wird, erfährt der Nettobuchwert pro Aktie (bei einem Vergleich der Nettobuchwerte vor und nach dem Angebot) einen Zuwachs in Höhe von €8,65 (basierend auf einem Platzierungspreis in der Mitte der Preisspanne und ohne Erlöse aus der Ausübung der Greenshoe Option). Unter der Annahme, dass die Kapitalerhöhung betreffend die Neuen Aktien vollständig durchgeführt sowie die Greenshoe Option vollständig ausgeübt werden, erfährt der Nettobuchwert pro Aktie (bei einem Vergleich der Nettobuchwerte vor und nach dem Angebot) einen Zuwachs in Höhe von €9,0 (basierend auf einem Platzierungspreis in der Mitte der Preisspanne).
E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.**	Entfällt. Anlegern werden keine Kosten der Gesellschaft oder der Konsortialbanken im Zusammenhang mit ihrer Funktion als Konsortialbanken in Rechnung gestellt.

RISK FACTORS

Prospective investors should carefully consider the risk factors set out below, together with the other information contained in the Prospectus, before making an investment decision with respect to investing in shares of Tele Columbus AG, Berlin, Germany (hereinafter, also "TC AG" or the "Company" and, together with its direct and indirect subsidiaries, the "TC Group", "Group" or "we", "our", "us"). The occurrence of any of these risks, individually or together with other circumstances, could have a material adverse effect on our business, financial position and results of operations. The order in which the risk factors are presented is not an indication of the likelihood of the risks actually occurring, the significance or degree of the risks or the scope of any potential impairment to the Group's business. The risks mentioned could materialize individually or cumulatively.

Various statements in the following risk factors are based on assumptions or judgments that could turn out to be incorrect, and they contain forward looking statements. Furthermore, other risks, facts or circumstances not presently known to us or that we might currently deem immaterial, could prove to be important and could have a material adverse effect on the business, results of operations and financial position of the Company. The value of the shares of TC AG could decline as a result of the occurrence of any of these risks, and investors could lose all or part of their investment.

Risks Relating to Our Business and the Industry in which we operate

We operate in a highly competitive industry and competitive pressures could have a material adverse effect on our business.

We believe we were the third largest German cable operator in terms of the number of subscribers in 2013 and a leading cable operator in Eastern Germany. We provide a variety of television and telecommunication services to our customers, including basic cable television ("**CATV**"), premium TV packages with additional premium TV channels, including channels in HD quality ("**Premium TV**"), Internet and telephony services.

We face significant competition from established competitors, some of whom belong to large global telecommunication groups, and we may face competition from new competitors whose offerings may be founded on relatively new technologies or result from future market consolidation. We are subject to significant competition on the basis of price, marketing, quality of product, network coverage and service portfolio, as well as customer service. It is therefore difficult for us to attract new customers, retain existing customers and to price our products and services at attractive levels. New competitors may be faster and more adept at exploiting market opportunities, including new technologies. Many of our competitors have larger scale operations, easier access to financing, more comprehensive product offerings, greater personnel resources, greater brand name recognition and more experience or longer-established relationships with regulatory authorities and customers than we do. Price pressure is significant across all parts of our businesses, in part because some markets that we operate in are saturated and further customer growth can only be achieved by winning customers from other providers. For instance, due to technological progress and strong competition, prices in the German fixed-line telephony and Internet services markets have decreased sharply in recent years. Prices for these and our other products and services may continue to decrease, and our marketing and sales expenses may rise significantly, thereby depressing our margins. We may be unable to sell additional higher-priced products and services to offset any decrease in average revenues generated per unique subscriber ("**ARPU**") that we experience. Any failure to compete against our current or future competitors in any of our businesses may have a material adverse effect on our business, results of operations and financial condition.

Our main competitors include Kabel Deutschland Holding AG ("**KD**", after the takeover by Vodafone group ("**Vodafone**"), "**Vodafone/KD**"), Unitymedia Kabel Baden-Württemberg ("**Unitymedia/KBW**"), PrimaCom Berlin GmbH ("**PrimaCom**"), Pepcom GmbH ("**Pepcom**"), Willy-Tel and several operators of Level 4 ("**L4**") networks which are active in smaller regions or cities. The Level 4 network is the in-house broadband cable network, which transports signals from the transfer point outside of the subscriber's dwelling unit to the wall outlet in the subscriber's dwelling unit, while the Level 3 ("**L3**") network transports signals from regional distribution networks to the transfer point outside of the subscriber's dwelling unit. We also compete with companies using the unbundled local loop (the twisted-pair connection between the local exchange and the home), sometimes together with glass fiber or cable infrastructure, such as that offered by Deutsche Telekom AG ("**DTAG**"), Telefónica Deutschland Holding AG ("**Telefónica**"), M-net Telekommunikations GmbH, NetCologne Gesellschaft für Telekommunikation mbH and other carriers active in the business to consumer ("**B2C**") market. Additional competitors include DSL resellers (Internet and phone services), such as United Internet AG, and providers of

competing signal feed-in/transmission technology, such as SES Astra or digital terrestrial television ("**DTT**") technology providers. In the basic pay-TV segment, we compete against pay-TV broadcasters including Sky Deutschland AG ("**Sky**") and network providers.

We may fail to successfully market our existing products and services or fail to introduce and establish new or enhanced products and services.

Our inability to offer attractive products and services, and to successfully develop and integrate new products and services, could have a material adverse effect on our business, results of operations and financial condition.

Our CATV business largely depends on our ability to secure attractive, non-exclusive TV content (including certain channels in High Definition ("**HD**") format) on reasonable terms for analog and digital distribution to our CATV subscribers. The failure to secure such content may adversely affect our CATV business. In addition, the refusal of pay-TV, tele shopping and other broadcasters to pay carriage fees for the distribution of their programming to our CATV subscribers may adversely affect our revenues. For example, the pay-TV provider Sky, which also offers its premium pay-TV packages to subscribers via satellite, may cease or limit its use of our platform for the distribution of its content, especially because, unlike our own business, which is subject to "must-carry" obligations, they are not bound by "must-offer" regulations. Furthermore, we seek to obtain TV distribution rights for our own pay-TV and Premium TV offerings, including rights for content in HD format and video on demand ("**VoD**"). We may fail to acquire the desired rights or may fail to acquire them at commercially attractive prices. Any failure to gain and retain subscribers for our Premium TV services, including pay-TV packages and VoD offerings may adversely affect our Premium TV business. Content providers may cease or block distribution of their contents through our network, which may render our content-based services, such as the Premium TV offerings, less attractive.

The Internet and telephony markets are very competitive, and any new or enhanced products, or services we introduce or have introduced, may fail to achieve market acceptance or may fall short of our growth expectations. New or enhanced products or services introduced by our competitors may also be more appealing to subscribers. Our competitors may be able to offer more attractive product bundles (triple and/or quadruple-play offerings), which combine TV, Internet and telephony (mobile and/or fixed-line telephony) services in one package. As customers increasingly seek to receive their media and communication services from a single provider at an attractive price, subscribers may choose to discontinue their use of our services and may choose a competitor's TV, Internet and telephony bundle over our product bundles. In addition, our revenues from Premium TV, Internet and telephony products and services may not cover the investments, including the costs of network upgrades and marketing expenses, that we incur in connection with the launch of new products and services. This is of particular concern, because we are entering these markets relatively late and customers now have more alternatives than they did a few years ago. We also face significant competitive pressure in the German fixed-line telephony market from resellers, alternative carriers, and mobile substitution fostered by declining mobile phone charges and interconnection rates. This market is particularly price sensitive and price levels are low compared to international averages. We expect increasing competition, including price competition, from traditional and nontraditional phone providers in the future. Regulated wholesale services from DTAG are also currently subject to price regulation, which may change or be lifted, resulting in increased competition. Furthermore, customers are increasingly replacing their fixed-line phones with mobile phones, which we do not offer. This trend may be reinforced by the decreasing costs of calls into foreign networks.

We plan to introduce mobile Internet and mobile telephony services, such as the resale of mobile phone contracts, in the future. Since we will be new entrants into a market characterized by declining growth rates and price levels, we will be limited in our ability to compete in this market. Our ability to compete in this market will be further impaired by the fact that the market for mobile services in Germany is already highly competitive, with DTAG, Vodafone, Telefónica and E-Plus Mobilfunk GmbH & Co. KG ("**E-Plus**") being the most important network operators. On the distribution side, large retailers and supermarkets cooperate with network operators and use their well-known brands to offer mobile telephony contracts to end customers. In addition, following the Telefónica/E-Plus merger, a new network operator which uses the frequency spectrum given up by the merging entities may enter the market through the use of network sharing agreements with the merging entities or additional service providers.

We may fail to keep our contracts with housing associations on commercially attractive terms or to enter into attractive new contracts with housing associations.

Approximately 97% of our unique subscribers are tenants of premises located in multi-dwelling units ("**MDUs**") that are owned or administered by housing associations with whom we have entered into signal delivery agreements. Approximately 65% of our CATV subscribers (as of September 30, 2014) receive our signal based on bulk arrangements (i.e. contracts under which the housing associations pay a "bulk" amount to us which they can bill to tenants as operating costs according to the applicable rental law regulations) we have with housing associations or other landlords, and approximately 35% based on individual contracts. We usually do not have individual contractual relationships with subscribers for our CATV services and generally depend on housing associations and other landlords for their consent to the use of L4 networks and access to subscribers. In addition, we typically require the consent of housing associations to market and distribute our Premium TV, Internet and telephony services to their tenants. To the extent that we are unable to obtain such consents in our contracts with housing associations, we may be unable to market our products and services to their tenants.

If a housing association or a landlord of a multi-dwelling unit terminates its relationship with us, we typically lose all subscribers in that unit. If we are unsuccessful in renewing our agreements, housing associations or landlords may choose to completely disconnect from our network and obtain their TV signal, Internet and telephony services from competitors. For more information regarding our established competitors see "*—We operate in a highly competitive industry and competitive pressures could have a material adverse effect on our business*".

Our business relationships with housing associations or landlords are, to a large extent, of a long-term nature, with a certain proportion expiring each year. Due to the long-term nature of these relationships, our ability to secure new contracts and to market our CATV services effectively to landlords and individual end customers is limited. Further consolidation in the German cable industry, and an increased focus on yield management or lower costs by housing associations, may result in increased bargaining power of our customers and, consequently, lower revenues. In addition, the German Federal Cartel Office (*Bundeskartellamt*) (the "**FCO**") may challenge certain provisions in our agreements with housing associations, including the duration of the agreements and the exclusive use of in-house wiring, or courts may find such provisions to be invalid (see "*—Risks Relating to Regulatory and Legislative Matters*"). This may have an adverse impact on our business with housing associations. Any failure to renew our existing contracts with housing associations on commercially attractive terms or to enter into commercially attractive new contracts with housing associations may materially adversely affect our business, results of operations and financial condition. For example, our housing association contract with HOWOGE, a housing association in Berlin, expired on September 30, 2014 and has not been renewed, resulting in the loss of 26,804 homes connected. Similarly, at the end of December 2014, we received notice that our housing association contract with Nassauische Heimstätte/Wohnstadt, a housing association in Hesse, will not be renewed and will expire in May 2015, resulting in a loss of 41,278 homes connected.

We also face competition for contracts with housing associations and other landlords from other L3/L4 network operators, as well as pure L4 network operators, many of whom are active in smaller cities and regions. As the other operators' business relationships with landlords are typically also of a long-term nature, our ability to secure new contracts and to market our CATV services effectively to landlords and individual end customers is limited. We pay remuneration to the housing associations for the acquisition or rent of in-house networks they own and services such as the marketing of our Premium TV and Internet and telephony products or debt collection. If such payment came under stricter legal scrutiny or were limited by law or regulations, this would adversely affect our relationship with housing associations. A further crucial factor in our business relationships with housing associations are rental laws and regulations permitting the inclusion of cable access fees in the operating costs billed to tenants. If these regulations or their application changed, this would adversely affect our CATV business based on bulk contracts as well as the marketing of additional products based on the customer relations stemming from our CATV services.

Customer churn may rise and the number of our CATV subscribers may decline.

Customer churn refers to housing associations and individual subscribers who end their contractual relationship with us or cease subscribing to one or more of our products or services. Customer churn typically arises at the end of the contractual subscription period (often five to ten years for housing associations/landlords in our business to business ("**B2B**") business and 12 or 24 months for end customer contracts in our B2C business), the end of the initial promotional period for our product bundles, or as a

result of competition (including by free-to-air satellite, free-to-air DTT of television signals and Internet protocol television ("**IPTV**") offerings), price increases, our introduction of new products and technologies, the relocation or death of subscribers, the termination of the agreement (for example, by us for non-payment, or by the customer because of dissatisfaction with our prices or services). Interruptions of our services, the removal or unavailability of programming (which may be beyond our control) or other customer service problems may also result in increased subscriber churn. Similarly, our competitors may attract new customers, such as by offering new product bundles or product offerings at lower prices than we do, making it difficult for us to retain our current subscribers and potentially increasing the cost of retaining and acquiring new subscribers. As a result of the foregoing and other factors, the number of our CATV revenue generating units (i.e. each single service received by a unique subscriber, "**RGU**") stayed constant at approximately 1.3 million between December 31, 2013 and September 30, 2014; however, we may also lose customers. Any increase in customer churn may lead to a decrease in the number of our subscribers, revenues or margins, and to increased costs for the retention or acquisition of subscribers, each of which may have a material adverse effect on our business, results of operations and financial condition.

Our business and the German market in which we operate may not be comparable with other cable companies and cable markets and we may not be able to achieve our strategic targets.

Many of our German competitors such as DTAG or Vodafone/KD are much larger than we are, have greater financial resources and bigger marketing budgets, control established, far-reaching networks in the regions in which they operate and employ a much larger sales force than we do. In addition, they began the upgrade of their networks much earlier than we did. The RGUs, ARPUs and Internet and (premium) pay-TV product penetration rates they have achieved may not be indicative of our potential. The broadband Internet and (premium) pay-TV market has become much more competitive than it was a few years ago. Different Internet and (premium) pay-TV providers with various technologies compete with us for the same group of potential subscribers. We therefore may not achieve the growth rates in our Internet and Premium TV business that Vodafone/KD, Unitymedia/KBW or DTAG have achieved. Consequently, the business, performance and prospects of our competitors may not be indicative of our business, performance and prospects. Other cable operators may also calculate and compile ARPU, RGUs and subscribers differently than we do.

Moreover, we operate exclusively in the German market. Our success is therefore closely tied to the market environment and general economic development in Germany and cannot be offset by developments in other markets. We are exposed to risks from changes in German macroeconomic conditions, which could include, among others, rising national debt, an increasing unemployment rate, a decreasing gross domestic product ("**GDP**"), lower consumer spending or higher inflation. Our strategy is based on the assumption that broadband Internet penetration in Germany will increase and we will be able to up- and cross-sell our products and services, particularly our Premium TV, Internet and telephony products, to existing and new customers. Since the cable network market environment varies from country to country, we may not be able to achieve growth of our penetration rates, RGUs and ARPU in the medium to long-term, or at all, comparable to that of cable operators in other Western European countries and the United States. The factors differentiating the market environment in which we operate from other Western European countries and the United States include indirect contract relationships to CATV subscribers, the existence of a large variety of free TV channels, the existence of mandatory fees for public broadcasters on top of cable access fees (potentially impairing the willingness or ability of our current and future subscribers to subscribe for additional premium pay-TV services), the financial resources of our major competitors, including DTAG, to invest in infrastructure and content, and differences in the regulatory framework that may be less favorable to providers than that of other markets. In addition, the Federal Network Agency ("**FNA**") believes that broadband Internet penetration may be reaching a saturation point and that the growth rate will slow. In addition, limitations on the level of direct access to subscribers due to the segmentation of the cable network, population density and demographic factors may vary from country to country, which may prevent a meaningful comparison of markets and operating data for competitors in other countries. Accordingly, the market we operate in may not be comparable with other cable markets.

Our business is subject to rapid technological changes and our markets are becoming increasingly competitive as a result of advances in technology and the progressive convergence of markets that used to be distinct.

Technologies in the cable access, TV and telecommunications industries are changing rapidly, which puts significant pressure on our business and requires us to frequently upgrade existing products and services

and to introduce new industry standards and practices. We will need to anticipate and react to these changes and develop successful new and enhanced products and services quickly enough to adapt to the changing market. This could result in making substantial investments in new or enhanced technologies, products or services. We may not be able to adopt such technology due to insufficient capital or other reasons, such as incompatibilities with our current systems. In addition, new technologies may become dominant in the future, rendering our current technologies and systems obsolete. Our ability to adapt successfully to changes in technology in our industry, provide new or enhanced services in a timely and cost-effective manner and successfully anticipate the demands of our subscribers will determine whether we will be able to increase or maintain our subscriber and revenues base. If we fail to respond adequately to technological changes, we could lose subscribers, experience a decrease in revenues and our business, results of operations and financial condition would be materially and adversely affected.

The rollout or improvement of competing technologies may disrupt the market for Internet access.

A large scale introduction or improvement of other Internet access technologies that offer superior, comparable or (in the view of our customers) at least sufficient speed and bandwidth, pose particular risks to our Internet business. Examples of such technologies include very high bitrate DSL, such as ADSL2+ and VDSL2+ (in particular, DSL by use of vectoring technology) and fiber based access (FTTH, FTTB, FTTC). In addition, wireless Internet access technologies, including long-term-evolution (LTE or 4G) and wireless local loop technologies, may substitute for our fiber and coaxial cable based offerings. While our Internet services currently compete primarily with DSL/VDSL providers, other cable network operators and providers that concentrate on FTTH/FTTB (such as city carriers that deploy their own fiber-based networks and DTAG) pose significant threats. DSL is currently the dominant access technology in Germany for broadband Internet access. While almost all of our networks allow for speed levels in excess of those offered by DSL or standard VDSL networks, our competitors may deploy fiber and/or VDSL2 networks that allow for download speeds and bandwidths which may rival ours. With respect to the Internet market, DTAG announced that it plans to achieve download rates of up to 100Mbit/s with its copper cable-based vectoring technology (VDSL2), and that, within the first half year of 2014, it had connected 449,000 additional customers to its FTTH and VDSL/VDSL2 networks, for a total of 2.0 million households, a process which may accelerate in the future.

Following a large auction of frequencies by the German regulator in 2010, LTE networks were rolled out by DTAG, Vodafone/KD and Telefónica/E-Plus. These and any frequencies to become available in the future, may enable our competitors to offer new, competing products (such as wireless Internet) or to offer their current products at lower costs. Furthermore, the use of such frequencies could result in interference with our networks and end-customer equipment, such as set-top-boxes and digital television sets.

Competing Internet access technologies may adversely affect our fixed line telephony business. Voice-over-Internet Protocol (VoIP) is an Internet-based transmission technology allowing for fixed network and mobile telephony communication. Important market participants have started to build services based on these new technologies. DTAG, Vodafone/KD and our other telephony competitors currently focus on IP-based telephony services, relying partly on regulated wholesale services from DTAG for their Internet and telephony services, and also using an unbundled local loop or bitstream access.

An increase in market share of satellite distribution and other TV distribution technologies may negatively impact our CATV and Premium TV business.

Analog and digital video signal distribution via satellite represents a large part of the German television market. An increase in market share of satellite distribution may negatively impact our RGUs in the future. Satellite distribution enjoys several advantages over cable TV, including the ability to offer a wider range of programs to a wider geographic area, particularly rural areas. We face strong competition from the satellite distribution of free-to-air television programming, for which only relatively inexpensive equipment (satellite dish and set-top box) is needed. Except for certain HD channels and (premium) pay-TV, satellite reception currently does not require a contract with a satellite company or the payment of fees. Satellite penetration may further increase if certain zoning or other regulations, or rules for certain multi-dwelling units that currently prohibit tenants from attaching satellite dishes to their apartments were to be abolished. Furthermore, satellite distribution may be promoted by Sky or other content providers or satellite operators that offers more attractive content, such as a wider selection of HD options, to viewers via satellite than via cable.

We also face competitive challenges from other TV distribution technologies that could substitute for our CATV services, such as DTT, improved fixed networks, and Internet-based access technologies such as

IPTV and "over-the-top" ("**OTT**"). DTT viewers are not charged ongoing subscription fees, therefore DTT is perceived by users as "free". OTT poses a particular threat, as it may be received through any kind of high-speed Internet access. OTT platforms include Zattoo, maxdome GmbH & Co. KG ("**maxdome**"), Amazon ("**Amazon Prime**"), Vivendi ("**Watchever**"), Apple, Google ("**Youtube**"), Netflix and Yahoo. These OTT providers are already offering, or planning to offer, OTT services in Germany. DTAG reports (as of June 30, 2014) it has approximately 2.3 million subscribers for its Entertain IPTV product, using ADSL2+ technology. DTAG continues to aggressively promote its products. Linear services, including premium pay-TV, may decrease as such video-on-demand services become more attractive.

Our business is capital intensive, and we may fail to maintain, improve and further develop our cable network.

Our business requires ongoing investment in network maintenance and subscriber retention. We have made significant capital expenditures for the upgrade of our network and the migration of our subscribers from third party L3 operator networks such as Vodafone/KD and Unitymedia/KBW. We plan to continue our migration strategy and upgrade our network, which requires further significant investments. However, the amount of capital expenditures may be higher than planned and we may not realize a return on our investment. Our ability to invest depends on our ability to generate free cash flow, which in turn depends not only on our revenues but also on our leverage and financing conditions. If our cash flow is not sufficient, we will have to finance such capital expenditures out of our credit facilities, which may not be available to fund such investments on attractive terms. Separately, the migration of our own subscribers from third party L3 operator networks typically requires rulings by municipal governments and the consent of housing associations and other landlords, and any failure to obtain such rulings or consents may impair the implementation of our migration strategy. If we fail to further develop our network for any reason, the services we provide to our subscribers may be affected, which may result in higher churn, an inability to attract new subscribers, and, potentially, a failure to increase our margins. As a result, our business, results of operations and financial condition may be materially adversely affected.

We rely on Unitymedia/KBW, Vodafone/KD and others for signal delivery and on Eutelsat for TV platform and satellite transmission services.

As of September 30, 2014, approximately 30% of our homes were still connected through third party L3 networks to which our own L4 networks are connected. We therefore partly rely on the network infrastructure and the signal delivery of L3 operators, in particular Unitymedia/KBW, Vodafone/KD and others. We have concluded several long-term signal delivery agreements, as well as multimedia marketing agreements, with Unitymedia/KBW, Vodafone/KD and certain others that are significant to our business. The general term of the signal delivery agreement with Vodafone/KD is ten years with a disconnect option semi-annually. The contract with Unitymedia/KBW does not allow major disconnections until 2017. Our ability to offer our services to customers depends on the performance of Unitymedia/KBW, Vodafone/KD and others under these agreements.

Our increasingly direct competition with Unitymedia/KBW and Vodafone/KD could have a negative impact on the performance of their obligations under these arrangements. Unitymedia/KBW and Vodafone/KD could also use their dominant bargaining positions to ask for higher prices. In 2010, KD informed us that it did not intend to continue signal delivery at equally favorable conditions, which resulted in our decision to focus on our migration strategy. In addition, claims or lawsuits relating to breaches of the existing contracts could adversely impact performance under these contracts and hamper cooperation on a working level. Moreover, the L3 operators have the right to terminate both the signal delivery agreements and other agreements under certain circumstances. If we fail to fulfill our payment obligations, or are otherwise in breach of certain obligations under the signal delivery agreements or other agreements, Unitymedia/KBW and Vodafone/KD would be entitled to terminate the relevant agreement. While the L3 operators have duties under competition law to offer signal delivery on non-discriminatory terms, failure to agree on such terms may delay our ability to deliver signals to new and existing customers, and increased signal delivery costs may require us to build our own headends and L3 infrastructure or to find alternative solutions which could be expensive.

We are also exposed to risks from minimum payment guarantees. For instance, we depend on Eutelsat S.A. to provide satellite transmission and related platform services for our own digital TV platform on the basis of an agreement that runs until 2018 and provides for subscriber-based fees and minimum guarantees. In addition, we entered into an agreement that, according to its wording, requires us to pay minimum guarantees to Eutelsat Visavision GmbH, now an affiliate of M7A Group S.A. and the M7 group (and a former affiliate of the Eutelsat group), for the provision of basic pay-TV programming (included in the "Kabelkiosk" line of products). Our current subscriber numbers are too low for us to fully recoup the minimum payments we have to make to Eutelsat S.A. and M7 group. On January 8, 2015, we reached a commercial understanding with M7 group according to which the agreement should be extended until December 31, 2023. In consideration, the minimum guarantee payment would be reduced to €4.5 million per annum beginning on January 1, 2015 which would be a reduction of approximately €1.5 million compared to the minimum guarantee amount annually payable starting from January 1, 2015 under the existing agreement. The commercial understanding also includes a settlement of our past disputes with Eutelsat/M7 group. However, the amendment and extension agreement has not yet been finalized and executed. Our current efforts to execute this agreement with Eutelsat/M7 group may fail and we may be sued for payment of the currently outstanding minimum guarantees and M7 group may cease to perform platform services to us.

If any of the above mentioned risks were to materialize, this could materially and adversely affect our business, results of operations and financial condition.

We do not have guaranteed access to programs and are dependent on program and platform capacity providers, broadcasters and collecting societies administering copyrights.

The success of our business depends upon, among other things, the quality and variety of the programming we deliver to our subscribers. We do not produce our own content, but must rely on the supply of programs by free TV and pay-TV providers that are attractive for new and existing subscribers. Program providers may have considerable power to renegotiate any fees we charge them to carry their products and the license fees we pay to them or to collecting societies (GEMA and VG Media) administering their and other rights holders' copyrights. The remaining initial duration of the feed-in agreements and the license agreements with collecting societies varies. The agreements with GEMA and VG Media can be ordinarily terminated with effect to the end of 2015 at the earliest. We may not be able to extend or renew the content agreements on favorable terms, or at all, or to enter into new contracts for additional content (including content in HD format). Under many feed-in agreements with private broadcasters for digital content, we must pay fees per subscribers and do not receive carriage fees. As a result of negotiations with broadcasters, our programming and license-related costs may increase. To the extent we receive fees for the distribution of content under feed-in agreements, such as with pay-TV provider Sky, shopping and other channels, our general dependency on attractive programming content may result in such broadcasters having greater leverage in carriage fee negotiations. In addition, current litigation between Vodafone/KD and public broadcasters over the obligation to pay carriage fees for transmission may influence such negotiations. If we fail to obtain or retain attractively priced competitive programs, demand for our television services could decrease, thereby limiting our ability to maintain or increase revenues from these services. The loss of programs or the inability to secure premium content on favorable terms, or at all, could have a material adverse effect on our business, results of operations and financial condition. The termination of major feed-in agreements, the cessation of payment or lowering of carriage fees that we receive from program providers or any increase in our programming and license-related costs would materially adversely affect our business, results of operations and financial condition. In addition, we remunerate pay-TV content provider M7 group that provides us with Kabelkiosk programs based on a minimum number of subscribers. Failure to meet the minimum subscriber numbers would result in payment of the guaranteed amount. Therefore, if we miscalculate the demand for such programs or do not obtain more favorable terms due to a subscriber base that is smaller than necessary, the profitability of our pay-TV business may be adversely affected.

We rely on third parties for access to and the operation of certain parts of our network.

We are generally dependent on access to sites, land belonging to and network infrastructure owned by third parties to provide cable duct space and antennas for our networks and facility space (colocation). We have obtained rights and licenses for this access from network operators, including incumbent operators, governmental authorities and individuals. Our ability to offer our services to customers depends on the performance by these third parties of their obligations under such leases, licenses and rights.

If we are unable to renew our current lease agreements for these sites, or enter into alternative lease agreements for suitable alternate sites, then this could have a negative impact on our network coverage. In cases where we enter into agreements with housing associations or landlords and use the existing technical facilities owned by the respective housing associations or landlords, we depend on their network infrastructure in order to provide end customers with our services. Since we have built up regional clusters in or around cities in regions where we operate L3 networks, we have acquired rights of way for the use of public land. In addition, we have entered into long-term agreements relating to the installation of network components. If we cannot secure such contracts we must construct alternative methods of delivery or may not be able to deliver signals to our customers' premises. With regard to our Internet services, we rely on owned and leased telecommunication lines including dark fiber pairs and managed bandwidth to connect our regional networks to our IP data centers located in Berlin. We therefore rely on third party networks, including those of Vodafone and HL komm Telekommunikations GmbH ("**HL Komm**"). We further rely on Vodafone, Cogent and HL Komm to provide us with Internet transit services. In the future, we may add mobile services as a reseller, service provider or mobile virtual network operator (MVNO) to our service offerings. In that case, we would enter into agreements with one of the mobile network operators so as to allow us to provide mobile telephony services to residential and business customers using its network.

If third parties refuse to or only partially fulfill their obligations under the licenses, or terminate the licenses granted to us or prevent access to certain or all of such networks and sites, it could prevent or delay the connection to sites or customers, limit the growth of our offerings and impede our ability to supply high quality services to our customers in a timely and cost effective manner. In addition, the cost of providing services is dependent on the pricing and technical terms under which we were given such access and any change in such terms may have a material adverse effect on our business. In many cases, we may not be able to find suitable alternatives at comparable cost or within a reasonable timeframe.

Events beyond our control could result in damage to our cable network, central systems and service platforms.

Our business is dependent on the functioning of our cable network and on certain central systems and service platforms. If any part of our cable network is subject to a flood, fire, longer periods of extreme cold, any other natural disaster, act of terrorism, power loss or other catastrophe, our operations and customer relations could be materially and adversely affected. In general, our network consists of a number of independent sub-networks. In the event of a power outage or other shortage in our network, we do not have a power back-up or alternative supply source in every location. A power outage in a head-end (exceeding the time the uninterrupted power supply would take over power supply in the meantime) would interrupt signal transmission and could affect other segments of the network. Disaster recovery, security and service continuity protection measures that we currently have in place or may undertake in the future and our monitoring of network performance may be insufficient to prevent losses. In addition, although our cable network is insured by an electronic equipment insurance up to a maximum €21.2 million policy limit, there may be catastrophes which substantially exceed this limit. Any catastrophes would also be subject to payment by us of minimum deductibles and co-payments under the insurance policies, and may also increase our premiums. Therefore, any catastrophe or other damage that affects our network could adversely affect our business, results of operations and financial condition.

Although our IT policy is designed to safeguard our infrastructure, there can be no assurance that our servers and network may not be damaged by physical or electronic breakdowns, computer viruses, cyber-attacks or similar disruptions. In addition, unforeseen problems may create disruptions in our IT systems. If any of these risks were to materialize, there can be no assurance that our existing security system, security policy, backup systems, physical access security and access protection, user administration and emergency plans would be sufficient to prevent data loss, counteract a cyber-attack or minimize network downtime. Sustained or repeated disruptions or damage to any of our technical systems which complicate, prevent, interrupt or delay the provision of our products and services to our subscribers may trigger claims for payment of damages or contractual remedies and may cause considerable harm to our reputation, lead to the loss of customers or a decrease in revenues and require repairs, which would have a material adverse effect on our business, results of operations and financial condition.

Our data center running our general IT system (including the billing system) and the corresponding back-up data center are currently located in the same building. We plan to relocate our back-up data center to another building shortly. Until then, however, certain events beyond our control, such as failures of the cooling system, could result in a destruction of both the main data center and the back-up data center and, thus, in the destruction, in whole or in part, of our database. This would have a material adverse impact on our business.

We rely on third parties to provide services to our customers.

We have important relationships with several suppliers of hardware, software and services that we use to operate our cable network and systems and provide customer service. In many cases, we have made substantial investments in the equipment or software of a particular supplier, such as Cisco, making it difficult for us to change suppliers in the short-term should those suppliers refuse to continue to offer us favorable prices or cease to produce equipment or provide the support that we require to operate our cable network and systems. In addition, our suppliers could face financial difficulties or business interruptions caused by natural disasters or political unrest, which may lead to supply shortages. If any of our suppliers were to discontinue their operations, be unable to provide us with their products or services in a timely manner or seek to charge us higher prices, our business, results of operations and financial condition may be materially and adversely affected.

Services provided by our outside contractors, which in turn may also rely on small, locally operated companies, also include fault clearance (*Entstörung*) as well as check-ups and maintenance of cable networks, technical devices and facilities. Demand for repair and maintenance, including in connection with new products and services, may exceed the capacity of such contractors, creating a backlog in responding to service outages and of new subscribers waiting to be connected as well as increased lead times. Any such delays or quality issues could lead to dissatisfaction among subscribers and cause additional churn or discourage potential new subscribers and may have a material adverse effect on our business, results of operations and financial condition.

We may fail to select appropriate subcontractors to maintain our network, operate our call centers and supply, install and maintain the terminals set up at subscribers' homes and B2B customer sites, or we may fail to monitor them. The quality of their services may fail to comply with our quality and safety standards. In the event that hardware or software products or related services are defective, or if the tasks assigned to our subcontractors are not properly carried out, it may be difficult or impossible to enforce recourse claims against suppliers or subcontractors, especially if warranties included in contracts with these suppliers or subcontractors are less extensive than those in our contracts with our customers or if these suppliers or subcontractors are insolvent. In addition, any such difficulties could negatively affect our relationship with our clients and our brand reputation.

Our conditional access systems are dependent on licensed technology and subject to illegal piracy risks.

We operate two conditional access systems ("**CAS**"): Currently, we mainly use a system based on the technology used by NDS Technologies France S.A.S. ("**NDS**") while we still operate the Conax system for customers who still employ legacy Conax devices. CAS are necessary to securely transmit encrypted digital programs to paying customers, including certain basic pay-TV packages and HD. We entered into an agreement with NDS relating to the provision of software for the CAS and middleware for certain receivers and the maintenance, support and services for the software. In addition, we are party to contracts with Humax, Kaon and other manufacturers of customer premises equipment ("**CPE**") that we rent or sell to our customers. Secure transmission of encrypted programs and revenues from the related products is dependent upon the proper functioning of our CAS.

Even though we require our CAS providers to deliver and maintain state-of-the-art security technology, the security of our CAS may be compromised by illegal piracy and other hacking attacks. In addition, our set top boxes require smart cards before subscribers can receive pay-TV programming, and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to prevent piracy and to limit the effect of any breach of our systems, there can be no assurance that we will be able to successfully eliminate piracy attacks or not be adversely affected by any such breach. In addition, there can be no assurance that any new CAS security that we may put in place will not be circumvented. Encryption failures could result in lower revenues, higher costs, increased subscriber churn and liabilities vis-à-vis content providers or may otherwise have a material adverse effect on our business, results of operations and financial condition.

Sensitive customer data is an important part of our daily business, and leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect our business.

We accumulate, store and use in our operating business data which is protected by data protection laws. German data protection agencies have the right to audit us and impose fines if they find we have not complied with the applicable laws and adequately protected customer data. In addition, we work with third party service providers for the provision of certain services, such as call center services, and although our

contracts with them restrict the usage of customer data, they may not fully comply with the relevant contractual terms and all data protection obligations imposed on them. Violation of data protection laws may result in fines, loss of reputation and customer churn and may have an adverse effect on our business, results of operations and financial condition.

Although we seek to take precautions to protect customer data, there may be leakages in the future. The techniques used to obtain unauthorized access, disable or degrade services or sabotage systems change frequently and often are not recognized until launched against a target. We may therefore be unable to anticipate these techniques or to implement effective and efficient countermeasures in a timely manner. If third parties or any of our employees or contractors attempt to, or succeed in, intentionally or accidentally disrupting our information technology systems or gaining access to our information technology system, they may be able to misappropriate confidential information, cause interruptions in our operations, access our services without paying, damage our computers or otherwise damage our reputation and business. Even though we continue to invest in measures to protect our network, any such unauthorized access to our systems could result in a loss of revenues, and any failure to respond to security breaches could result in consequences under our agreements with content providers, each of which could have a material adverse effect on our business, results of operations and financial condition.

We need to attract and retain strong executives and other personnel.

The potential loss of our experienced management team could have an adverse effect on the performance of our company. We depend on our key management and personnel to, among other things, run our business. This includes marketing our products, introducing and establishing new or enhanced products and services, negotiating or renegotiating agreements with L3 operators, certain of its affiliates and public and commercial broadcasters, and responding to technological developments. The loss of any key personnel could materially adversely affect our business. Competition for qualified employees is intense, and the loss of qualified employees or an inability to attract, retain and motivate highly skilled employees required for the operation of our business could hinder our ability to successfully run and develop our business.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We are exposed to the risk of strikes and other industrial actions. We have negotiated collective bargaining agreements with the labor union Ver.di. These collective bargaining agreements cover, among other things, the general labor conditions of our employees (other than executives), such as working hours, holidays, termination, provisions and general payment schemes for wages. Strikes, other industrial actions and the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Our acquisitions may fail to deliver the expected results and may burden us with significant costs.

We plan to actively take part in the consolidation of L4 operators. For example, in May 2014, we acquired the entire cable network of Gesellschaft für Breitbandkabel- und Satellitenkommunikationstechnik mbH (GBS) in North Rhine-Westphalia, connecting 1,900 housing units in Cologne and Bergheim and in August/September 2014 we acquired 100% of the shares in BIG Medienversorgung GmbH, Mönchengladbach (with approximately 12,700 connected households in North Rhine-Westphalia, Baden-Württemberg and Berlin) and the remaining shares in the joint venture company BMB GmbH & Co. KG (operating a broadband cable network in North Rhine-Westphalia). We may experience difficulties in integrating newly acquired assets and companies and the anticipated benefits of such acquisitions may not be fully realized (or at all) and may take longer to realize than expected. When making significant acquisitions in the future, our performance will depend in part on whether we can successfully integrate such acquisitions in an effective and efficient manner. Such integrations will be part of a complex, time consuming and expensive process and involve a number of risks, including the costs and expenses associated with any unexpected difficulties with respect to such assets and companies. Even if we are able to integrate newly acquired assets and companies successfully, this integration may not result in the full realization of the benefits of synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits that we expect.

We are subject to risks from legal and arbitration proceedings and may be prevented from pursuing our business activities or significant costs could arise.

We are currently involved in legal and arbitration disputes and may in the future become a party to other such disputes which involve substantial claims for damages or other payments. Our material disputes include patent litigation related to specific CPE models we distribute to end customers and disputes regarding the ownership situation of network infrastructure on public ground under specific contractual arrangements with a housing association. A negative outcome of these proceedings might prevent us from pursuing certain activities, such as the sale of the affected CPE models according to current plans, and/or require us to incur additional costs in order to do so and pay damages. The outcome of pending or potential future proceedings is difficult to predict with certainty. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the costs related to litigation and arbitration proceedings may be significant. Any legal or arbitration proceedings may materially adversely affect our business, results of operations and financial condition.

We face the risk of further market consolidation, which could result in additional competitive pressure.

We are exposed to the risks of further consolidation and increasing concentration in our industry. Recently, KD was taken over by Vodafone, and our competitors PrimaCom and DTK Deutsche Telekabel GmbH merged. In 2012, our competitors Unitymedia and Kabel Baden-Württemberg merged to form Unitymedia/KBW. Consolidation typically allows for the sharing of networks and infrastructure, the creation of economies of scale and increased brand awareness. It may also result in substantial additional competitive pressure, as the combined entities may be able to pursue aggressive pricing strategies and increase investment to further upgrade and optimize their networks. Despite the fact that KD abandoned the planned acquisition of the then existing Tele Columbus group in 2013 as a result of the remedies requested by the FCO and other similar outcomes, we still expect the market to consolidate further. In particular, the EU Commission recently approved the merger of Telefónica and E-Plus, a subsidiary of Koninklijke KPN N.V. We expect other L4 operators to be acquired or merged into L3 network operators or for several L4 operators to merge together. These combined entities may offer a wider range of services, reach a larger subscriber base and/or offer their services at lower prices than we do. As a result, we may be forced to lower our prices. Any further consolidation or increase in concentration of market power in our industry may materially adversely affect our business, results of operations and financial condition.

Risks Relating to Our Financing Structure

The Group may be adversely affected by its leverage and debt service obligations, including restrictions on our business and financial flexibility under the financing agreements, and financing may not be available in the required scope to meet our working capital needs or may only be available on less favorable terms in the future.

As of October 31, 2014, we had €628.2 million of financial debt under our Senior Facilities Agreement ("**SFA**") and Mezzanine Facilities Agreement ("**MFA**"). As of October 31, 2014, the SFA and MFA comprised the following drawn loan facilities: a Senior Tranche A facility of €539.5 million; a Second Lien Tranche A facility of €37.3 million; a Super Senior Term Tranche 2 facility of €16.0 million; a Super Senior Revolving Facility of €32,389; and a Mezzanine Tranche A facility of €35.3 million. The net proceeds of the offering will be used to repay a part of our existing indebtedness. The remaining indebtedness will be refinanced (subject to satisfaction of certain (documentary) conditions precedents customary for a financing of this type) by a new facilities agreement (the "**IPO Financing Agreement**") comprising of a term loan facility ("**Facility A**") in the amount of €375,000,000, a term loan facility ("**Facility B**") in the amount of €75,000,000 and a revolving credit facility ("**Revolving Facility**") in the amount of €50,000,000. We will therefore continue to carry a high level of debt from the refinancing of our existing debt and we may incur substantial additional indebtedness in the future.

Our ability to make payments on, and further refinance our debt from, the IPO Financing Agreement, in particular when a significant part thereof becomes due in 2020, and our ability to fund working capital, rental and lease payments and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control. We cannot assure that our business will generate sufficient cash flow from operations, that the cost savings, revenues growth and operating improvements currently anticipated will be realized, or that future debt and

equity financing will be available to us on satisfactory terms, or at all, in an amount sufficient to enable us to pay our debts when due, or to fund our other liquidity needs. In the event we are unable to pay our debts when due, creditors may decide to enforce security interests granted to secure such debt, such as the share pledges provided to secure the obligations under the IPO Financing Agreement.

If our future cash flow from operations and other capital resources (including borrowings under our Revolving Facility under the IPO Financing Agreement), are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- incur additional debt or raise equity capital; or
- restructure or refinance all or a portion of our debt, on or before maturity.

There can be no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt limit, and the terms of any future debt may limit, our ability to pursue any of these alternatives. While we believe that we have sufficient cash flow from operations and other capital resources available to meet our payment obligations for the next twelve months, there can be no assurance that any of these factors will not have a material adverse effect on our business, results of operations and financial condition.

Our indebtedness imposes restrictions which limit our operating flexibility.

The existing financing agreements of the Company, including our Senior Facilities Agreement (SFA), the Mezzanine Facilities Agreement (MFA) and the IPO Financing Agreement contain covenants that significantly restrict our ability to, among other things:

- incur or guarantee additional indebtedness or grant security over assets;
- pay dividends or make other distributions or repurchase or redeem our share capital;
- make investments, acquisitions or loans;
- sell assets, including shareholdings; and
- merge or amalgamate.

These covenants, or additional covenants in future indebtedness, could limit our financing options and the ability to pursue acquisitions and other business activities that may be in our interest or that could help grow our business.

The loans under the IPO Financing Agreement will bear interest at a variable interest rate which could rise significantly, increasing our interest costs.

Under the IPO Financing Agreement a variable interest rate will be payable on the loans drawn thereunder based on EURIBOR as the applicable reference rate. On loans drawn under Facility A interest will be calculated at a rate equal to the applicable EURIBOR plus an initial margin of 4.25% p.a. (subject to a potential increase during primary syndication under a customary market flex provision i.e. a provision which grants the underwriting banks the right to require the Company to agree to an increase of the margin and fee levels in order to achieve a successful syndication of Facility A) and on loans drawn under Facility B and the Revolving Facility interest will be calculated at a rate equal to the applicable EURIBOR plus an initial margin of 3.75% p.a. Beginning one year after the date of the IPO Financing Agreement, the margin will be adjusted on a quarterly basis in accordance with a leverage-dependent margin ratchet. EURIBOR could rise significantly in the future. If interest rates were to rise significantly, our interest expense associated with the loans under the IPO Financing Agreement, and thus the cost of our debt, would correspondingly increase.

The Group's equity is negative which may have an adverse effect on the negotiations of agreements, in particular supply agreements.

Although the audited unconsolidated financial statements of the Company show a positive equity position, the Group's equity as set forth in the audited combined financial statements and unaudited condensed interim financial statements is negative. This results from the fact that assets (including the operating

subsidiaries that are now part of the Group) and liabilities were transferred under the spin-off from Tele Columbus GmbH (recently renamed to Tele Columbus Beteiligungs GmbH, "**TC GmbH**" or "**Tele Columbus GmbH**") (a wholly owned subsidiary of Tele Columbus Management S.à r.l., Luxembourg ("**TC Management**" or the "**Selling Shareholder**")) to the Company, which was registered on August 22, 2014 (the "**Spin-Off**") in parts at fair market value ("**Step-Up**"), which has been reflected in the unconsolidated financial statements of the Company under German general accepted accounting principles (*Handelsgesetzbuch*, "**HGB**"). However, such Step-Up is not reflected in the combined financial statements as well as the interim financial statements of the Group. Customers, suppliers and other third parties not familiar with the details of the balance sheet structure of the Group could raise questions regarding the Group's negative equity and its impact on the sustainability of the Group's business. This may have a negative impact on the Group's business, in particular with regard to negotiations of housing contracts, and may unnecessarily engage management resources.

Risks Relating to Regulatory and Legislative Matters

We are subject to burdensome government regulation.

Our existing and planned activities as a cable network operator in Germany (including our Internet and telephony services) are subject to significant regulation and supervision by various regulatory bodies, including German state and federal and EU authorities. Such governmental regulation and supervision, as well as future changes to laws, regulations or government policy (or in the interpretation or enforcement of existing laws or regulations) that affect us, our competitors or our industry may impact our profitability and operations and may result in increased operational and administrative expenses, which would reduce our profitability. Our business could be materially and adversely affected if there were any adverse changes in relevant laws or regulations (or in their interpretation or enforcement) regarding access obligations, price regulation, interconnection agreements or the imposition of resale or universal service obligations, or any change in policy granting more favorable operating conditions to competing services. It is also difficult for us to ensure compliance with all restrictions on our business. Furthermore, our ability to introduce new products and services may be affected if we are unable to predict how existing or future laws, regulations or policies would apply to such products or services.

In particular, we are subject to rules (i) regarding the interconnection of our networks with those of other network operators and the use of frequencies within our network and (under the German Telecommunications Act as revised in 2012) third party access to in-house networks, (ii) blocking certain types of content in our capacity as an Internet access provider, (iii) enabling lawful interception as well as storage of personal data of customers committing certain severe criminal acts and requiring notification to the appropriate authorities, (iv) mandating the carrying of certain channels on our network ("must-carry" rules) in analog and digital format, (v) regulating our conditional access systems, application interfaces, navigation/electronic programming guides and CPE, and (vi) imposing levies to support the German film financing system, remuneration under copyright for cable retransmission, copyright levies with respect to storage media and other matters.

We are subject to certain consumer protection and net neutrality rules and access regulations with regard to in-house networks. The FNA has been granted discretion to impose access and tariff obligations with respect to the shared use of in-house cable ducts and wiring on the owners of such facilities or the holders of rights of way. The FNA may impose these obligations even in the absence of significant market power ("**SMP**"). The prerequisite is that duplication of infrastructure would be economically inefficient or physically impracticable. In addition, network providers who have concluded a concession contract may be subject to an obligation to share in-house networks under certain circumstances. While we are not aware of such obligations having been imposed on cable operators in respect of coaxial L4 in-house networks, these regulations may affect our ability to recoup investments in network upgrades and, generally, our revenues from signal delivery to tenants or other end-customers in the future. In 2012, an informal industry working group, the NGA Forum, hosted by the FNA, developed a model contract and technical specifications for in-house NGA network sharing.

In the future, our business may be subject to new laws and regulations, or competing products or operators may be regulated differently than we would be. The impact of such changes is often difficult to predict. For example, we may become regulated as a provider of broadband Internet access and other convergence products, and may then be required to grant competitors access to our networks (including in-house networks, independent from the technology employed in such in-house networks), provide wholesale services to third party providers (e.g. bitstream access) or become subject to (cost-based) tariff regulation.

Potential future regulatory obligations, revised implementation, interpretation by courts or enforcement of existing regulations and obligations according to general competition law may:

- impair our ability to use our bandwidth in ways that would generate maximum revenues;
- impair our ability to differentiate our product offerings from our competitors;
- create a shortage of capacity on our networks, which could limit the types and variety of services we seek to provide our customers;
- strengthen our competitors by granting them access to our networks and lowering their costs to enter our markets;
- limit the maximum duration of the term of housing association contracts; and
- change the regulations or precedents on the inclusion of CATV fees in operational costs under rental contracts (*Betriebskostenverordnung*) in such a way that CATV fees may not be included in the monthly operating costs.

In the case of an ex-post review of carriage, feed-in or signal delivery fees, the FCO or courts may order us to adjust our fees. In addition, the German state media authorities are entitled to review whether the prices we apply are restrictive or discriminatory with respect to certain content providers. Therefore, we may not be able to enforce future changes in price with respect to the carriage, feed-in and signal delivery fees. This may have an adverse impact on our revenues, the profitability of new products and services and our ability to respond to changes in the cable television market.

Government subsidies and other regulations may distort the markets we operate in and favor our competitors.

Political broadband rollout targets may lead to increased subsidies in favor of our competitors and adversely affect our market position. The expansion of the broadband Internet infrastructure is on the political agenda at the European, German national and federal state level. This may lead to increased governmental financial intervention. Since cable operators have traditionally been reluctant to apply for subsidies, increased subsidies may lead to speeding up in particular the rollout of VDSL, Vectoring or FTTX (i.e. a network architecture using optical fiber, "**FTTX**") based networks by competitors.

Several important national and federal state governmental programs focus on upgrading the German telecommunications infrastructure and may distort competition in our industry. Recently, the state of Bavaria has announced that it will grant more than €1 billion of subsidies. In addition, there are ongoing discussions on the possible use of revenues from radio frequency auctions as subsidies for the construction of additional broadband infrastructure. All of these programs may be advantageous to our competitors and may significantly change the competitive landscape in the markets in which we operate, thereby affecting our ability to develop our business as currently planned and to meet our existing financial targets. Our competitors may be able to better use such programs, or may use such programs in ways that adversely affect our competitiveness in those areas.

The regulatory environment may favor our competitors, which could adversely affect our competitive position.

We operate in a highly regulated industry. Changes in regulation affecting our competitors may therefore adversely affect our own market position. For our services, we rely on certain wholesale services of other operators, some of which are regulated. If the conditions set by regulation change, this may affect our own competition position. In addition, the prices that our competitors charge to end customers may change as a result of changes in regulation which may also affect our competitive position.

Radio frequencies newly allocated to use inter alia by mobile network operators ("Digital Dividend II" planned for 2015) may result in interferences with signals transmitted in our networks.

Under the "*VDSL Kontingentmodell*", wholesale partners of DTAG may obtain a significant discount on monthly charges for access to VDSL bitstream access products, provided that they commit to purchase a certain amount of bitstream lines for a certain amount of time and pay an upfront fee per committed line. After DTAG made certain modifications, FNA approved this model in 2012. This may enable DTAG, as well as its wholesale bitstream customers, to offer more aggressive pricing for broadband retail products. This could adversely affect our own broadband business.

In 2012, the *Monopolkommission*, an advisory body to the German federal government and parliament, suggested that DTAG could be released from wholesale regulation in areas of effective competition with

cable network operators, which may lead to more aggressive and more selective pricing for competing products in the retail markets for broadband Internet access and voice telephony (via VoIP) products.

New rules that the FNA issued in 2014 on the access of DTAG and other DSL based telecommunication providers to fan out cables may stimulate the rollout of offerings based on vectoring technology which may intensify competition in our Internet access business (see "*—Risks Relating to Our Business and the Industry in which we operate—The rollout or improvement of competing technologies may disrupt the market for Internet access"*).

We are subject to "must-carry" rules that require us to transmit certain programs on our network and limit our ability to plan resources.

As a telecommunication operator we are subject to telecommunications and media laws. Broadcasters and other content providers are not subject to similar regulation, although they often have significant leverage due to their market share and the availability of, and access to, program and other content resources. While there are no "must-offer" rules in favor of telecommunication providers, we, like other cable operators, are required to carry certain channels, such as public broadcasters' channels on our network, that use a significant portion of our analog and digital bandwidth. We may become subject to more onerous must-carry rules upon a change in the current regulatory regimes. This could adversely affect our ability to plan for future programming, re-allocate analog capacity and reach reasonable agreements with broadcasters. It could also harm our competitive position. Each of these situations could adversely affect our ability to use our network cost-effectively and could, as a result, materially adversely affect our business, results of operations and financial condition. In addition, the German state media authorities are promoting the general switchover from analog to digital television transmission in cable networks. This may further increase competition from digital free-to-air satellite distribution, as an important portion of our subscribers currently still use analog CATV.

We are subject to consumer protection laws, and the general terms and conditions incorporated in our customer contracts may be unenforceable.

We are subject to German consumer protection laws and regulations which are generally considered to be amongst the strictest in Europe. These laws and regulations regulate numerous important aspects of our business and place material constraints on our interactions with consumers. We may infringe laws prohibiting aggressive phone marketing methods, known as "cold calling", and other direct marketing methods. Within the EU, the Directive on Privacy in Electronic Communications, and within Germany, the UWG (*Gesetz gegen den unlauteren Wettbewerb*) and the German Telecommunications Act, make it unlawful for us to approach prospective subscribers for direct marketing purposes via phone without the express prior consent of the subscriber. Consumer protection associations or other entities monitoring the conditions we impose on, and our interactions with, our subscribers, might file claims against us seeking, among other things, the disgorgement of profits allegedly made through the breach of these laws. Further, there is a risk that some of the provisions of our general terms and conditions (*Allgemeine Geschäftsbedingungen*) with our subscribers may be held invalid and unenforceable by German civil courts. For example, we have entered into a settlement agreement with a consumer protection agency pursuant to which we undertook to stop increasing our prices pursuant to a clause in our general terms and conditions. We have subsequently changed our general terms and conditions to what we believe are acceptable provisions and are including them in new customer contracts; however, we may not be able to enforce the amended terms and conditions applicable to our service offering or relating to the fees we charge subscribers for our services. According to the German Federal Supreme Court, a price increase implemented pursuant to general terms and conditions is permissible only if the customer is granted a termination right in this event and further conditions are met. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

The Company may be exposed to risks relating to the Spin-Off in which it acquired the operating business of Tele Columbus GmbH.

The Company acquired the business of TC GmbH in the Spin-Off, a corporate restructuring in which the core operating business, including the senior financing, was transferred to the Company. Certain obsolete assets, subordinated shareholder loans in the aggregate amount of approximately €606 million and cash to cover (i) taxes relating to the business of TC GmbH in the fiscal years 2009 to 2013, (ii) taxes relating to the Spin-Off which had not yet been paid and (iii) running costs for the future, remained in TC GmbH. Following the Spin-Off, the Company agreed to indemnify TC GmbH for any taxes relating to the past or

to the Spin-Off that exceed the cash reserves left in TC GmbH. As a result, the Company remains exposed to potential additional tax payments of TC GmbH incurred prior to and relating to the Spin-Off. Generally, under the German Transformation Act, following a spin-off the receiving entity (here the Company) is not liable for liabilities which remain with the transferring entity (in this case TC GmbH) or for liabilities which the transferring entity incurs after the spin-off. However, the receiving entity remains jointly and severally liable (*Nachhaftung*) for obligations of the transferring entity existing as of the effective date of a spin-off. Although TC Management has waived any and all claims against the Company for indebtedness owed by TC GmbH to TC Management (and TC GmbH has informed the Company that it was not aware of any other non-recorded liabilities, including contingent liabilities, existing at the time of the Spin-Off), it cannot be excluded that other parties, including tax authorities or an insolvency administrator, could bring claims against the Company on the theory that such claims already existed or should be deemed to have existed against TC GmbH at the time of the Spin-Off or that other parties attempt to challenge the Spin-Off even though it was approved and registered by the competent judge at the commercial register as being in compliance with all provisions of the German Transformation Act.

We could be required to pay additional taxes and other duties as a result of tax audits or changes in our effective tax rate.

We are regularly subject to tax audits. The most recent tax audit of Tele Columbus GmbH (the entity which has transferred its assets and subsidiaries to the Company by way of the Spin-Off) and our subsidiaries related to the financial years up to and including 2008. Furthermore, for certain subsidiaries, tax audits (in particular audits covering only particular tax aspects) were performed or are still being performed for periods up to and including 2011. Tax audits for periods being currently reviewed or not yet reviewed may lead to tax assessments resulting in higher tax payments (for example, in connection with restructuring measures or transaction costs). While, as a consequence of the Spin-Off, tax liabilities of the former Tele Columbus group for the fiscal years 2009 to 2013 are liabilities of TC GmbH, the Company has agreed to indemnify TC GmbH for taxes relating to the business of the former TC group in the fiscal years 2009 to 2013 as well as for taxes relating to the Spin-Off to the extent they exceed the cash reserves left with TC GmbH to pay these taxes. Therefore the Company remains exposed to potential additional tax payments after tax audits. In addition, while we have in the past benefited from low effective tax rates, our effective tax rate could increase in the future up to the then applicable effective tax rate. As a consequence of any or all aspects described above, we could be obliged to pay additional taxes or other duties. Such additional taxes and other duties could have a significant adverse effect on our business, financial condition and results of operations.

Risks Relating to the Offering, the Listing and the Shareholder Structure

The offering might not be completed and investors could lose security commissions paid and be exposed to risks from any short selling of our shares.

The underwriting agreement to be concluded among the Company and the Underwriters on or about January 20, 2015 (the "**Underwriting Agreement**") will provide that the Underwriters may terminate the offering under certain circumstances in particular if a material adverse change in the economic position or the business of the Company or the Group has occurred or if an event occurs that has material adverse effects on the financial markets. If the Underwriters withdraw from the Underwriting Agreement, the offering will not take place. Any allocations to investors that have already occurred will be invalid. In this case investors will not have a claim for delivery of the shares in TC AG. Claims with regard to any subscription fees that have already been paid and costs incurred in connection with the subscription by an investor are governed solely by the legal relationship between the investor and the institution to which the investor has submitted its offer to purchase. Any investor that engages in short selling bears the risk of not being able to fulfil its delivery obligations.

The Company will face additional administrative requirements and incur higher ongoing costs as a result of the listing.

After the listing, for the first time TC AG will be subject to the legal requirements for German stock corporations listed on a public exchange. These requirements include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities), regular calls with securities and industry analysts, and other required disclosures. There is no guarantee that the Group's accounting, controlling and legal or other corporate administrative functions will be capable of responding to these additional requirements without difficulties and inefficiencies that cause us

to incur significant additional expenditures and/or expose us to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conduct of general shareholders' meetings and the Company's regular communications with shareholders and potential investors will entail substantially greater expenses and risks. Our management will need to devote time to these additional requirements that it could have otherwise devoted to other aspects of managing the operations of the Group, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling and legal departments and other Group administrative functions. Any inability of the Group's administration to handle the additional demands placed on us by becoming a company with listed shares, as well as any costs resulting therefrom, may have a material adverse effect on the business, results of operations and financial position of TC AG.

Future sales or market expectations of sales of a large number of shares by existing shareholders could cause the share price to decline.

Upon completion of the offering, our (indirect) existing shareholders, which were predominantly former lenders, will continue to hold (through TC Management, the Selling Shareholder) 10% of the Company's share capital, assuming the full placement of the offered shares and a full exercise of the option granted by the Company to Goldman Sachs International, London, United Kingdom ("**Goldman Sachs**"), J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**"), Merrill Lynch International, London, United Kingdom (acting under the marketing name BofA Merrill Lynch) ("**BofA Merrill Lynch**") and Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany ("**Berenberg**") (together the "**Underwriters**"), to acquire up to 3,750,000 borrowed shares against payment of the offer price ("**Greenshoe Option**"). The debt held by them will be completely repaid upon completion of the offering. It is likely that these (indirect) existing shareholders will also want to sell their shares as quickly as possible. The Company's share price could fall substantially upon such sales if the Selling Shareholder sells its shares after the selling restrictions in the lock-up agreement have expired i.e. six months after the date of the first day of trading of the shares or at an earlier date with the consent of the Joint Global Coordinators or if such sales are anticipated by investors. This also applies if other significant shareholders sell shares in the market or if such sales are expected. It is planned that, approximately eight months after the completion of the offering, all remaining shares held by the Selling Shareholder in the Company shall be distributed to its indirect shareholders, who will then become direct shareholders and can dispose freely of these shares.

In addition, the sale or market expectation of a sale of a large number of shares on the part of the Selling Shareholder or other significant shareholders could make it difficult for the Company to issue new shares in the future on favorable terms.

The Company's shares have not yet been publicly traded, and there is no guarantee that a liquid market will develop or continue following the initial public offering.

Prior to the offering described in the Prospectus, there was no public trading in shares of TC AG. The offer price will be set by the Company and the Selling Shareholder by way of a bookbuilding process after consultation with the Joint Bookrunners. There is no guarantee that the offer price will correspond to the price at which the shares are subsequently traded after the offering, or that a liquid market in the shares will develop and become established after this offering. The Selling Shareholder will continue to hold at least 10% of the Company's share capital after completion of the offering, and the shares to be offered in the offering (including shares to cover a potential over-allotment) are subject to preferential allocation to the shareholders of Tele Columbus Holdings SA including Tele Columbus New Management Participation GmbH & Co. KG ("**TC MP KG**"). Should these shareholders exercise their right to acquire shares in the offering, the shares so acquired would be subject to a lock-up of 180 days except for TC MP KG which would be subject to a lock-up ending twelve months after the first day of trading of the shares. The lock-up on the shares to be allocated under this preferential allocation (as well as the continued holding of at least 10% of the Company's share capital by the Selling Shareholder) could have a substantial adverse effect on the development and maintenance of a liquid market in the Company's shares. Investors may not be able to sell the shares at the offer price, at a higher price or at all under certain circumstances.

The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investments.

Following completion of the offering, the price of the shares in TC AG may be subject to substantial fluctuations, especially as the result of changes in the actual or forecast operating results of the Group or

our competitors, changes in the profit forecasts or failure to meet profit expectations of investors and securities analysts, assessments by investors with regard to the success and the effects of the offering and the strategy described in the Prospectus as well as the assessment of the related risks, changes in the general economic conditions, changes in the shareholder structure as well as other factors. Furthermore, external factors such as changing demand in the cable/multimedia business markets, monetary or interest rate policy measures by central banks, regulatory changes or other external factors, seasonal influences or unique events can impact the revenues and the earnings of the Group and lead to fluctuations in the price of the shares of TC AG. General fluctuations in share prices, especially the price of shares in other companies in the same industry we operate in, or a general deterioration in capital markets, may lead to pressure on the price of the shares of TC AG, and these fluctuations in share price may not necessarily be based on the business operations or the earnings prospects of TC AG.

Future capital increases could be dilutive and lead to substantial reductions in the value of our shares.

In the case of any future capital increase of the Company by way of a rights issue, shareholders who have not exercised their subscription rights would no longer hold the same percentage of voting and dividend rights in the Company. Investors in certain jurisdictions (particularly in the USA) could be precluded from participating in the rights offering altogether. If a shareholder fails to exercise its rights to subscribe for new shares or is precluded from participating in the rights offering, its percentage share in the Company would be diluted in proportion to the percentage the capital increase represents in relation to the Company's then existing registered share capital. Correspondingly, such shareholder's portion of any dividend or other distribution or voting rights would decrease.

Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the general shareholders' meeting of the Company may, in certain cases, adopt a resolution on a capital increase that excludes shareholders' subscription rights. In such case, shareholders who are not offered any of the shares to be issued could not prevent the dilution of their shares in the Company unless they purchased additional shares in the secondary market, for example on the stock exchange, possibly at a higher price.

The Company's ability to pay dividends will depend inter alia on its debt covenants as well as on the distribution or transfer of profits from its subsidiaries.

In accordance with German stock corporation law, the general shareholders' meeting decides on the payment of dividends on the recommendation of the Management Board and the Supervisory Board of the Company. This decision is based on the distributable profit, as determined for TC AG on a standalone basis in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the German Stock Corporation Act (*Aktiengesetz*). In order to determine the distributable profit, the annual profit or loss must be adjusted with the profit/loss carry forward from the previous year, as well as any withdrawals or contributions made to or from the reserves. In addition, the Group's existing financing agreements include, and its future financing agreements will include, debt covenants that may restrict the amount of cash available for the payment of dividends. Under the IPO Financing Agreement the Company is restricted from proposing any dividends or other distributions to its shareholders as long as the leverage ratio of the Group (i.e. the ratio of total net debt to EBITDA adjusted for exceptional non-recurring items ("**Normalized EBITDA**")) exceeds the ratio of 4.0:1.0. As of September 30, 2014, the leverage ratio of total net debt to Normalized EBITDA amounted to 6.1. The Company's ability to pay dividends further depends on its ability to generate income and on the existence of distributable reserves. Certain reserves must be established by law and are not available for distribution. Since the Company primarily functions as a holding company and its ability to generate income is dependent on the ability of its operating subsidiaries to generate income and transfer profits, the Company's ability to pay dividends depends on the transferability of profits and distributable reserves of its subsidiaries. Future financing agreements may include similar restrictions on dividend payments. However, even if there are distributable profits or reserves at the level of the Company and the restrictions under the IPO Financing Agreement and similar restrictions under other (future) financing agreements are not applicable, our ability to pay dividends will still depend on the Company's ability to fund such dividends. There may not be enough available cash to pay dividends, or restrictions under future financing agreements may limit our ability to upstream cash from the operating companies to the Company.

The offering price per share will exceed the book value per share of the Company's equity.

The offering price per share paid by an investor when acquiring the offered shares will exceed the book value of the equity shown in the statement of financial position attributable to one share. The offering price, therefore, implies an equity value which is higher than the equity recognised in the statement of financial position. There is no guarantee that this higher enterprise value can actually be realized in future sales of shares in the Company.

GENERAL INFORMATION

Responsibility for the Content of the Prospectus

Tele Columbus AG (formerly Tele Columbus Holding GmbH), with its registered office at Goslarer Ufer 39, 10589 Berlin, Germany, and registered with the commercial register maintained by the local court (*Amtsgericht*) of Charlottenburg, Germany, under HRB 161349 B (hereinafter "**TC AG**" or the "**Company**" and, together with its direct and indirect subsidiaries, the "**TC Group**", the "**Group**" or "**we**", "**our**", "**us**"), together with Goldman Sachs International, London, United Kingdom ("**Goldman Sachs**") and J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**" and, together with Goldman Sachs, the "**Joint Global Coordinators**"), Merrill Lynch International, London, United Kingdom (acting under the marketing name BofA Merrill Lynch) ("**BofA Merrill Lynch**") and Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany ("**Berenberg**", and, together with BofA Merrill Lynch and the Joint Global Coordinators, the "**Joint Bookrunners**" or the "**Underwriters**") assume responsibility for the contents of the Prospectus pursuant to Section 5(4) German Securities Prospectus Act (*Wertpapierprospektgesetz*) and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that no material circumstances have been omitted. Notwithstanding Section 16 German Securities Prospectus Act, neither the Company nor the Underwriters are required by law to update the Prospectus.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the respective national legislation of the relevant member state of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Subject Matter of the Prospectus

For the purposes of the public offering, the Prospectus relates to a total of 56,522,500 ordinary registered shares with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and full dividend rights as from January 1, 2014, comprising:

- 37,500,000 newly issued ordinary registered shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on January 11, 2015 (the "**New Shares**");
- 15,272,500 existing ordinary registered shares with no par value from the holdings of the Selling Shareholder (the "**Secondary Shares**"); and
- 3,750,000 existing ordinary registered shares with no par value from the holdings of the Selling Shareholder to cover a potential over-allotment (the "**Over-Allotment Shares**", together with the New Shares and the Secondary Shares, the "**Offer Shares**").

For purposes of admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange, with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Prospectus relates to a total of up to 57,525,000 ordinary registered shares with no par value of the Company consisting of:

- 20,025,000 ordinary registered shares with no par value (existing share capital); and
- up to 37,500,000 ordinary registered shares with no par value from the above-mentioned capital increase regarding the New Shares;

each with a notional value of €1.00 in the share capital and full dividend rights as from January 1, 2014.

Forward-Looking Statements

The Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies, in particular, to statements in the Prospectus containing information on future earnings capacity, plans and expectations regarding our business, its growth and profitability, as well as the general economic and legal conditions and other factors to which we are exposed.

The forward-looking statements contained in the Prospectus are based on the Company's current estimates and assessments. These forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which could cause actual

circumstances—including with regard to the assets, business, financial condition and results of operations as well as profitability of the Group—to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if future results of the Group meet the expectations expressed herein, they may not be indicative of the results of any succeeding periods.

Our business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in the Prospectus to become inaccurate. Accordingly, investors are strongly advised to consider the Prospectus as a whole and particularly ensure that they have read the following sections of the Prospectus: "*Risk Factors*", "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations*", "*Market and Competitive Environment*", "*Business*" and "*Recent Developments and Outlook*", which include more detailed descriptions of factors that might influence our business performance and the markets in which we operate.

In light of the uncertainties and assumptions, it is also possible that the future events mentioned in the Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third party sources could prove to be inaccurate. The foregoing may prevent the Company from achieving its financial and strategic objectives.

The forward-looking statements contained in the Prospectus speak only as of the date on which they were made. Investors are advised that neither the Company nor the Underwriters assume any obligation and do not intend to, except as required by law, publicly release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments.

Information from Third Parties

Unless otherwise indicated, statements in the Prospectus regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on data, statistical information, sector reports and third party studies, as well as our own estimates. Management estimates—unless otherwise indicated—are based on internal market observations and/or studies commissioned by the Group.

In the Prospectus, the following sources were used:

- ANGA, Verband Deutscher Kabelnetzbetreiber e.V., Das deutsche Breitbandkabel 2014—TV, 2014 ("**ANGA, Breitbandkabel—Factsheet TV 2014**").
- ANGA, Verband Deutscher Kabelnetzbetreiber e.V., Das Deutsche Breitbandkabel—Infrastruktur der Zukunft, Fakten und Perspektiven 2013, Stand September 2012 ("**ANGA, Breitbandkabel 2013**").
- ANGA, Verband Deutscher Kabelnetzbetreiber e.V., Das Deutsche Breitbandkabel 2014—Breitbandinternet, Stand Dezember 2014 ("**ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet**").
- Bundesnetzagentur (BNA) (Federal Network Agency (FNA)), Tätigkeitsbericht—Telekommunikation 2012/ 2013, Bericht gemäß § 121 Abs. 3 Telekommunikationsgesetz, Stand Dezember 2013 ("**FNA, Tätigkeitsbericht Telekommunikation 2012/2013**").
- Das Statistikportal ("**Statista**") (http://de.statista.com/statistik/daten/studie/1046/umfrage/inflationsrate-veraenderung-des-verbraucherpreisindexes-zum-vorjahr).
- Dialog Consult / VATM, 15. TK-Marktanalyse Deutschland 2013, Ergebnisse einer Befragung der Mitgliedsunternehmen im Verband der Anbieter von Telekommunikations-und Mehrwertdiensten e.V. im dritten Quartal 2013, Berlin 16. Oktober 2013 ("**VATM—TK Marktanalyse Deutschland 2013**").
- Die Medienanstalten, Digitalisierungsbericht 2014—TNS Infratest, Juli 2014 ("**TNS Infratest—Digitalisierungsbericht 2014**").
- Euromonitor International ("**Euromonitor**").
- European Commission, European Economic Forecast Winter 2014, ("**Eurostat**").
- Homepage Wohnungswirtschaft Aktuell (http://www.wohnungswirtschaft-aktuell.de/pepcom/).

- Initiative D21—Gemeinsam für die digitale Gesellschaft, Eine Studie der Initiative D21—durchgeführt von TNS Infratest, D21-Digital-Index—Auf dem Weg in ein digitales Deutschland?, Stand April 2013 ("**Initiative D21—Online Atlas 2013**").
- Initiative D21 / TNS Infratest, Breitband in Deutschland—Wie viel Breitband brauchen wir wann und wofür?, 2013 ("**TNS Infratest, Breitband in Deutschland 2013**").
- Internationaler Währungsfonds (International Monetary Fund, IMF), World Economic and Financial Surveys—World Economic Outlook Database 2014 ("**IMF—World Economic Outlook Database 2014**").
- Solon, Management Consulting for Media and Telecoms, Are we ready to pay?—Bezahlfernsehen in Deutschland, Strategien und Visionen, Oktober 2013 ("**Solon—Strategien und Visionen 2013**").
- Solon, Management Consulting for Media and Telecoms, and ANGA—Wirtschaftsfaktor Kabel ("**Solon, Wirtschaftsfaktor Kabel**").
- Statistisches Bundesamt ("**Federal Statistical Office**"), Statistisches Jahrbuch, (https://www.destatis.de/DE/Startseite.html).
- TeleGeography (http://www.telegeography.com/research-services/globalcomms-database-service/index.html).
- Zafaco, Abschlussbericht—Dienstequalität von Breitbandzugängen—Eine Studie im Auftrag der Bundesnetzagentur Bundesnetzagentur ("**FNA, Abschlussbericht Dienstequalität von Breitbandzugängen 2013**").

To the extent that information has been sourced from third parties, this information has been accurately reproduced by the Company in the Prospectus and, as far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is, by nature, forward-looking and speculative.

Irrespective of the assumption of responsibility for the contents of the Prospectus by the Company and the Underwriters (see "*—Responsibility for the Content of the Prospectus*"), neither the Company nor the Underwriters have verified the figures, market data and other information used by third parties in their studies, publications and financial information, or the external sources on which the Company's estimates are based. The Company and the Underwriters therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third party sources contained in the Prospectus and/or for the accuracy of data on which our estimates are based.

The Prospectus also contains estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments. Our management believes that its estimates of market and other data and the information it has derived from such data assists investors in gaining a better understanding of the industry in which companies of the Group operate in and our position therein. Our own estimates have not been checked or verified externally. We nevertheless assume that our own market observations are reliable. However, they may differ from estimates made by competitors of the Group or from future studies conducted by market research institutes or other independent sources. The Company and the Underwriters give no warranty that their estimates do not differ materially from actual events.

Documents Available for Inspection

For as long as the Prospectus is valid, copies of the following documents are available for inspection during regular business hours at the Company's offices at Goslarer Ufer 39, 10589 Berlin, Germany:

(i) the Company's Articles of Association;

(ii) the unaudited condensed interim financial statements of TC Group prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") for interim financial reporting (IAS 34), as of and for the nine-month period ended September 30, 2014 (the "**Unaudited Condensed Interim Financial Statements**");

(iii) the audited combined financial statements of TC Group prepared in accordance with IFRS as adopted by the European Union and the additional requirements of German commercial law

pursuant to Section 315a German Commercial Code (*Handelsgesetzbuch*) as of and for the financial years ended December 31, 2013, 2012 and 2011 (the "**Audited Combined Financial Statements**");

(iv) the audited unconsolidated financial statements of Tele Columbus Holding GmbH (now the Company) prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2013 (the "**Audited Unconsolidated Financial Statements**").

Future annual and interim financial reports of the Company will be available on the website of the Company (www.telecolumbus.com), from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de) and from the Company, Goslarer Ufer 39, 10589 Berlin, Germany. Annual financial reports will also be published in the German Federal Gazette (*Bundesanzeiger*).

Note on Currency and Financial Information

The financial information contained in the Prospectus is mainly derived from the Unaudited Condensed Interim Financial Statements, the Audited Combined Financial Statements and the Audited Unconsolidated Financial Statements, which are included in the "*Financial Information*" section of the Prospectus. The financial years ended December 31, 2013, December 31, 2012 and December 31, 2011 are also referred to in the Prospectus as "financial year 2013" or "2013", "financial year 2012" or "2012" and "financial year 2011" and "2011", respectively.

The Audited Combined Financial Statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Germany ("**KPMG**"), who issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in the Prospectus. The Audited Unconsolidated Financial Statements were also audited by KPMG, who issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) included in the Prospectus. In each case, KPMG conducted its audits in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch*) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). For further details on the financial information see "*Selected Financial and Business Information*" and "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations*" in the Prospectus.

The amounts set forth in the Prospectus in "€" or "Euro" refer to the single currency of the participating member states in the third state of the European Union pursuant to the Treaty Establishing the European Community. Fluctuations in the exchange rate between the Euro and the U.S. Dollar will affect the U.S. Dollar amounts received by owners of the shares on conversion of dividends, if any, paid in Euro on the shares.

The functional currency of the Group is the Euro and we prepare our financial statements in Euro.

Note Regarding Figures and Technical Terms

Some figures (including percentages) in the Prospectus have been rounded in accordance with standard commercial practice. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in tables or stated elsewhere in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures stated elsewhere in the Prospectus due to rounding off in accordance with commercial practice.

A glossary of certain technical terms and abbreviations used in the Prospectus is provided under the heading "*Glossary*".

Presentation of Financial Information

Financial Information

Unless otherwise indicated, the financial information contained in the Prospectus was mainly derived from the Unaudited Condensed Interim Financial Statements of the TC Group for the nine-month period ended September 30, 2014 prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34), the Audited Combined Financial Statements of the TC Group as of and for the financial years ended December 31, 2013, 2012 and 2011, prepared in accordance with IFRS as adopted by the European Union, and the Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH as of and for the financial year ended December 31, 2013, prepared in accordance with the

provisions of the German Commercial Code (*Handelsgesetzbuch*), which are included in the "Financial Information" section of the Prospectus.

The Audited Combined Financial Statements represent the net assets, financial position and results of operations and cash flows of the core operating business of the Group (i.e. the net assets, financial position and results of operations of the Company and the operating investments spun off to it as well as certain consolidated assets and liabilities of TC GmbH) including its senior financing for the financial years 2013, 2012 and 2011. The Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014 contain comparative figures for the nine-month period ended September 30, 2013 which have been prepared on a combined basis as well. In the preparation of our financial statements a series of assumptions and estimates were made, which affect the recognition and amount of assets and liabilities, income and expenses and contingent liabilities, including in particular in relation to income taxes. Therefore, actual results may differ from our assumptions or estimates and net assets, financial position and results of operations or cash flows cannot be extrapolated for future periods or a future reporting date.

Where financial information in the Prospectus is labeled "audited", it means that this information was taken from the Audited Combined Financial Statements of the TC Group, as of and for the financial years ended December 31, 2013, 2012 and 2011 or the Audited Unconsolidated Financial Statements. The label "unaudited" is used in the Prospectus to indicate financial information that was taken or derived from our accounting records, internal management reporting systems or our Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014.

Some tables in the Prospectus also present non-GAAP measures (neither defined under IFRS nor under the German Commercial Code (HGB)). These non-GAAP measures are key figures used by our management to monitor the performance of the TC Group. Non-GAAP measures not included in the Audited Combined Financial Statements are labeled as "unaudited" in the relevant tables, while non-GAAP measures included in the Audited Combined Financial Statements are labeled "audited" in the relevant tables.

Segmentation

We have changed our internal organization structure to reflect the economic characteristics of the Group and, as a result, have structured reporting in two segments, "TV" and "Internet and Telephony", as of August 2014. In prior financial years, we were not organized in these segments. As additional information, segment information was prepared retrospectively for the financial year 2013 and the nine-month period ended September 30, 2013 on the basis that currently is used in our reporting. This information is not available for the financial years 2012 and 2011.

Non-IFRS Measures

Normalized EBITDA, Normalized EBITDA margin, normalized contribution margin, ARPU and certain other items included herein are not recognized measures of financial performance under IFRS and you should not consider such items as an alternative to the applicable IFRS measures.

We have provided Normalized EBITDA, Normalized EBITDA margin, normalized contribution margin, ARPU and other information in the Prospectus because we believe they provide investors with additional information to measure our performance and evaluate our ability to service our debt. Our use of the terms Normalized EBITDA, Normalized EBITDA margin, normalized contribution margin, and ARPU varies from others in our industry and should not be considered as an alternative to net profit (loss), revenues, cash flow from operating activities or any other performance measures derived in accordance with IFRS as measures of operating performance or to cash flow as measures of liquidity. Normalized EBITDA, Normalized EBITDA margin, normalized contribution margin, and ARPU have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS.

We believe Normalized EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by extraordinary effects such as extraordinary releases of provisions and extraordinary legal and consulting expenses. Because other companies may not calculate Normalized EBITDA identically to us, our presentation of Normalized EBITDA may not be comparable to similarly titled measures of other companies. However, Normalized EBITDA is a commonly used term to compare the operating activities of cable companies.

THE OFFERING

Subject Matter of the Offering

The offering consists of a total of 56,522,500 ordinary registered shares of the Company with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and full dividend rights as from January 1, 2014, comprising:

- 37,500,000 newly issued ordinary registered shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on January 11, 2015 (the New Shares);
- 15,272,500 existing ordinary registered shares with no par value from the holdings of Selling Shareholder (the Secondary Shares); and
- 3,750,000 existing ordinary registered shares with no par value from the holdings of the Selling Shareholder to cover a potential over-allotment (the Over-Allotment Shares, together with the New Shares and the Secondary Shares, the Offer Shares).

This offering consists of initial public offerings in the Federal Republic of Germany and the Grand Duchy of Luxembourg and private placements in certain jurisdictions outside the Federal Republic of Germany and the Grand Duchy of Luxembourg. In the United States of America, the shares will be offered for sale only to qualified institutional buyers as defined in and in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside the United States of America, the shares are being offered in reliance on Regulation S under the Securities Act.

The share capital of the Company amounts to €20,025,000, divided into 20,025,000 ordinary registered shares with no par value as of the date of the Prospectus.

The extraordinary general shareholders' meeting of the Company held on January 11, 2015, resolved on a capital increase against cash contributions in order to create the New Shares. Registration of the capital increase is expected on January 15, 2015. On January 20, 2015, the Management Board will resolve, such resolution to be approved by the Supervisory Board on the same day, on the number of New Shares to be issued. The implementation of the capital increase regarding the New Shares is expected to be registered on January 21, 2015. As of the start of trading, the Company's total share capital will amount to up to €57,525,000, divided into up to 57,525,000 ordinary registered shares with no par value. Assuming full exercise of the Greenshoe Option, the Company will issue further 3,750,000 ordinary registered shares with no par value from the authorized capital resolved by the general shareholders' meeting on September 10, 2014, as amended on January 11, 2015, ("**Authorized Capital 2014**") at the offer price. In such event, the Company's share capital will amount to up to €61,275,000, divided into up to 61,275,000 ordinary registered shares with no par value. All shares issued as of the date of the Prospectus are, and all shares that will be issued prior to commencement of trading will be, fully paid up (see "*Information on the Share Capital of Tele Columbus AG and Applicable Regulations—Share Capital and Shares*"). The number of Secondary Shares that will be finally placed in the offering depends on the number of New Shares that will be issued and the corresponding final volume of the total share capital of the Company. The number of Secondary Shares to be finally placed will be adjusted to ensure that after completion of the offering (assuming the full placement of the Offer Shares and full exercise of the Greenshoe Option) TC Management, the Selling Shareholder, continues to hold 10% of the Company's share capital.

TC Management will make up to 3,750,000 Over-Allotment Shares available to J.P. Morgan as stabilization manager (for the account of the Underwriters) by way of a share loan to cover potential over-allotments. In connection with the over-allotment, the Company will grant the Underwriters an option to acquire up to 3,750,000 additional shares in the Company (equal to the number of Over-Allotment Shares) at the offer price (Greenshoe Option), which would be issued from the Authorized Capital 2014 for the sole purpose of enabling the stabilization manager to perform its redelivery obligation under the securities loan with TC Management. See "*—Stabilization Measures, Over-Allotment and Greenshoe Option*".

The Offer Shares carry the same rights as all other shares of the Company and confer no additional rights or benefits. All shares of the Company, including the Offer Shares, are subject to and governed by German corporate law.

The Company will receive the proceeds from the sale of the New Shares and, if and to the extent the Greenshoe Option is exercised, the proceeds resulting from the exercise of the Greenshoe Option (but

must pay certain commissions and expenses relating to the offering). The Selling Shareholder will receive the proceeds from the sale of the Secondary Shares (but must pay a commission in connection thereto).

Existing Shareholder

Prior to completion of the offering, the Company is directly controlled by TC Management which holds 100% of the shares and voting rights in the Company and, resulting therefrom, has the power to govern the financial and operating policies of the Company. For an explanation of the shareholder structure of the Group see "*Shareholder Structure*". Upon completion of the offering and assuming the full placement of the Offer Shares and full exercise of the Greenshoe Option, TC Management will hold 10% of the Company's share capital. It will therefore no longer control the Company.

Price Range, Offer Period, Offer Price and Allotment

The price range within which offers to purchase may be submitted is €8.00 to €12.00 per Offer Share ("**Price Range**").

The offering allows investors to submit purchase offers for the shares and will commence on January 13, 2015 and is expected to end on January 21, 2015. On the last day of the offer period, purchase offers may be submitted (i) until 12:00 (Central European Time) by retail investors and (ii) until 14:00 (Central European Time) by institutional investors. Purchase orders must be for at least 10 shares and be expressed in full Euro amounts or increments of 25, 50 or 75 Eurocents. Retail investors may place orders with more than one bank.

The Company and the Selling Shareholder reserve the right, after consultation with the Joint Bookrunners, to reduce or increase the number of Offer Shares, to reduce or increase the upper/lower limits of the Price Range and/or to extend or shorten the offer period. The Company and the Selling Shareholder may increase the total number of Offer Shares up to a maximum of the total number of shares for which the application for admission to the regulated market of the Frankfurt Stock Exchange is filed in accordance with the Prospectus or any supplement published. To the extent that the terms of the offering are changed, such change will be announced through electronic media, on the Company's website (www. telecolumbus.com) and published, if required by the German Securities Trading Act (*Wertpapierhandelsgesetz*) and/or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad hoc announcement and as a supplement to the Prospectus. Investors who have submitted purchase orders will not, however, be informed individually. Changes to the number of Offer Shares or the Price Range or extension or shortening of the offer period will not invalidate purchase orders already submitted. Under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), investors who have submitted a purchase order before a supplement is published are granted a period of two business days from publication of the supplement to withdraw their orders, provided that the new circumstance or material mistake that makes a supplement necessary occurred prior to the final expiration of the offering and prior to the delivery of the shares. Instead of withdrawing the offers to purchase placed prior to the publication of the supplement, within two days of publication of the supplement, the investor may change such orders or submit new limited or unlimited orders. Under certain conditions the Joint Global Coordinators acting on behalf of the Underwriters may terminate the Underwriting Agreement even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (see "*Underwriting—Termination/Indemnification*").

Once the offer period has expired, the final number of Offer Shares and the offer price will be determined jointly by the Company and the Selling Shareholder after consultation with the Joint Bookrunners using the order book prepared during the bookbuilding process. This is expected to take place on or about January 21, 2015. The price will be set on the basis of the purchase orders submitted by investors during the offer period that have been collated in the order book. This method of setting the number of shares that will be placed at the offer price is intended to achieve gross proceeds in the amount of around €300 million for the Company and to maximize proceeds for the Selling Shareholder. Consideration will also be given as to whether the offer price and the number of shares to be placed allows for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares noted in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price but also to the composition of the group of shareholders in the Company that would result at a given price (so-called investor mix) as well as expected investor behavior. For further information regarding allotment criteria

see "—*Allotment Criteria*". The Company and the Selling Shareholder will not charge investors any expense or tax incurred in connection with the offering.

The final number of Offer Shares and the offer price are expected to be published on or about January 21, 2015, by means of an ad hoc announcement in various media distributed across the entire European Economic Area ("*Medienbündel*") and on the Company's website (www.telecolumbus.com). Investors who have placed purchase offers with one of the Underwriters can obtain information from that Underwriter about the offer price and the number of Offer Shares allotted to them, at the earliest, on the first bank working day following the pricing. Trading in the Company's shares may commence before investors have received notice of the number of Offer Shares allotted to them. Book-entry delivery of the allotted Offer Shares against payment of the offer price is expected to occur on January 26, 2015. Particularly if the placement volume proves insufficient to satisfy all orders placed at the offer price, the Underwriters reserve the right to reject orders, or to accept them in part only.

Expected Timetable for the Offering

The anticipated timetable for the offering, which is subject to extension or shortening, is as follows:

January 12, 2015	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**")
	Notification of the approved Prospectus to the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*) ("**CSSF**")
	Publication of the approved Prospectus on the Company's website (www.telecolumbus.com)
	Application for listing filed with the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
January 13, 2015	Commencement of the offer period
	Commencement of marketing (roadshow)
January 15, 2015	Registration of the resolution on the capital increase regarding the New Shares with the commercial register of the Company
January 20, 2015	Resolution on number of New Shares to be issued by Management Board with approval of Supervisory Board
January 21, 2015	Close of the offer period for retail investors at 12:00 (Central European Time) and for institutional investors at 14:00 (Central European Time)
	Registration of the implementation of the capital increase regarding the New Shares with the commercial register of the Company
	Determination of the offer price and allotment; publication of offer price and number of shares placed as an ad hoc announcement in various media distributed across the entire European Economic Area ("*Medienbündel*") and on the Company's website (www.telecolumbus.com)
	Admission decision announced by the Frankfurt Stock Exchange
January 23, 2015	First day of trading
January 26, 2015	Book-entry delivery of the Offer Shares against payment of the offer price

The Prospectus will be published on the Company's website at www.telecolumbus.com/websites/telecolumbus/English/1010/ipo-news.html. In addition, copies of the printed Prospectus and any supplements thereto will be available upon publication free of charge during regular business hours at the offices of the Company (Goslarer Ufer 39, 10589 Berlin, Germany).

Allotment Criteria

The allotment of shares to retail investors and institutional investors will be decided by the Company and the Selling Shareholder after consultation with the Joint Bookrunners. The ultimate decision rests with the Company and the Selling Shareholder. Allotments will be made on the basis of the quality of the individual orders and—in the case of institutional investors—the quality of the individual investors, as well as other important allotment criteria, for example the timing of the order, to be determined after consultation with the Joint Bookrunners. The Company and the Underwriters will adhere to the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on June 7, 2000 by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). "Qualified investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) are not viewed as "private investors" within the meaning of the allotment rules. The details of the allotment procedure will be stipulated after expiration of the offer period and published in accordance with the allotment principles.

Preferential Allocation and Offering-Related Commitment

A preferential allocation mechanism has been set up for the benefit of the shareholders of Tele Columbus Holdings SA, our indirect shareholder. For purposes of this preferential allocation, the New Shares, the Secondary Shares and the Over-Allotment Shares will initially be reserved in order to allow shareholders of Tele Columbus Holdings SA, including TC MP KG, on the first day of the offer period to place orders for preferential allocation of shares at the offer price without discount. TC MP KG has undertaken vis-à-vis the Company and the Underwriters to place on the first day of the offer period an order for preferential allocation of Offer Shares at the offer price without discount. Immediately thereafter, the Company will publish the maximum number of shares requested by the shareholders of Tele Columbus Holdings SA to be allocated under the preferential allocation. The preferential allocation among shareholders of Tele Columbus Holdings SA will be pro-rata based on their existing shareholdings. The shareholders have been informed about the preferential allocation by Tele Columbus Holdings SA. TC MP KG has agreed to a lock-up period ending twelve months after the first day of trading of the shares. The other shareholders will agree not to sell any shares they acquire in the preferential allocation for 180 days from the first day of trading of the shares.

TC MP KG has agreed with the Company and the Underwriters that payment of the aggregate purchase price for, and the receipt of, the Offer Shares allotted under the preferential allocation scheme will be deferred until the time TC MP KG has actually received any distributions from the sale of the Secondary Shares. This is expected to occur once TC Management and Tele Columbus Holdings SA have been put into liquidation and advanced liquidation proceeds have been distributed. TC Management will use the net proceeds from the sale of the Secondary Shares to pay off all of its outstanding liabilities including its share of the costs of the offering and then distribute the remaining proceeds as advanced liquidation proceeds to Tele Columbus Holdings SA. Tele Columbus Holdings SA will then, after discharge of its outstanding liabilities, forward the proceeds to its shareholders as advanced liquidation proceeds, which is expected to occur within one month following the offering. See also "*Governing Bodies—Management Board—Compensation, Other Benefits, Share Ownership, Pension—Shareholdings of Management Board Members*" and "*Governing Bodies—Supervisory Board—Compensation, Other Benefits, Share Ownership, Pension*".

Stock Exchange Admission and Commencement of Trading

The Company expects to apply for admission of its shares (including the New Shares) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) on January 12, 2015.

The decision on the admission of the shares of the Company is expected to be announced on January 21, 2015. The decision on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange at its discretion. Trading of the shares of the Company on the Frankfurt Stock Exchange is expected to commence on January 23, 2015.

Delivery and Payment

Delivery of the Offer Shares against payment of the offer price and customary security commissions (*Effektenprovision*) is expected to take place on or about January 26, 2015. With regard to the New Shares acquired by TC MP KG under the preferred allocation scheme, however, delivery may only be expected

within three bank working days from the payment by TC MP KG of the aggregate purchase price for the Offer Shares allocated to TC MP KG which is expected to occur within one month following the offering. The shares will be made available to shareholders as co-ownership interests in the respective global share certificate.

At their discretion, investors may choose to have shares they acquire in the offering credited to the securities account of a bank held for their account at Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany, or to the securities account of a participant in Euroclear Bank S.A./N.V., 1, Boulevard Roi Albert II, 1120 Brussels, Belgium, as the operator of the Euroclear system, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg.

Stabilization Measures, Over-Allotment and Greenshoe Option

In connection with the placement of the Offer Shares, J.P. Morgan or persons acting on its behalf will act as stabilization manager in agreement with the other Underwriters and may, acting in accordance with legal requirements (Section 20a(3) German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with EU Commission Regulation (EC) 2273/2003 of December 22, 2003), make over-allotments and take stabilization measures to support the market price of the shares of the Company and thereby counteract any selling pressure.

The stabilization manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the shares of the Company are listed on the regulated market of the Frankfurt Stock Exchange and must be terminated no later than 30 days after this date (the "**Stabilization Period**").

These measures may result in a market price for shares of the Company that is higher than it would otherwise have been. Moreover, the market price may, temporarily, be at an unsustainable level.

Under the possible stabilization measures, investors may be allotted up to 3,750,000 additional shares in the Company (Over-Allotment Shares) as part of the allotment of the shares to be placed. In connection with a potential over-allotment, J.P. Morgan will be provided for the account of the Underwriters in the form of a securities loan (*Wertpapierdarlehen*) with up to 3,750,000 shares of TC Management; this number of shares will not exceed 10% of the number of New Shares. In connection with the over-allotment, the Company will grant the Underwriters an option to acquire up to 3,750,000 additional shares in the Company (equal to the number of Over-Allotment Shares) at the offer price (Greenshoe Option), which would be issued from the Authorized Capital 2014 for the sole purpose of enabling the stabilization manager to perform its redelivery obligation under the securities loan with TC Management. The Greenshoe Option shall be exercisable by J.P. Morgan acting as stabilization manager and in agreement with the other Underwriters until the thirtieth day after commencement of the stock exchange trading of the shares.

The stabilization manager is entitled to exercise the Greenshoe Option to the extent over-allotments of shares were initially made; the amount of shares is to be reduced by the number of shares held by the stabilization manager as of the date on which the Greenshoe Option is exercised and that were acquired by the stabilization manager in the context of stabilization measures.

Once the Stabilization Period has ended, an announcement will be made within one week in various media distributed across the entire European Economic Area ("*Medienbündel*") as to whether stabilization measures were taken, when price stabilization started and finished, and the Price Range within which stabilization was taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of exercise and the number and type of shares concerned will also be announced promptly in the manner previously stated.

Lock-Up Agreements

Lock-Up of the Company

In the underwriting agreement between the Company, the Selling Shareholder and each of the Underwriters expected to be entered into on January 20, 2015 (the Underwriting Agreement), the Company will commit to an obligation vis-à-vis the Underwriters in accordance with the relevant provisions of German securities law that it will not, without the prior written consent of the Joint Global

Coordinators, which consent may not be unreasonably withheld or delayed, during the period ending six months after the date of the first day of trading of the shares:

a) announce or effect an increase of the Company's share capital out of authorized capital;

b) propose to its shareholders' meeting an increase of the Company's share capital;

c) announce, effect or propose the issuance of securities with conversion or option rights on the Company's shares; or

d) enter into a transaction or perform any action economically similar to those described in (a) through (c) above.

The Company may, however, (i) issue or sell shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under management participation plans, and (ii) undertake any corporate action for purposes of entering into joint ventures or acquiring a company, provided that the parties to the joint venture or the acquired company assume an obligation towards the Underwriters to comply with the restrictions on the disposal of shares as set forth in the Underwriting Agreement.

Lock-Up of the Selling Shareholder

In the Underwriting Agreement, TC Management will commit to an obligation vis-à-vis the Underwriters that it will not, without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld, or delayed, during the period ending six months after the date of the first day of trading of the shares:

a) offer, pledge, allot, sell, market, distribute, transfer or otherwise dispose of directly or indirectly, any shares of the Company or any other securities of the Company, this applies to any transactions economically similar to a disposal of securities, i.e. the issuance of options and warrants convertible into shares of the Company;

b) cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of shares of the Company (other than as expressly contemplated by the Prospectus);

c) propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favour of such a proposed increase (other than as expressly provided by the Prospectus);

d) cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into shares of the Company; or

e) enter into a transaction or perform any action economically similar to those described in (a) through (d) above, except for transactions with respect to shares in Tele Columbus Holdings SA.

In addition to that, Tele Columbus New Management Participation GmbH & Co. KG ("**TC MP KG**"), an indirect shareholder of the Company and an investment vehicle for certain members of the management of the Group, has agreed to identical restrictions with respect to the sale of its shares in the Company during the period ending twelve months after the date of first trading of the shares.

Designated Sponsors

Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom, and J.P. Morgan, Canary Wharf, 25 Bank Street, London E14 5JP, United Kingdom, have agreed to assume the function of a designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange for a period of at least two years. Pursuant to the designated sponsors' agreement expected to be entered into by the Company, Goldman Sachs and J.P. Morgan, the designated sponsors will, among other things, place limited buy and sell orders for shares in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours. This is intended to achieve greater liquidity in the market for the shares. In accordance with Sections 76 and 77 Exchange Rules (*Börsenordnung*) for the Frankfurt Stock Exchange, the designated sponsors' agreement stipulates the duties and responsibilities of the designated sponsors. Among other things, the designated sponsors shall be available at all times during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsors shall provide quotes throughout the auction.

Information on the Offer Shares

Voting Rights

Each of the Offer Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company. There are no restrictions on voting rights. Voting rights are the same for all of the Company's shareholders.

Dividend Rights and Share in Liquidation Proceeds

The Offer Shares carry full dividend rights as from January 1, 2014, i.e. for the full financial year 2014 and for all subsequent financial years. In the event of the Company's liquidation, the Company's assets remaining after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.

Form and Representation of the Shares

The current Articles of Association of the Company provide for all shares in the Company to be issued as ordinary registered shares with no par value (*Stückaktien*). The shares of the Company will initially be represented by one global share certificate without dividend coupons which will be issued and deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany subsequently to the approval of the Prospectus. With respect to the New Shares, one additional global share certificate will be issued and deposited with Clearstream Banking Aktiengesellschaft on or about January 21, 2015. Section 4(3) of the Company's current Articles of Association stipulates that the shareholders' right to receive definitive share certificates for their shares shall be excluded unless the issuance of share certificates is required under the rules applying to a stock exchange to which the shares are admitted for trading. It will be possible to issue global certificates in relation to shares. The form of the share certificates, dividend coupons and renewal coupons is determined by the Company's Management Board.

ISIN, WKN, Common Code and Trading Symbol

International Securities Identification Number (ISIN)	DE000TCAG172
German Securities Code (*Wertpapier-Kenn-Nummer*) (WKN)	TCAG17
Common Code	112065091
Trading Symbol	TC1

Transferability of the Shares

The shares are freely transferable in accordance with the legal requirements for ordinary registered shares. There are no restrictions on the transferability of the Company's shares other than the lock-up agreements "*—Lock-Up Agreements*". See also "*Information on the Share Capital of Tele Columbus AG and Applicable Regulations—Certification and Transferability of the Shares*".

Interests of Parties Participating in the Offering

Goldman Sachs and J.P. Morgan are acting as Joint Global Coordinators and Joint Bookrunners in this offering. BofA Merrill Lynch and Berenberg have been appointed as additional Joint Bookrunners. In addition, Goldman Sachs and J.P. Morgan have been appointed as designated sponsors for the shares. The Underwriters will receive a commission and other payments upon successful completion of the offering. The amount of the commission will depend on the size of the offering and the offer price. The Underwriters therefore have an interest that as many shares as possible are placed at the highest price possible. Goldman Sachs and J.P. Morgan will only receive fees as designated sponsors if the offering is completed.

Goldman Sachs, J.P. Morgan, BofA Merrill Lynch, Berenberg and their affiliates have provided and may in the future, from time to time, provide services to companies of the TC Group and/or the Selling Shareholder in the ordinary course of business in their capacity as financial institutions, in particular advisory services in connection with M&A and financing transactions. They may at any time in the future act as principal or agent for one or more than one party, hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt or equity

securities or loans of the TC Group and enter into financing arrangements (including swaps) with various parties including investors in debt or equity securities or loans of the TC Group.

In the event of a successful offering the other Underwriters may also be selected as financial advisor in future transactions or act as lender or arranger of future financing transactions or trade for their own account or the accounts of customers, in debt or equity securities or loans of the TC Group. Goldman Sachs and J.P. Morgan are parties to the IPO Financing Agreement as original lenders and will provide financing to TC Group under the IPO Financing Agreement once the offering is completed.

Goldman Sachs Lending Partners LLC and J.P. Morgan provided loans (Tranche A under the SFA) to TC Group. The Company intends to use part of the net proceeds of the offering to partly repay the Group's outstanding financial indebtedness under its Senior Facilities Agreement (SFA). To the extent the net proceeds from the sale of the New Shares are not sufficient to fund the repayment of the SFA and MFA, the Company will use its draw under the €375 million Facility A of the IPO Financing Agreement. The Underwriters Goldman Sachs and J.P. Morgan, which are either directly or through their affiliates also lenders under the IPO Financing Agreement therefore have an interest that the proceeds for the Company in the offering are maximized, so that the amount of repayment, which can be made from the net proceeds of the offering, is higher and the drawing under the IPO Financing Agreement is lower.

TC Management is the direct shareholder of the Company as such and has an influence on the decisions which the Company will take with respect to the offering. Goldman Sachs is an indirect shareholder of the Company. The offering proceeds received by the Company will, due to the intended repayment of indebtedness, strengthen the financial position and equity base of the Company. The equity value of the shareholding of the Selling Shareholder and, indirectly, of the indirect shareholders, will increase by €8.65 per share due to the offering (calculated as accretion of net asset value at the mid-point of the Price Range and excluding any proceeds resulting from the exercise of the Greenshoe Option). Consequently, the Selling Shareholder and its indirect shareholders have an interest in the success of the offering at the best possible terms.

REASONS FOR THE OFFERING, USE OF PROCEEDS AND COSTS OF THE OFFERING

Proceeds and Costs of the Offering

The Company will receive the proceeds resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option is exercised, the proceeds resulting from the exercise of the Greenshoe Option. The Selling Shareholder will receive the proceeds resulting from the sale of the Secondary Shares.

The amount of the proceeds of the offering as well as the costs related to the offering depend on the offer price, which also determines the Underwriters' commissions, and on the number of shares that will be placed in the offering.

The Company aims to achieve total gross proceeds of around €300 million (excluding any proceeds resulting from the exercise of the Greenshoe Option). The number of New Shares will be fixed on this basis taking into consideration the progress in the bookbuilding process on January 21, 2015 (see "*Information on the Share Capital of Tele Columbus AG and Applicable Regulations–Share Capital and Shares–Capital Increase Resolution to Implement the Offering*"). Assuming that 30,000,000 New Shares were placed at an offer price of €10, which corresponds to the mid-point of the Price Range, the gross proceeds for the Company would be €300.0 million. The Company will have to pay the commission payable to the Underwriters with respect to the New Shares. Based on the aforementioned assumptions the commission would amount to €9.0 million (excluding any costs attributable to the exercise of the Greenshoe Option). The other offering costs are expected to be €14.9 million. The Company will have to be bear the portion of these costs which is attributable to the New Shares and, if and to the extent the Greenshoe Option is exercised, the costs attributable to the exercise of the Greenshoe Option; the remaining costs will be borne by the Selling Shareholder. The costs of the offering are allocated between the Company and the Selling Shareholder on the basis of the ratio of New Shares and Secondary Shares to the total Offer Shares less Over-Allotment Shares. Assuming that 30,000,000 New Shares will be issued, the Selling Shareholder would sell 14,722,500 Secondary Shares (this number is calculated on the basis that the Selling Shareholder will retain 10% of the share capital after completion of the offering and that the Greenshoe Option is 10% of the number of New Shares). In this case, the Company would have to bear €10.0 million of the other offering costs of €14.9 million and the Selling Shareholder €4.9 million. The net proceeds of the Company after deduction the Underwriters' commission and the other offering costs to be borne by the Company would be €281.0 million.

The number of New Shares which are placed may be higher if the offer price is expected to be in the bottom half of the Price Range. If the offer price is expected to be at the low end of the Price Range, the number of New Shares needed to achieve gross proceeds of around €300 million would be 37,500,000.

Assuming full exercise of the Greenshoe Option and placement of all New Shares, the Company expects total gross proceeds to amount to approximately €330.0 million at the mid-point of the Price Range. Based on the aforementioned assumptions, the total commission payable to the Underwriters (assuming payment in full of the discretionary fee) and attributable to the Company will be €9.9 million. The other offering costs attributable to the Company would amount to €10.0 million. The total net proceeds of the Company would amount to approximately €310.1 million at the mid-point of the Price Range.

At the low end, mid-point and high end of the Price Range, gross proceeds to the Selling Shareholder (assuming placement of the applicable respective number of Secondary Shares and calculated under the assumption that after completion of the offering the Selling Shareholder continues to hold 10% of the Company's share capital as described above) would amount to approximately €111.2 million, €147.2 million and €183.3 million, respectively. Assuming an offer price at the low end, mid-point and high end of the Price Range and that the maximum number of Secondary Shares is placed, and assuming no preferential allocation and assuming further payment in full of the discretionary fee of up to €1.4 million, €1.8 million and €2.3 million at the low end, mid-point and high end of the Price Range, respectively, the commission payable by the Selling Shareholder to the Underwriters (including such discretionary fee) will amount to €3.3 million, €4.4 million and €5.5 million, respectively. The Selling Shareholder will bear the portion of the offering and listing costs related to the Secondary Shares. We estimate that at the low end, mid-point and high end of the Price Range, net proceeds of TC Management (less the portion of costs attributable to TC Management and assuming no preferential allocation) would amount to approximately €103.8 million, €137.9 million and €172.1 million, respectively.

Investors will not be charged with expenses by the Company or the Underwriters in connection with their role as underwriters.

Reasons for the Offering and Use of Proceeds

The Company's reasons for the offering are general corporate purposes, in particular to further upgrade its network and to build-up its "own" L3 network as well as the envisaged restructuring of its capital and its existing financial indebtedness (under the SFA and MFA, which will be repaid respectively refinanced) in order to achieve increased flexibility for its growth-oriented investment strategy. The Company also aims to improve its access to the capital markets and to a diversified base of new and international shareholders.

The Company will use part of the proceeds of the offering in an amount equal to the nominal amount of the capital increase resolved by the extraordinary general shareholder's meeting on January 11, 2015, i.e. approximately €30.0 million, as well as the net proceeds resulting from the exercise of the Greenshoe Option, i.e. approximately €29.1 million at the mid-point of the Price Range (assuming full exercise of the Greenshoe Option), for general corporate purposes, in particular to further upgrade its network and build-up its "own" L3 network. The Company will use the remaining part of the proceeds in the amount of approximately €251.0 million to partly repay the Senior Tranche A facility under the SFA with an outstanding amount of €539.5 million as of October 31, 2014.

As the Company aims to replace its entire existing financial indebtedness under the SFA and MFA, it will use funds from a new financing agreement (the IPO Financing Agreement) and available cash to refund the repayment of the SFA and MFA to the extent the net proceeds from the sale of the New Shares are not sufficient. As of October 31, 2014, the total outstanding indebtedness under the SFA (including the Senior Tranche A facility) amounted to €592.9 million with a final maturity on June 30, 2017 and the indebtedness under the MFA amounted to €35.3 million with a final maturity on June 30, 2018.

DIVIDEND POLICY

General Rules on Allocation of Profits and Dividend Payments

Shareholders have a share in the Company's distributable profits determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

Distributions of dividends on shares for a given financial year are generally determined by a process in which the Management Board and the Supervisory Board submit a proposal for the distribution of dividends to the annual general shareholders' meeting held within the first eight months of the subsequent financial year. The general shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Management Board and the Supervisory Board. Under German law, dividends can only be resolved upon and paid if the unconsolidated financial statements of the Company show distributable profits (*Bilanzgewinn*). In contrast to the Company's combined financial statements, which are prepared in accordance with IFRS as adopted by the European Union, the annual unconsolidated financial statements are prepared in accordance with the accounting principles of the German Commercial Code and other applicable German law. These accounting regulations differ from IFRS in material respects. The unconsolidated financial statements of the Company are approved by the Management Board and the Supervisory Board unless the Management Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the distributable profits, the profit or loss for the financial year is adjusted for profits or losses carried forward from previous financial years as well as for withdrawals from and transfers to reserves. Certain reserves must be formed by law and are not available for distribution. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. Pursuant to the Company's Articles of Association and subject to applicable statutory law, the general shareholders' meeting may resolve to pay dividends in kind (*Sachdividende*) in accordance with Section 58(5) German Stock Corporation Act (*Aktiengesetz*) in addition to or in lieu of a cash distribution. If the Management Board and the Supervisory Board approve the unconsolidated financial statements, they may, pursuant to Section 58(2) German Stock Corporation Act (*Aktiengesetz*), transfer 50% of the profit for the financial year remaining after deducting any transfers to statutory reserves and any losses carried forward to non-statutory reserves.

Dividends resolved by the general shareholders' meeting are due and payable immediately after the relevant general shareholders' meeting, unless otherwise provided in the dividend resolution, in compliance with the rules of the respective clearing system. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company.

The Offer Shares will be entitled to profit participation beginning January 1, 2014, i.e. for the full financial year 2014 and for all subsequent financial years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Company's Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends see "*Taxation in the Federal Republic of Germany—Taxation of Shareholders—Taxation of Dividends*" and "*Taxation in Luxembourg—Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Resident Taxpayers" and "Taxation in Luxembourg—Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Non-Resident Taxpayers"*.

Dividend Policy and Earnings per Share

Our ability and intention to pay dividends in the future will depend on our financial position, results of operations, capital requirements, investment alternatives and other factors that the Managing Board and Supervisory Board may deem relevant, and any proposals by the Managing Board and Supervisory Board regarding dividend payments will be subject to the approval at the general shareholders' meeting. As the Company does not conduct any operating business itself, its ability to pay dividends depends substantially on its operating subsidiaries and associated companies making profits and distributing these to the Company or transferring them to the Company via existing profit/loss transfer agreements. In view of our

investment requirements over the next few years and in the light of our current leverage, we do not expect to pay dividends for the financial years 2014 or 2015. From 2016 onwards, we will evaluate the potential for dividend payments reflecting our profitability levels, cash flows and planned investments. Under the IPO Financing Agreement, the Company is restricted from paying any dividends or making other distributions to its shareholders as long as the relevant leverage ratio of the Group exceeds the ratio of 4.0:1.0 or an event of default is outstanding (see *"Material Contracts—Financing Agreements—IPO Financing Agreement"*). We can provide no assurance regarding the amounts of future profits available for distribution, if any, and consequently, we can provide no assurance that we will pay dividends in future years. Moreover, our results of operations set out in the combined financial statements and interim financial statements, respectively, may not be indicative of the amounts of future dividend payments.

The table below shows the net profit (loss) as well as the net profit (loss) per share for TC Group in accordance with IFRS, and the net profit (loss) as well as the net profit (loss) per share for TC AG—determined in accordance with the German Commercial Code (*Handelsgesetzbuch*)—for the nine-month period ended September 30, 2014 and—on a combined basis—for the financial years ended December 31, 2013, 2012 and 2011. Past earnings are not an indication of future earnings:

	For the Nine-Month Period ended September 30,	For the Financial Year ended December 31,		
	2014	2013	2012	2011
	(unaudited)	(audited except as otherwise stated)		
Net profit (loss) of TC Group attributable to the shareholders (IFRS) in € million	(16.0)	(12.0)	17.6	(23.9)
per share[(1)] (unaudited) in €	(0.80)	(0.60)	0.88	(1.19)
Net profit (loss) of TC AG (German Commercial Code (*Handelsgesetzbuch*)) in € million	—	(0.0)	(0.0)	—
per share[(2)] (unaudited) in €	—	(0.0)	(0.0)	—

(1) Net profit (loss) per share is computed applying principles of IAS 33 by dividing net profit (loss) for the period attributable to the shareholders of TC Group in accordance with IFRS by the weighted average number of shares in the respective financial year. Since the Company's transformation from a limited liability company (GmbH) into a stock corporation (*Aktiengesellschaft*) did not take effect until September 12, 2014, the net result per share has been calculated on the basis of the Company's share capital as of the change of legal form (disregarding subsequent changes to the Company's share capital), which amounted to €20,025,000 and is based on the existence of 20,025,000 ordinary registered shares with no par value.

(2) Net profit (loss) per share is calculated by dividing the net profit (loss) for the financial year of the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) by the weighted average number of issued shares (as determined in footnote 1 above, since a calculation method is not specified in the German Commercial Code (*Handelsgesetzbuch*).

CAPITALIZATION AND INDEBTEDNESS

Capitalization

The following table shows an overview of our capitalization (including total debt) as of October 31, 2014, (i) immediately prior to implementation of the offering, (ii) adjusted to reflect the effects of the placement of the New Shares (under the assumption that 30,000,000 New Shares are placed at the mid-point of the Price Range, resulting in net issue proceeds of €281.0 million, see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*", and excluding any proceeds from the exercise of the Greenshoe Option), (iii) adjusted to reflect the effects of the new financing structure resulting from the repayment of the outstanding debt under the financing agreements existing as of the date of the Prospectus with the net proceeds from the offering and of the new financing which will come into effect upon completion of the offering and available cash (excluding any proceeds from the exercise of the Greenshoe Option) (see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*" and "*Material Contracts—Financing Agreements*"), and (iv) our total capitalization adjusted for the effects of the placement of the New Shares (see (ii)), repayment of debt and implementation of the new financing structure (see (iii)) and assuming full exercise of the Greenshoe Option.

Investors should read these tables in conjunction with "*Selected Financial and Business Information*", "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations*" and the Unaudited Condensed Interim Financial Statements as of and for the nine-month period ended September 30, 2014, including the notes thereto, which are included in the Prospectus, beginning on page F-2.

	As of October 31, 2014			
(in € million)	**(i) Prior to the offering**	**(ii) Adjusted for the net proceeds from the placement of the New Shares**	**(iii) Adjusted for repayment of debt and implementation of new financing structure**	**(iv) Total capitalization (assuming full exercise of the Greenshoe Option)**
	(unaudited)			
Total current debt	**8.4**	**8.4**	**8.3**	**8.3**
of which, guaranteed	0.0	0.0	0.0	0.0
of which, secured(1)	2.3	2.3	2.2	2.2
of which, unguaranteed/unsecured(2)	6.1	6.1	6.1	6.1
Total non-current debt (excluding current portion of long-term debt)	**663.2**	**663.2**	**404.1(7)(8)**	**404.1(7)(8)**
of which, guaranteed	0.0	0.0	0.0	0.0
of which, secured(3)	634.1	634.1	375.0	375.0
of which, unguaranteed/unsecured(4)	29.1	29.1	29.1	29.1
Total debt	**671.6**	**671.6**	**412.4(9)**	**412.4(9)**
Shareholders' equity	**(101.4)**	**179.6**	**175.3**	**204.4**
Share capital	20.0	50.0(5)	50.0	53.0
Legal Reserves	8.3	260.4(5)	260.4	286.1(10)
Other reserves	(134.6)	(135.7)	(140.0)(6)	(139.6)(11)
Minority interest	4.9	4.9	4.9	4.9
Total capitalization	**570.2**	**851.2**	**587.7**	**616.8**

(1) This item refers to interest-bearing bank liabilities which are secured by collateral comprising trade receivables and certain items of equipment.

(2) This item includes the current portion of the finance lease liabilities presented under current trade liabilities in the statement of financial position.

(3) Under the SFA and MFA (see "*Material Contracts—Financing Agreements—Senior Facility Agreement and Mezzanine Facility Agreement*"), members of the Group provided collateral to the respective finance parties. The collateral comprised substantially all assets of the Group, amongst others land charges, share and interest pledges, account pledges, assignment of receivables and transfer of assets. Under the IPO Financing Agreement (see "*Material Contracts—Financing Agreements—IPO Financing Agreement*"), the loans are secured by pledges over the shares of certain subsidiaries of the Company which qualify as material subsidiaries pursuant to the IPO Financing Agreement. Other debt in the amount of €10.3 million are secured by trade receivables and certain items of equipment used as collateral.

(4) As of October 31, 2014, it includes the non-current portion of the finance lease liabilities in the amount of €29.1 million presented under non-current trade liabilities.

(5) These adjustments reflect that out of the Company's gross proceeds from the offering in the amount of €300.0 million (calculated on the basis of an offer price at the mid-point of the price range), €30.0 million are allocable to share capital and €270.0 million to legal reserves. Costs of the offering are €23.9 million, €4.9 million of which are borne by the existing shareholder and €19.0 million by the Company (see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*"). Out of the costs to be borne by the Company an amount of €17.9 million is directly attributable to the New Shares and is therefore directly deducted from the legal reserves. The remaining amount of €1.1 million has to be expensed resulting in a corresponding decrease of other reserves.

(6) The change in other reserves of minus €4.3 million represents the difference between the repayment amount of €628.2 million and the carrying amount under IFRS of €623.9 million which is expensed.

(7) Under the IPO Financing Agreement, the Company will be granted a term loan facility in the amount of €375 million for the purpose to refinance any outstanding obligations under the SFA and the MFA and thereafter for general corporate purposes. The net proceeds from the offering and from the IPO Financing as well as available cash will be used to repay our outstanding financial indebtedness under the SFA which as of October 31, 2014 had a principal amount of €592.9 million, and under the MFA which as of October 31, 2014 had a principal amount of €35.3 million, together €628.2 million. The net proceeds of the offering based on an offer price at the mid-point of the price range amount to €281.0 million (See "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*"). However, €4.1 million of the costs of the offering have already been incurred and recognized prior to October 31, 2014. Therefore these costs which have already been paid increase the net proceeds of the offering from €281.0 million to €285.1 million available for debt repayment and general corporate purposes. Out of this amount €255.1 million will be used for repayment of debt, €30.0 million are reserved for general corporate purposes. The remaining €373.1 million needed for the repayment of the existing financial indebtedness is covered by the net proceeds from the IPO Financing which amounts to €361.9 million (€375 million less transaction costs of €13.1 million) and available cash (€11.2 million). The cash retained from the net proceeds of the offering (€30.0 million) less the cash used for the repayment of debt increases the cash position.

(8) The carrying amount of the existing financial indebtedness under the SFA and MFA as of October 31, 2014 according to IFRS is not the outstanding principal amount of €628.2 million, but €623.9 million. In connection with the IPO Financing the Company incurred transaction costs of €13.1 million. Out of these transaction costs €10.3 million are attributable to the new term loan which is fully drawn and reduce the carrying amount from €375 million to €364.7 million. The remaining portion of €2.8 million of the transaction costs relate to the undrawn revolving credit facility (RCF) and are offset on the asset side of the balance sheet as other assets.

(9) This amount reflects the proceeds from the IPO Financing Agreement of €375 million less pro rata transaction costs in the amount of €10.3 million and the repayment of the existing financial indebtedness with an outstanding principal amount of €623.9 million according to IFRS.

(10) In case of a full exercise of the Greenshoe Option the share of the costs of the offering which can be charged to equity would increase by €1.3 million. Therefore, the legal reserves are increased by the excess of the gross proceeds of the Greenshoe (€30 million) over the normal amount of the capital increase for the issue of the Greenshoe shares (3.0 million) less the additional charge of IPO costs to equity (€1.3 million).

(11) Other reserves increase by €0.4 million. The adjusted amount of net IPO costs charged to the income statement amounts to €0.7 million assuming full exercise of the Greenshoe option (without exercise of the Greenshoe option: €1.1 million) since a higher portion of the IPO costs is deducted from legal reserves.

Net Financial Indebtedness

The following table shows an overview of our net financial indebtedness as of October 31, 2014 (i) immediately prior to implementation of the offering, (ii) adjusted to reflect the effects of the placement of the New Shares (under the assumption that 30,000,000 New Shares are placed at the mid-point of the Price Range, resulting in net issue proceeds of €281.0 million, see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*") and excluding any proceeds from the exercise of the Greenshoe Option, (iii) adjusted to reflect the effects of the new financing structure resulting from the repayment of the outstanding debt under the financing agreements existing as of the date of the Prospectus with the net proceeds from the offering and the conclusion of the new financing agreements subsequent to the offering and available cash (excluding any proceeds from the exercise of the Greenshoe Option) (see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*" and "*Material Contracts—Financing Agreements*"), and (iv) our total indebtedness adjusted for the effects of the placement of the New Shares

(see (ii)), repayment of debt and implementation of the new financing structure (see (iii)) and assuming full exercise of the Greenshoe Option.

(in € million)	As of October 31, 2014			
	(i) Prior to the offering	(ii) Adjusted for the net proceeds from the placement of the New Shares	(iii) Adjusted for repayment of debt and implementation of new financing structure	(iv) Total Indebtedness (assuming full exercise of the Greenshoe Option)
	(unaudited)			
A. Cash	44.0	329.1[3]	62.8[4]	91.9[4]
B. Cash equivalents	0.0	0.0	0.0	0.0
C. Trading securities	0.0	0.0	0.0	0.0
D. Liquidity (A)+(B)+(C)	**44.0**	**329.1**	**62.8[4]**	**91.9[4]**
E. Current financial receivables	**0.0**	**0.0**	**0.0**	**0.0**
F. Current bank debt	0.0	0.0	0.0	0.0
G. Current portion of non-current debt	2.3	2.3	2.2	2.2
H. Other current financial debt[1]	6.1	6.1	6.1	6.1
I. Current financial debt (F)+(G)+(H)	**8.4**	**8.4**	**8.3**	**8.3**
J. Net current financial indebtedness (I)−(E)−(D)	**(35.6)**	**(320.7)**	**(54.5)**	**(83.6)**
K. Non-current bank loans	634.1	634.1	375.0[5]	375.0[5]
L. Bonds issued	0.0	0.0	0.0	0.0
M. Other non-current loans[2]	29.1	29.1	29.1	29.1
N. Non-current financial indebtedness (K)+(L)+(M)	**663.2**	**663.2**	**404.1**	**404.1**
O. Net financial indebtedness (J)+(N)	**627.6**	**342.5**	**349.6**	**320.5**

(1) This item includes the current portion of the finance lease liabilities presented under current trade liabilities in the statement of financial position.

(2) This item includes the non-current portion of the finance lease liabilities in the amount of €29.1 million presented under non-current trade liabilities in the statement of financial position.

(3) This adjustment reflects the net proceeds for the offering in the amount €281.0 million plus the costs of the offering which have already been paid in the amount of €4.1 million prior to October 31, 2014. Therefore the cash position existing as of October 31, 2014 in the amount of €44.0 million is increased by €285.1 million (see Note 7 under the capitalization table).

(4) This adjustment reflects the net proceeds from the IPO Financing in the amount of €361.9 million less the amount needed for the repayment of the existing debt under the SFA and MFA (€628.2 million as of October 31, 2014).

(5) This amount reflects the carrying amount under IFRS as of October 31, 2014 for the term loan under the IPO Financing which is €364.7 million (see Note 8 under the capitalization table). This amount is increased by other bank liabilities of €10.3 million.

Contingent Liabilities and Other Financial Obligations

As of October 31, 2014 there were no contingent liabilities and other financial obligations.

Working Capital Statement

The Company believes that the Group has sufficient working capital to meet its payment obligations that become due within the twelve-month period following the date of the Prospectus.

No Significant Change

Between September 30, 2014 and the date of the Prospectus, there have been no significant changes in the Group's financial or trading position. For information on current trading and management's view on full year trends, see "*Recent Developments and Outlook*".

DILUTION

The carrying amount of the net asset value of the Company (calculated as total assets minus total liabilities, i.e. equalling the shareholders' equity) in its interim statement of financial position based on the financial information of the Company as of October 31, 2014 amounted to a negative €101.4 million as of October 31, 2014, and would amount to a negative €5.06 per share, based on 20,025,000 outstanding shares of the Company immediately before the offering.

Assuming aggregate net proceeds to the Company of approximately €281.0 million (from the sale of the New Shares and excluding any proceeds from the exercise of the Greenshoe Option) (see the section entitled "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*") the carrying amount—had the Company already received the aggregate net proceeds by October 31, 2014—of the net asset value so adjusted on the Company's interim statement of financial position as of October 31, 2014 would have been €179.6 million (based on the mid-point of the Price Range); this corresponds to approximately €3.59 per share (calculated on the basis of 50,025,000 shares outstanding after full implementation of the capital increase regarding the New Shares). That would correspond to a direct dilution of €6.41 (64.1%) per share for the parties acquiring the Offer Shares at the mid-point of the Price Range. At the lower and high end of the Price Range, the corresponding figures would be €4.89 (61.2%) and €7.99 (66.6%), respectively.

The table below illustrates the amount by which the price per share would exceed the adjusted carrying amount of the net asset value in the interim statement of financial position as of October 31, 2014 per share after completion of the offering at the low end, at the mid-point and the high end of the Price Range, respectively:

	Offer price		
	Low End	**Mid-Point**	**High End**
Offer price, in €	8.00	10.00	12.00
Outstanding shares of the Company after completion of the offering	57,525,000	50,025,000	45,025,000
Net asset value per share as of October 31, 2014, in € (unaudited)	(5.06)	(5.06)	(5.06)
Carrying amount of the net asset value, in € million (unaudited)	178.7	179.6	180.4
Net asset value per share following the offering, in € (unaudited)	3.11	3.59	4.01
Amount by which the offer price exceeds the total net asset value (immediate dilution per share), in € (unaudited)	4.89	6.41	7.99
Immediate dilution to the new shareholders, in % (unaudited)	61.2	64.1	66.6
Amount by which the net asset value per share following the offering exceeds the net asset value attributable to the Selling Shareholder prior to the offering (immediate accretion per share), in € (unaudited)	8.17	8.65	9.07

Under the assumption that the capital increase regarding the New Shares is fully implemented the accretion to the net asset value per share (comparing the net asset values prior to and after the offering) will be €8.65 (based on an offer price at the mid-point of the Price Range; this cannot be presented as a percentage, since the basis was negative).

Assuming full exercise of the Greenshoe Option, the carrying amount of the thus adjusted total net asset value on the Company's interim statement of financial position as of October 31, 2014, would have been €208.7 million (based on the mid-point of the Price Range); this corresponds to approximately €3.94 per share (calculated on the basis of 53,025,000 shares). That would correspond to a direct dilution of €6.06 (60.6%) per share for the parties acquiring the Offer Shares at the mid-point of the Price Range. Under the assumption that the capital increase regarding the New Shares is fully implemented and the Greenshoe Option is fully exercised, the accretion to the net asset value per share (comparing the net asset values prior to and after the offering) will be €9.0 (based on an offer price at the mid-point of the Price Range).

SELECTED FINANCIAL AND BUSINESS INFORMATION

The following selected historical financial and business information of the Group for the financial years ended December 31, 2013, 2012 and 2011 is based on the Audited Combined Financial Statements of TC Group as of and for the financial years ended December 31, 2013, 2012 and 2011, the Company's accounting records and its management reporting. The Audited Combined Financial Statements as of and for the financial years ended December 31, 2013, 2012 and 2011 were prepared in accordance with IFRS as adopted by the European Union. They have been audited in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements, which are promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer), by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Germany (KPMG), who issued an unqualified audit opinion thereon.

The Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014 (including comparative figures for the nine-month period ended September 30, 2013), have been prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34). Both the Audited Combined Financial Statements and the Unaudited Condensed Interim Financial Statements were prepared on the basis of the total cost method.

The company information shown here should be read in conjunction with the Audited Combined Financial Statements and the Unaudited Condensed Interim Financial Statements of the Group, contained in the financial section of the Prospectus including the explanatory notes thereto, and in conjunction with the sections "Risk Factors", "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations" and "Business". See also "General Information—Note on Currency and Financial Information" for further information on the financial statements.

In the Prospectus, where financial information regarding the TC Group is labeled "audited", it means that this information was taken from the Audited Combined Financial Statements of TC Group, as of and for the financial years ended December 31, 2013, 2012 and 2011. The label "unaudited" is used in the Prospectus to indicate financial information that was taken or derived from our accounting records, internal management reporting systems or our Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014.

Selected Financial Information from the Income Statement

The following table shows selected income statement data of the Group for the nine-month periods ended September 30, 2014 and 2013 and the financial years ended December 31, 2013, 2012 and 2011 (combined):

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(audited unless otherwise indicated)		
	(in € million)				
Revenues[1][3]	159.4	153.5	206.2	205.3	204.7
Own work capitalized	4.7	3.5	6.9	7.0	6.7
Other income[3]	7.2	8.3	26.1	60.0	20.6
Total operating performance	**171.2**	**165.3**	**239.2**	**272.3**	**231.9**
Cost of materials[3]	(54.6)	(56.8)	(83.8)	(91.4)	(93.5)
thereof CATV signal fees (unaudited)	*(24.4)*	*(23.3)*	*(31.0)*	*(34.7)*	*(37.4)*
Personnel expenses[3]	(23.9)	(23.5)	(31.7)	(31.0)	(31.0)
Other expenses[3]	(27.9)	(22.2)	(32.5)	(32.1)	(33.5)
EBITDA[1][3]	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
Amortization and depreciation	(40.2)	(46.7)	(62.8)	(62.9)	(57.4)
EBIT[2]	**24.7**	**16.1**	**28.3**	**54.9**	**16.5**
Profit from investments in associates	0.0	0.0	0.0	0.0	0.1
Interest and similar income	0.0	0.1	0.4	0.6	0.5
Interest and similar expenses	(33.2)	(21.3)	(28.3)	(32.3)	(34.9)
Other finance income/costs	(1.1)	(0.1)	(0.5)	(0.1)	(2.6)
Profit before tax	**(9.6)**	**(5.2)**	**(0.0)**	**23.2**	**(20.5)**
Income tax expenses	(4.7)	(7.6)	(8.6)	(2.7)	(1.1)
Profit/loss for the period	**(14.3)**	**(12.8)**	**(8.6)**	**20.5**	**(21.6)**
Profit/loss attributable to owners of TC Group	(16.0)	(15.0)	(12.0)	17.6	(23.9)
Profit/loss attributable to non-controlling interests	1.7	2.2	3.3	2.9	2.3

(1) EBITDA is defined as net income (or loss) before amortization and depreciation, financial income and expenses and income taxes. EBITDA Margin represents EBITDA as a percentage of external revenues.

(2) EBIT is defined as net income (or loss) before financial income and expenses and income taxes.

(3) The following table shows non-recurring items included in our revenues, other income, cost of materials, personnel expenses and other expenses as well as total non-recurring items included in our EBITDA. For more information on our Normalized EBITDA, which adjusts for the total non-recurring items set forth below, see "*—Selected Other Financial Data*" and "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Performance Indicators—Normalized EBITDA*":

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited unless otherwise indicated)		
	(in € million)				
EBITDA (audited)	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
Revenues	(0.1)	0.0	0.0	0.0	0.0
Other income[1]	(0.9)	(2.1)	(15.7)	(49.3)	(9.3)
Costs of materials[2]	1.2	0.1	1.7	10.6	6.3
Personnel expenses[3]	0.7	2.3	3.2	1.5	0.4
Other expenses[4]	7.1	3.2	7.7	6.5	7.1
Total non-recurring items	**8.0**	**3.6**	**(3.1)**	**(30.7)**	**4.5**
Normalized EBITDA[5]	**72.9**	**66.3**	**88.1**	**87.1**	**78.4**

(1) Other income includes income in connection with a claim by KD against us for €38 million plus interest, ordering us to repay the purchase price paid by KD for an earlier acquisition of certain assets from the former Tele Columbus group, for which we established a provision, which was released in 2012 (the "**KD/Brenda Award**"), gains from asset sales, Eutelsat contract provisions, other provisions, financial restructuring (pass-through of costs/release of provisions).

(2) Costs of materials include costs in connection with the non-recurring items Eutelsat contract provisions, parts of Empire I and Empire II and parts of other non-recurring items.

(3) Personnel expenses include expenses in connection with the non-recurring items redundancy payments.

(4) Other expenses include expenses in connection with the non-recurring items KD/Brenda Award, parts of Empire I and Empire II, financial restructuring costs, other net legal and consultancy fees and parts of other non-recurring items.

(5) We define Normalized EBITDA as earnings before the financial result (earnings from investments in associates, interest income, interest expense and other financial result reported using the equity accounting), income taxes and depreciation and amortization of intangible assets and goodwill adjusted for non-recurring items.

Selected Financial Information from the Statement of Financial Position

The following table shows selected statement of financial position data of the Group as of September 30, 2014 and December 31, 2013, 2012 and 2011 (combined):

	As of September 30, 2014	As of December 31, 2013	2012	2011
	(unaudited)		(audited)	
		(in € million)		
Non-current assets				
Property, plant and equipment	200.8	207.8	206.9	204.5
Intangible assets and goodwill	383.4	372.2	380.7	386.1
Shares in non-consolidated subsidiaries	0.0	0.5	0.5	0.5
Investments in associates	0.3	0.3	0.3	0.3
Receivables from related parties	0.0	9.4	9.3	9.2
Other financial receivables	1.1	1.5	0.9	0.8
Deferred expenses	0.1	0.0	0.1	0.2
Total non-current assets	**585.7**	**591.7**	**598.7**	**601.7**
Current assets				
Inventories	2.5	1.7	2.5	1.5
Trade receivables	21.2	18.9	18.5	16.3
Receivables from related parties	2.4	2.2	6.0	2.9
Other financial receivables	2.1	7.1	18.6	3.8
Other receivables	9.9	0.9	1.1	3.7
Income tax refund claims	0.5	1.2	1.3	1.8
Cash and cash equivalents	36.1	70.5	22.0	45.6
Deferred expenses	6.6	2.2	1.1	1.1
Total current assets	**81.3**	**104.7**	**71.0**	**76.6**
Total assets	**667.1**	**696.4**	**669.7**	**678.3**
Equity				
Equity attributable to owners of TC Group	(104.3)	(68.2)	(88.7)	(107.5)
Non-controlling interests	4.7	6.7	6.1	5.8
Total equity	**(99.6)**	**(61.5)**	**(82.6)**	**(101.8)**
Non-current liabilities				
Pension plans and other long-term employee benefits	9.9	9.8	9.9	7.7
Other provisions	7.8	11.4	27.0	20.8
Interest-bearing liabilities	630.2	43.5	601.9	597.0
Liabilities to related parties	0.0	13.2	19.4	19.1
Trade payables	35.7	32.7	27.0	25.6
Deferred income/revenue	0.7	1.2	0.1	0.1
Total non-current liabilities	**684.2**	**111.7**	**685.3**	**670.3**
Current liabilities				
Other provisions	8.1	4.8	2.8	3.2
Interest-bearing liabilities	2.6	578.1	11.2	13.7
Trade payables	37.2	43.2	27.9	30.6
Liabilities to related parties	3.6	2.6	8.7	2.3
Other financial liabilities	0.3	4.6	4.3	38.1
Other payables	15.8	8.0	7.2	15.6
Income tax liabilities	4.0	0.7	0.4	1.8
Deferred income/revenue	10.9	4.2	4.7	4.6
Total current liabilities	**82.4**	**646.2**	**67.1**	**109.8**
Total equity and liabilities	**667.1**	**696.4**	**669.7**	**678.3**

Selected Financial Information from the Statement of Cash Flows

The following table shows selected statement of cash flows data of the Group for the nine-month periods ended September 30, 2014 and 2013 and the financial years ended December 31, 2013, 2012 and 2011 (combined):

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	(in € million)				
Cash flows from operating activities					
Earnings before interest and taxes (EBIT)	**24.7**	**16.1**	**28.3**	**54.9**	**16.5**
Amortization and depreciation	40.2	46.7	62.8	62.9	57.4
Loss (+) / gain (−) on sale of property, plant and equipment	(0.5)	(0.6)	(1.3)	(0.8)	(1.4)
Increase (−) / decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities	(10.0)	(12.7)	(5.5)	(3.2)	30.8
Increase (+) / decrease (−) in provisions, trade and other payables not classified as investing or financing activities	(4.3)	(9.7)	(4.5)	(34.3)	(23.9)
Income taxes paid	(3.6)	(6.8)	(7.5)	(2.4)	2.5
Net cash from operating activities	**46.6**	**33.0**	**72.3**	**77.1**	**81.9**
Cash flows from investment activities					
Proceeds from sale of property, plant and equipment	1.5	2.0	4.6	1.9	2.5
Acquisition of property, plant and equipment	(21.2)	(21.2)	(41.4)	(48.8)	(61.5)
Acquisition of intangible assets	(3.9)	(5.0)	(6.7)	(7.6)	(5.9)
Acquisition of investment property	(10.5)	0.0	(0.8)	0.0	(0.2)
Interest received	0.0	0.1	0.4	0.5	0.4
Net cash used in investing activities	**(34.0)**	**(24.2)**	**(44.0)**	**(54.0)**	**(64.6)**
Cash flows from financing activities					
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH[1]	(1.7)	32.7	32.7	2.8	1.8
Payment of financial lease liabilities	(4.3)	(3.3)	(4.9)	(3.0)	0.0
Dividends paid	(3.1)	(2.8)	(2.8)	(2.5)	(2.1)
Proceeds from loans, bonds or short-term or long-term borrowings from banks	0.0	7.3	8.2	2.9	47.8
Repayment of borrowings and short-term or long-term borrowings	(2.0)	(2.7)	(3.5)	(1.8)	(49.4)
Purchase of non-controlling interests	(19.9)	0.0	—	—	—
Interest paid	(16.4)	(22.0)	(24.0)	(29.8)	(14.5)
Net cash from (used in) financing activities	**(47.4)**	**9.2**	**5.8**	**(31.5)**	**(16.5)**
Cash and cash equivalents at the end of the reporting period					
Net increase/(decrease) in cash and cash equivalents	(34.8)	18.0	34.1	(8.4)	0.8
Cash and cash equivalents as at the beginning of the reporting period	70.5	22.0	22.0	45.6	44.5
Cash and cash equivalents as at the end of the reporting period	**35.7**	**40.1**	**56.1**	**37.2**	**45.3**
Less/plus release of restricted cash and cash equivalents in the financial year	0.4	14.4	14.4	(15.1)	0.3
Liquid cash and cash equivalents as at the end of the reporting period	**36.1**	**54.5**	**70.5**	**22.0**	**45.6**

(1) On August 19, 2014, Tele Columbus GmbH changed its name to Tele Columbus Beteiligungs GmbH as part of the reorganization in preparation for a possible initial public offering.

Selected Other Financial Data

We use several financial and non-financial key performance indicators, including RGUs, ARPU, EBITDA adjusted for exceptional non-recurring items (Normalized EBITDA) and normalized contribution margin,

to track the financial performance of our business and to guide our management. We use these indicators in addition to our IFRS financial measures in order to evaluate, monitor and manage our business as it is customary in our industry. None of these measures are measures of financial performance under IFRS, nor have these measures been reviewed by an outside consultant, expert or auditor. Unless otherwise noted, all of these non-IFRS measures are derived from management estimates. These non-IFRS measures are defined by our management and may not be comparable to similar measures used by other companies. We believe that the adjustments to EBITDA made in the computation of Normalized EBITDA are appropriate because (i) operating results adjusted for these items provide a more consistent measure for the regular operating performance of our business between periods, and (ii) items excluded in the computation of Normalized EBITDA are not necessarily indicative of the operating results of our businesses. Our management considers Normalized EBITDA to be one of several useful measures of performance for managing the business of the Group. This is a measure which is widely used in our industry. Other companies may use different adjustments or calculate these adjustments differently, and similarly titled measures published by them may therefore not be comparable to ours.

The following table shows EBITDA, Normalized EBITDA and Normalized EBITDA margin of the Group for the nine-month periods ended September 30, 2014 and 2013 and the financial years ended December 31, 2013, 2012 and 2011:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	**2013**	**2013**	**2012**	**2011**
	(unaudited)		(unaudited unless otherwise indicated)		
	(in € million unless otherwise indicated)				
EBITDA (audited)	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
EBITDA margin (in % of revenues)	**40.7**	**40.8**	**44.2**	**57.4**	**36.1**
KD/Brenda Award	0.0	0.0	0.0	(38.0)	0.5
Gains/losses from asset sales	(0.5)	(0.6)	(0.7)	(0.4)	(0.7)
Eutelsat contract provisions(1)	1.0	0.0	(10.3)	8.1	3.5
Other provisions	0.0	0.0	(0.2)	(0.8)	(0.5)
Empire I and Empire II	0.1	0.0	0.0	0.1	0.9
Redundancy payments	0.7	2.3	1.7	0.4	0.2
Financial restructuring costs	5.5	1.5	3.8	5.4	2.6
Financial restructuring (pass-through of costs/release of provisions)	0.0	(0.8)	(1.5)	(9.3)	(6.3)
Other net legal and consultancy fees	0.5	0.6	0.6	0.1	0.5
Other non-recurring items(2)	0.8	0.6	3.5	3.7	3.8
Total non-recurring items	8.0	3.6	(3.1)	(30.7)	4.5
Normalized EBITDA	**72.9**	**66.3**	**88.1**	**87.1**	**78.4**
Normalized EBITDA margin (in % of revenues adjusted for non-recurring items)	**45.8**	**43.2**	**42.7**	**42.4**	**38.3**

(1) These amounts differ from the amounts by which provisions for expected losses on our Eutelsat agreement were established in 2012 and released in 2013, as the amount of the provisions was affected by several factors, such as new estimates in business plans, payments made under the Eutelsat agreement and renegotiations of the Eutelsat agreement, which partially offset each other and partially were not categorized as non-recurring.

(2) Includes expenses related to the migration to the SEPA payment transaction system, an agreement with NetCom Kassel GmbH (including, in particular, a termination fee), the streamlining of our customer portfolio ("**Project Harmony**"), significant increases of the prices of our products in 2008 and 2009, in some cases by 30% as a result of which a significant proportion of customers terminated, or chose not to renew, the contracts concluded during that period ("**Project Sunrise**"), the relocation of our headquarters from Ernst-Reuter-Platz, Berlin, to Goslarer Ufer, Berlin, set-up costs of our quality contact center at our headquarters, an agreement with Deutsche Annington Immobilien AG (including, in particular, litigation costs) and provisions for contingent losses due to construction and deconstruction obligations under our lease agreement regarding our former headquarters at Ernst-Reuter-Platz, Berlin.

Selected Operating Data

The following table shows selected operating data of the Group as of or for the three-month period ended September 30, 2014 and as at or for the financial year ended December 31, 2013, 2012 and 2011:

	As of or for the Three-Month Period ended September 30, 2014	As of or for the Financial Year ended December 31,		
		2013	2012	2011
	(unaudited)			
	(in thousands unless otherwise indicated)			
Network				
Homes connected	1,720	1,749	1,856	1,963
Homes upgraded	1,068	1,040	1,016	928
% of homes connected	62%	59%	55%	47%
Own homes (homes not connected to 3rd party L3)	1,194	1,197	1,250	1,273
% of homes connected	69%	68%	67%	65%
Own homes upgraded	932	891	881	789
% of homes connected	54%	51%	48%	40%
Subscribers				
Unique subscribers	1,291	1,302	1,353	1,447
RGUs				
CATV	1,320	1,338	1,416	1,538
thereof CATV on own network	*919*	*917*	*950*	*972*
Premium TV	163	164	153	142
Internet	197	174	135	115
Telephony	166	146	112	87
Total RGUs	1,846	1,822	1,816	1,881
RGUs per unique subscriber (in units)	1.43	1.40	1.34	1.30
Penetration (in %)				
Internet in % of homes upgraded	18.4	16.7	13.3	12.4
Internet in % of own homes upgraded	20.1	18.5	14.5	13.7
Premium TV in % of CATV RGUs on own network	17.7	17.9	16.1	14.6
% of bundles(1)	73.0	71.9	68.2	63.9
Year-End ARPU(2) (in €/month for the year)				
Blended TV Year-End ARPU(2) per unique subscriber(4)	—	9.6	9.3	9.0
Blended Internet & telephony Year-End ARPU(2) per unique subscriber(5)	—	22.9	22.5	23.3
Total blended Year-End ARPU(2) per unique subscriber	**—**	**13.4**	**11.6**	**12.0**
Year-Average ARPU(3) (in €/month for the year)				
Blended TV Year-Average ARPU(3) per unique subscriber(4)	—	9.5	9.4	9.2
Blended Internet & telephony Year-Average ARPU(3) per unique subscriber(5)	—	22.4	21.9	21.9
Total blended Year-Average ARPU(3) per unique subscriber	**—**	**13.2**	**12.4**	**11.6**

(1) Based on subscribers segmented by bundles, only Internet and only telephony.

(2) Year-End ARPU is defined as average revenues generated per unique subscriber calculated by dividing December subscription revenues (including discounts, credits and installation fees) by December subscribers/RGUs.

(3) Year-Average ARPU is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the year by the sum of the monthly total number of subscribers/RGUs for the year.

(4) Includes RGUs with partial services (*Teilregelleistung*) and Premium TV services.

(5) Includes Internet and telephony. Based on Internet RGUs.

The following table shows selected operating data of the Group as of or for the three-month periods ended September 30, 2014, June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013:

	As of or for the Three-Month Period ended					
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
	(unaudited) (in thousands unless otherwise indicated)					
Network						
Homes connected	1,720	1,704	1,710	1,749	1,750	1,760
Homes upgraded	1,068	1,060	1,048	1,040	1,023	1,017
% of homes connected	62%	62%	61%	59%	58%	58%
Own homes (homes not connected to 3rd party L3)	1,194	1,187	1,188	1,197	1,189	1,195
% of homes connected	69%	70%	69%	68%	68%	68%
Own homes upgraded	932	925	901	891	873	866
% of homes connected	54%	54%	53%	51%	50%	49%
Subscribers						
Unique subscribers	1,291	1,274	1,272	1,302	1,303	1,299
RGUs						
CATV	1,320	1,302	1,306	1,338	1,343	1,346
thereof CATV on own network	*919*	*909*	*912*	*917*	*915*	*934*
Premium TV	163	162	165	164	153	151
Internet	197	190	183	174	162	153
Telephony	166	160	154	146	136	128
Total RGUs	1,846	1,814	1,808	1,822	1,794	1,779
RGUs per unique subscriber (in units)	1.43	1.42	1.42	1.40	1.38	1.37
Penetration (in %)						
Internet in % of homes upgraded	18.4	17.9	17.4	16.7	15.9	15.1
Internet in % of own homes upgraded	20.1	19.5	19.2	18.5	17.6	16.7
Premium TV in % of CATV RGUs on own network	17.7	17.9	18.1	17.9	16.7	16.1
% of bundles[(1)]	73.0	73.0	72.6	71.9	71.3	70.6
Quarterly Average ARPU[(2)] (in €/month for the year)						
Blended TV Quarterly Average ARPU[(2)] per unique subscriber[(3)]	9.7	9.6	9.6	9.5	9.5	9.5
Blended Internet & telephony Quarterly Average ARPU[(2)] per unique subscriber[(4)]	21.8	22.3	22.3	22.5	22.6	22.2
Total blended Quarterly Average ARPU[(2)] per unique subscriber	14.0	13.9	13.7	13.5	13.3	13.1

(1) Based on subscribers segmented by bundles, only Internet and only telephony.

(2) Quarterly-Average ARPU is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the relevant quarter by the sum of the monthly total number of subscribers/RGUs for the relevant quarter.

(3) Includes RGUs with partial services (*Teilregelleistung*) and Premium TV services.

(4) Includes Internet and telephony. Based on Internet RGUs.

Selected Financial Data by Segment

We have changed our internal organization structure to reflect the economic characteristics of the Group and, as a result, have implemented a segment reporting with two segments, "TV" and "Internet and Telephony" in August 2014. In prior periods, we did not have reporting segments. As additional information, certain segment information was prepared retrospectively for the financial year 2013 and the nine-month period ended September 30, 2013 on the basis that currently is used in our reporting. This information is not available for the financial years 2012 and 2011. Segment assets and liabilities are not reported for operating segments as these measures are not used for decision making at segment level.

The following table shows selected financial data by segment of the Group for the nine-month period ended September 30, 2014:

	For the Nine-Month Period ended September 30, 2014 (unaudited) (in € million unless otherwise indicated)			
	TV	Internet and Telephony	TV Reconciliation to financial statements[(1)]	Group total
Revenues	**117.7**	**38.5**	**3.2**	**159.4**
EBITDA	**60.7**	**22.4**	**(18.2)**	**64.9**
Non-recurring expenses/income	0.9	0.1	7.0	8.0
Normalized EBITDA	**61.6**	**22.5**	**(11.1)**	**72.9**
Normalized contribution margin[(2)]	**65.6%**	**90.1%**	**—**	**—**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Normalized contribution margin is defined as total operating performance (total revenues, own work capitalized and other income) less cost of materials divided by total revenues.

The following table shows selected financial data by segment of the Group for the nine-month period ended September 30, 2013:

	For the Nine-Month Period ended September 30, 2013 (unaudited) (in € million unless otherwise indicated)			
	TV	Internet and Telephony	Reconciliation to financial statements[(1)]	Group total
Revenues	**119.0**	**31.5**	**3.0**	**153.5**
EBITDA	**63.6**	**12.3**	**(13.2)**	**62.7**
Non-recurring expenses/income	0.4	0.4	2.7	3.6
Normalized EBITDA	**64.0**	**12.8**	**(10.5)**	**66.3**
Normalized contribution margin[(2)]	**66.6%**	**74.0%**	**—**	**—**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Normalized contribution margin is defined as total operating performance (total revenues, own work capitalized and other income) less cost of materials divided by total revenues.

The following table shows selected financial data by segment of the Group for the financial year ended December 31, 2013:

	For the Financial Year ended December 31, 2013 (unaudited unless otherwise indicated) (in € million)			
	TV	Internet and Telephony	Reconciliation to combined financial statements[(1)]	Group total
Revenues	**158.9**	**43.3**	**4.1**	**206.2[(2)]**
EBITDA	**88.9**	**20.8**	**(18.5)**	**91.2[(2)]**
Non-recurring expenses/income	(9.4)	0.6	5.8	(3.1)
Normalized EBITDA	**79.5**	**21.3**	**(12.7)**	**88.1**

(1) Includes corporate center and holding costs not clearly attributable to the TV segment or the Internet and Telephony segment.

(2) Audited.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the sections "Selected Consolidated Financial and Other Information", "Risk Factors", "Business" and our Audited Combined Financial Statements as of and for the financial years ended December 31, 2013, 2012 and 2011, and the related notes included therein, which are contained in the Prospectus. For further information on the financial statements, see also "General Information—Note on Currency and Financial Information".

*The Audited Combined Financial Statements as of and for the financial years ended December 31, 2013, 2012 and 2011 were prepared in accordance with IFRS as adopted by the European Union. They have been audited in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements, which are promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer), by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Germany (KPMG), who issued an unqualified audit opinion thereon. The Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014 (including combined comparative figures for the nine-month period ended September 30, 2013), have been prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34). Both the Audited Combined Financial Statements and the Unaudited Condensed Interim Financial Statements (together the "**Financials Statements**") were prepared on the basis of the total cost method.*

The Audited Combined Financial Statements represent the net assets, financial position and results of operations and cash flows of the core operating business of the Group (i.e. the net assets, financial position and results of operations of the Company and the operating investments spun off to it as well as certain consolidated assets and liabilities of TC GmbH) including its senior financing for the financial years 2013, 2012 and 2011. The Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014 contain comparative figures for the nine-month period ended September 30, 2013 which have been prepared on a combined basis as well. In the preparation of our financial statements, certain assumptions and estimates were made which affect the recognition and amount of assets and liabilities, income and expenses and contingent liabilities, including in particular in relation to income taxes. Therefore, actual results may differ from our assumptions or estimates and net assets, financial position and results of operations or cash flows cannot be extrapolated for future periods or a future reporting date.

Certain information in the discussion below includes forward-looking statements. Since such statements involve inherent uncertainties, actual results may materially differ from the results described in or implied by such forward-looking statements. See "Risk Factors", "General Information—Forward-Looking Statements" and "Business" for a discussion of important factors that can cause actual results to materially differ from the results described in or implied by these forward-looking statements.

We have changed our internal organization structure to reflect the economic characteristics of the Group and, as a result, have implemented a segment reporting with two segments, "TV" and "Internet and Telephony" in August 2014. In prior periods, we did not have reporting segments. As additional information, certain segment information was prepared retrospectively for the financial year 2013 and the nine-month period ended September 30, 2013 on the basis that currently is used in our reporting. This information is not available for the financial years 2012 and 2011.

In the Prospectus, where financial information regarding the TC Group is labeled "audited", it means that this information was taken from the Audited Combined Financial Statements of TC Group, as of and for the financial years ended December 31, 2013, 2012 and 2011. The label "unaudited" is used in the Prospectus to indicate financial information that was taken or derived from our accounting records, internal management reporting systems or our Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014.

Some tables in this section also present non-GAAP measures (neither defined under IFRS nor under the German Commercial Code (HGB)). These non-GAAP measures are key figures used by our management to monitor the performance of the TC Group. Non-GAAP measures not included in the combined financial statements are labeled as "unaudited" in the relevant tables, while non-GAAP measures included in the combined financial statements are labeled "audited" in the relevant tables. Unless otherwise indicated, all financial data included in the text and tables in this section of the Prospectus are presented in millions of Euros (€ million), commercially rounded to one decimal point. Unless expressly noted otherwise, percentage amounts included in the text and tables have also been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables may not, in all cases, add up exactly to the respective totals given.

Overview

We believe we were the third largest cable operator in Germany in terms of the number of subscribers in 2013 and are a leading cable operator in Eastern Germany. We provide a variety of television and telecommunication services to our customers, including basic cable television (CATV), premium cable television packages (Premium TV) as well as Internet and telephony services. As of September 30, 2014, approximately 1.7 million homes were connected to our cable network (and are referred to herein as "**homes connected**"), of which approximately 1.3 million were provided with at least one of our services (each such home referred to herein as one "**unique subscriber**", each service provided referred to herein as one revenue generating unit or RGU and the average revenues generated per unique subscriber (ARPU)). As of and for September 30, 2014, our total ratio of RGUs per unique subscriber amounted to 1.43 (compared to 1.30 as of and for December 31, 2011) and our blended Quarterly-Average ARPU to €14.0 (while our Year-Average ARPU amounted to €11.6 and our Year-End ARPU amounted to €12.0 as of and for December 31, 2011).

The main source of our revenues are subscription charges paid by our cable subscribers. Approximately 97% of our unique subscribers are tenants of premises located in multi-dwelling units (MDUs) that are owned or administered by housing associations with whom we have entered into signal delivery agreements. The majority of subscribers located in premises owned or administered by housing associations are serviced on the basis of bulk contracts. Under these agreements, the housing associations pay a "bulk" amount to us for the provision of our CATV services to the individual premises (which they can bill to tenants as operating costs according to the applicable rental law regulations (*Betriebskostenverordnung*)). Individual tenants in premises owned or administered by housing associations may subscribe for additional services on top of the CATV services provided under the bulk contracts, such as Premium TV (including HD packages), Internet and telephony services. For the provision of such additional services, we enter into additional direct contractual relationships with the tenants. The individual tenants then pay subscription fees directly to us and are charged in advance on a monthly basis. We also maintain a direct contractual relationship for CATV services with those subscribers who are provided with services based on concession agreements, where no bulk contract exists. Only approximately 3% of our unique subscribers (often residing in individual family homes) hold individual contracts (*Einzelnutzerverträge*) with us.

To provide our basic CATV and Premium TV products and services, we receive signals from either the satellite network operator Eutelsat (to the extent we operate as an integrated L3/L4 network operator) or from other L3 network operators, such as Vodafone/KD and Unitymedia/KBW (to the extent we operate as a L4 network operator). The signal fees we pay are a significant cost position and comprise most of our "Cost of Materials", whereby signal fees paid to other L3 network operators are significantly higher than the fees we pay to receive signals directly from satellite. In addition, we have entered into feed-in agreements with certain broadcasters, such as RTL group ("**RTL**"), ProSiebenSat.1 group ("**P7S1**") and pay-TV broadcaster Sky Deutschland ("**Sky**"), on the analog and digital transmission of their program signals. Under these feed-in agreements, we are either required to pay compensation per subscriber ("**CPS**") (as in the HD transmission model used by the large private broadcasting groups) or we receive carriage fees for the feed-in of the broadcasters' channels (most importantly from Sky and several home shopping as well as other channels). To acquire the retransmission rights for the channels we carry we pay remuneration to the copyright collecting societies GEMA and VG Media.

We further pay interconnection fees for telephony connection into other operators' networks and IP transit in order to provide our voice and data services as well as for the supply of the necessary telephony platform to MDCC Magdeburg-City-Com GmbH.

Historically, we were a pure Level 4 (L4) network operator receiving TV signals from existing Level 3 (L3) networks operated by third parties for transmission to our subscribers through our L4 networks. The L4 network transports the signal from the Level 3 hand-over point to the wall socket inside the subscriber's dwelling unit. Since 2011, we have emphasized investment programs to migrate our L4 networks from third party L3 networks to our "own" L3 networks by building-up own L3 networks and simultaneously upgrading our L3 and L4 networks, in particular to two-way transmission and 862 MHz.

By migrating from third party L3 providers we are able to achieve savings on signal costs and by building integrated L3/L4 networks we control the technical standard of these networks and make our own decisions regarding where it makes most sense to upgrade our network. Further, integrated and upgraded L3/L4 networks serve as the basis for cross-selling our broadband Internet and telephony services, which are important drivers of growth for our future business. The number of our homes connected receiving signals from third party L3 operators declined from approximately 690,000 to approximately 525,000 from

2011 through September 30, 2014. As of September 30, 2014, 69% of our homes connected received TV signals through "our" own L3 networks (which may include leased lines) and 78% of homes connected to our "own" L3 networks were upgraded to two-way transmission, of which most are upgraded to DOCSIS 3.0.

We operate our L3/L4 networks, which to a considerable extent include leased lines for the backbone network to transport signals to our L4 networks, predominantly in Eastern Germany (with our core areas including Berlin, Brandenburg, Saxony Anhalt, Saxony, Thuringia), as well as in selected regions in Western Germany, primarily in North Rhine-Westphalia and Hesse. We have built up regional clusters in our core areas in which almost all homes and housing units could be connected to our network. Our key regional clusters with multimedia networks are in Berlin, Dresden, Potsdam, Zwickau, Chemnitz, Erfurt and Jena.

Segmentation

We provide our products and services through two segments that are also our primary reporting segments, "TV" and "Internet and Telephony":

- ***TV.*** In our TV segment, we offer CATV services to our customers, comprising approximately 100 digital TV (free-TV) channels (including approximately 35 channels in HD quality) and more than 70 digital radio channels. In addition to our CATV services, we offer Premium TV services which may comprise up to approximately 50 digital Premium TV channels, including up to approximately 32 channels in HD quality. Further, out of our total of approximately 1.8 million RGUs in 2013, 1.3 million (compared to 1.5 million in 2011) were attributable to our CATV services and 164 thousand (compared to 142 thousand in 2011) to our Premium TV services. Year-End ARPU in our TV segment amounted to €9.6 and revenues in our TV segment amounted to €158.9 million in 2013. In the nine-month periods ended September 30, 2014 and 2013 the revenues in our TV segment amounted to €117.7 million and €119.0 million, respectively.
- ***Internet and Telephony.*** In our Internet and Telephony segment, we offer our customers broadband Internet access and fixed-line telephony services either as a stand-alone product or as bundled products. Out of our total of approximately 1.8 million RGUs in 2013, 174 thousand (compared to 115 thousand in 2011) were attributable to our Internet services and 146 thousand (compared to 87 thousand in 2011) to our telephony services. The contribution of Internet and telephony services to total revenues has increased strongly in recent years from 2011 through 2013 to 24.2% for the nine-month period ended September 30, 2014 and double-play Internet/telephony Year-End ARPU amounted to €22.9 in 2013. Revenues in our Internet and Telephony segment amounted to €43.3 million in 2013 and increased from €31.5 million in the nine-month period ended September 30, 2013 to €38.5 million in the nine-month period ended September 30, 2014.

We introduced segment reporting in August 2014. As we previously were not listed, we were under no legal obligation to prepare segment reporting for the financial years 2011 to 2013 and the nine-month period ended September 30, 2013. In our Audited Combined Financial Statements and our Unaudited Condensed Interim Financial Statements, certain segment information was prepared retrospectively for the financial year 2013 and the nine-month period ended September 30, 2013 on the basis that currently is used in our reporting.

Preparation of the Combined Financial Statements

Structure of TC Group

Prior to this offering, we implemented a restructuring of the former TC Group. The objective of the restructuring was to separate the core operating business, including senior financing (see "*—Key Events in the Periods under Review—Equity and Financial Restructurings*"), from assets that were no longer considered material for the business of the TC Group and from financing by shareholder loans which were subordinated to other liabilities. To implement the restructuring, on August 19, 2014, the shares in the Company, which were formerly held by Tele Columbus GmbH (TC GmbH), were transferred to Tele Columbus Management S.à r.l. (TC Management), the sole shareholder of TC GmbH. Subsequently, TC GmbH and the Company, at that time a sister company of TC GmbH entered into a spin-off agreement (*Abspaltungsvertrag*). Thereunder, all assets and liabilities of TC GmbH were transferred to the Company, except those that were specified to remain including, in particular, subsidiaries not needed for the conduct of our business (including certain claims, obligations, contractual relationships and profit and loss pooling agreements of these subsidiaries or directly or indirectly relating to the business of these subsidiaries), liabilities under shareholder loans (see also "*—Scope of Combined Financials and*

Adjustments made for the Combined Financials"), liabilities as a guarantor under the senior facilities as well as a cash amount sufficient to settle taxes triggered by the Spin-Off as well as future administration, management and other costs in connection with the conduct of TC GmbH's day-to-day business. Pursuant to Sec. 133 German Reorganisation Act (*UmwG*), the Company as absorbing entity is jointly and severally liable for obligations of TC GmbH incurred prior to the Spin-Off if they become due, binding and enforceable within five years after the Spin-Off. The Spin-Off was registered in the commercial register of the Company on August 22, 2014, but had economically retroactive effect as from January 1, 2014 (see also "*—Key Events in the Periods under Review"*).

Prior to the restructuring of the former TC Group, the Company was an almost empty shell company held by Tele Columbus GmbH (TC GmbH). For the financial years 2013, 2012 and 2011 the business of the TC Group was included in the consolidated financial statements of TC GmbH, together with the assets and liabilities retained by TC GmbH in the Spin-Off. The Company prepared stand-alone financial statements for the financial year 2013 in accordance with the German Commercial Code (*Handelsgesetzbuch*). Until registration of the Spin-Off on August 22, 2014, the Company had no material assets and liabilities. For more information, see "*General Information on Tele Columbus AG and the TC Group—Structure of the TC Group*".

Legal Basis of Preparation of the Combined Financial Statements

According to the Regulation (EC) No. 809/2004 (the so-called prospectus regulation, "**EPV**"), an issuer must present historical financial information in its prospectus covering the latest three financial years in its prospectus or such shorter period since the Company has been in operation.

According to the EPV, we have a "complex financial history", as neither stand-alone nor consolidated financial statements of the Company exist that cover the latest three financial years of the core operating business, including the senior financing, of the TC Group (i.e. the net assets, financial position and results of operations of the Company and the operating investments spun off to it as well as certain consolidated assets and liabilities of TC GmbH). TC GmbH and the Company were under common control of TC Management for the financial years 2013, 2012 and 2011. We thus prepared combined financial statements for the TC Group as of and for the financial years ended December 31, 2013, 2012 and 2011, which present the net assets, financial position and results of operations of the Company and the operating companies transferred in the Spin-Off, as well as certain assets and liabilities of TC GmbH which were also transferred to the Company for the financial years 2013, 2012 and 2011 (Audited Combined Financial Statements). The Unaudited Condensed Interim Financial Statements for the nine-month period ended September 30, 2014 contain comparative figures for the nine-month period ended September 30, 2013 which have been prepared on a combined basis as well.

The Audited Combined Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) taking into account the provisions of IFRS 1 for the first-time adoption of IFRS.

Since the Company, the operating companies and certain assets and liabilities of TC GmbH that were transferred to the Company in connection with the Spin-Off, were included in the IFRS consolidated financial statements of TC GmbH for the financial years 2013, 2012 und 2011, the Company applied IFRS 1.D16(a) ("Assets and liabilities of subsidiaries, associates and joint ventures"), resulting in the recognition of the assets and liabilities of the Company, TC GmbH and the operational subsidiaries, at the carrying values recognized in the IFRS consolidated financial statements of TC GmbH for the respective periods.

Scope of Combined Financials and Adjustments made for the Combined Financials

The combined financial statements of the Company were derived by aggregating the assets and subtracting the liabilities of the Company, the operating companies, as well as certain assets and liabilities of TC GmbH which were transferred in the Spin-Off.

On January 19, 2011, the intra-group liabilities and the liabilities to banks were comprehensively restructured. On the basis of reorganisation and valuation expert opinions, bank liabilities were classified as "sustainable" and "unsustainable" debt. The portions of the loans categorized as unsustainable were acquired by TC Management from the banks in exchange for the issuance of tracking preferred equity certificates (hybrid debt instruments tracking proceeds received from certain assets, such as loans or other tracking preferred equity certificates) so that all "B Tranches" were shown as intra-group liabilities (see "*—Key Events in the Periods under Review*"). These liabilities were not transferred by means of the Spin-Off. Accordingly, they are not presented in the combined financial statements of the TC Group.

Furthermore, further assets and some liabilities to affiliated parties remained with TC GmbH. These are primarily loan payables to former subsidiaries of TC GmbH as well as receivables from and liabilities to the tax authorities which remained with the taxpaying company. Furthermore, the receivables from affiliated parties relate to claims for the assumption of costs in connection with a past due diligence process.

Additions and withdrawals of cash and cash equivalents, which exist due to the existing profit and loss transfer agreements and loss transfers between TC GmbH and the companies in the combined financial statements, are recognised in equity as movements in net assets from cash-based owner transactions.

The indirect investment in ImmoMediaNet GmbH & Co. KG ("**ImmoMediaNet**") was not the subject of the combined financial statements, as it was sold as of 30 June 2013 (see "*—Key Events in the Periods under Review*"). The proceeds of the sale in 2013 and any distributions during the 2011 to 2013 reporting period were thus recognised as an owner transaction in the combined financial statements, as these proceeds are attributable to the TC Group. Existing claims of the direct investment in NeBeG Media Netzbetreiber-Pool GmbH, Berlin ("**NeBeG**") against TC GmbH in relation to the sale of the investment in ImmoMediaNet will remain in the company and will not be the subject of the combined financial statements.

The shares of TC GmbH in NeBeG as well as Tele Columbus Netze, Berlin, were not transferred in the Spin-Off as they were no longer considered material for the business of the Group and are therefore not included in the combined financial statements. The net income for the period was adjusted for the contributions from the participations which were not transferred in the Spin-Off.

The current and deferred taxes presented in the combined financial statements were in accordance with the described presentation of reorganisation. The deferred taxes on items that were not transferred from TC GmbH to the Company were not included in the combined financial statements. The combined financial statements did not include deferred tax assets for loss and interest carryforwards which were actually incurred in the reporting entity of TC GmbH until December 31, 2013. These loss and interest carryforwards cannot be used by the companies which are included in the combined financial statements.

Key Events in the Periods under Review

Failed KD Acquisition

On May 21, 2012, Kabel Deutschland Holding AG ("**KD**"), TC Management and TC GmbH entered into a sale and purchase agreement regarding the transfer of TC GmbH's entire business including all assets, liabilities, contracts and participations, but excluding any financial debt and shareholder loans granted by TC Management, to a new wholly-owned subsidiary and the subsequent sale and transfer of such new wholly-owned subsidiary to KD ("**KD Acquisition**"). The German Federal Cartel Office (*Bundeskartellamt*) was only willing to grant antitrust clearance for the transaction subject to certain conditions, which KD was unwilling to accept. As a result, in March 2013, the KD Acquisition failed to close and was aborted. Throughout the sales process until the termination of the transaction, we were subject to a standstill, and our ability to run our business and make investments in our network was significantly restricted.

Material Acquisitions and Sales

TC GmbH indirectly held a 50% interest in ImmoMediaNet. The other partner was WoWi Media GmbH & Co. KG ("**WoWi Media**"). On June 28, 2013, we entered into an agreement, pursuant to which we disposed of our indirect interest in ImmoMediaNet in exchange for a payment of approximately €27 million. The transaction was closed on June 30, 2013.

On August 27, 2014, the Company purchased and acquired 100% of the shares in BIG Medienversorgung GmbH, Mönchengladbach, Germany ("**BIG**"), from BIG's former shareholders for a fixed consideration of €11.0 million on a debt- and cash-free basis (plus a variable component, calculated on the basis of an amount of €14.0 million, which may be increased or decreased depending on the valuation of BIG at the end of 2017) with approximately 12,700 connected households in North Rhine-Westphalia, Baden-Württemberg and Berlin (in September 2014) and revenues of approximately €2.0 million in 2013.

On September 11, 2014, Tele Columbus Multimedia GmbH purchased and acquired the remaining shares in the joint venture company BMB GmbH & Co. KG ("**BMB**") and BMB's general partner from Marienfeld Multimedia GmbH (MMM). The aggregate purchase price amounted to €21.6 million (consisting of a net purchase price of €19.9 million and a future investment obligation of €1.7 million).

BIG is fully consolidated as from September 1, 2014. As BIG was acquired with economic effect as from January 1, 2014, the results of BIG for 2014 are fully included in the Unaudited Condensed Interim Financial Statements. BMB was already fully consolidated in our financial statements in the past; the only difference now is that the profit/loss allocable to the participation we acquired is no longer shown as profit/loss allocable to minorities on the income statement nor included as a participation on the balance sheet.

Equity and Financial Restructurings

Scheme of Arrangement in 2011

With effect as of January 19, 2011, TC GmbH restructured its financing agreements through an English-law scheme of arrangement (the "**2011 Scheme**") under which TC GmbH was granted additional super senior facilities (the "**Super Senior Facilities**") and the maturity of its senior facilities (the "**Senior Facilities**") and mezzanine facilities (the "**Mezzanine Facilities**") was prolonged until mid/end of 2014 and partly 2015, respectively. In addition, the Senior Facilities and the Mezzanine Facilities were split into two types of liabilities, one of which remained owed to third parties (the "**Tranche A Liabilities**") and the other of which was converted into intra-group liabilities (the "**Tranche B Liabilities**"). In connection with the 2011 Scheme, the lenders became the ultimate sole shareholders of our parent company, Tele Columbus Holdings SA, Luxembourg.

Schemes of Arrangement in 2013/2014

In November 2013, an attempt was made to extend the maturity of our Tranche A Liabilities. As 100% consent of all debt holders was required for such an extension and some debt holders were not permitted to consent under their constitutional documents, a restructuring of the financing agreements through another English-law scheme of arrangement (the "**2013 Scheme**") became effective on February 5, 2014. Under the terms of the 2013 Scheme the conditions were amended and the maturities of the Tranche A Liabilities were extended until 2017 and 2018, respectively, and the maturities of the Tranche B Liabilities until 2024. Further, following the unanimous consent of the lenders of the Super Senior Facilities to an amend-and-extend proposal granted on November 25, 2013, the maturities of our Super Senior Facilities were prolonged until 2017.

In August 2014, another English-law scheme of arrangement was implemented in order to allow the execution of the Spin-Off under the existing financing arrangements (the "**2014 Scheme**").

Key Factors Affecting our Results of Operations

Migration from Third Party Level 3 Networks to "Own" Networks and Network Upgrade

Historically, our L4 networks were (and many still are) supplied with TV signals from third party providers' L3 networks based on signal delivery agreements we enter into from time to time. In 2010, as part of a strategic initiative to capture more of the cable value chain, expand our margins and increase our control over our integrated network and as a response to signal fee increases by some L3 network operators, we started an extensive investment program to systematically substitute the L3 signal supply to our L4 networks with TV signals from our own satellite head-ends, a process that we refer to as "migration". In some regions, we extend interconnections of L4 networks into integrated L3/L4 networks. In many cases, we additionally supply the migrated networks with our IP signal through our backbone based on hybrid fiber lines that we lease. Our migration strategy forms the basis for network upgrades and offers savings in signal fees, typically in the range of €25 to €100 per migrated subscriber per year. As a result of our migration strategy, the percentage of homes connected provided with our own signals increased from 65% on December 31, 2011 to 69% on September 30, 2014. In addition, CATV signal fees payable were significantly reduced at a rate of 9% p.a. in the period from 2011 to 2013 from approximately €37 million in 2011 to approximately €31 million in 2013. In connection with the 170 thousand subscribers migrated from KD's L3 networks into our L3 networks mainly as part of our first migration initiative ("**Empire I**") between July 1, 2011 and December 31, 2013, we reduced the amount of signal fees payable to KD by €6.0 million per year.

During the periods under review, we upgraded our "own" L3 networks (and, starting in September 2013, some of our L4 networks) to a significantly faster two-way, hybrid fiber coaxial structure ("**HFC**"), which enables us to provide our customers with a broader product offering including broadband Internet and telephony services, and to increase Internet penetration. Migrations and network upgrades form the basis for up-selling our Premium TV services and cross-selling our broadband Internet and telephony services. In addition, migrations and upgrades are designed to help us to increase the number of prolongations and,

in turn, the average duration of our contracts with housing associations, and to enable us to increase our number of RGUs per unique subscriber and our ARPU.

Investments in network upgrades are capitalized and then amortized over a period of five to 15 years. We lease parts of our network infrastructure for the purpose of signal transmission, primarily IP and HFC connections, but also bandwidth capacity. We classify these leases as finance leases which are capitalized and written down in a straight line over their estimated useful lives or, if shorter, the lease term.

Our total capital expenditure in the years 2011, 2012 and 2013 amounted to €179.2 million, most of this amount was spent for network architecture and upgrade of our network in connection with customer projects.

We plan to continue our migrations and network upgrade strategy (which may include leased lines) for the foreseeable future. See "*Business—Strategy*" for more information.

Cross-Selling and Up-Selling

Growth in RGUs per unique subscriber and ARPU are the main drivers of our revenues and EBITDA. Simultaneously with the upgrade of our network, described above under "*—Migration from Third Party Level 3 Networks to "Own" Networks and Network Upgrade*", we have increased our marketing and sales activities with a view to significantly increasing penetration with our broadband Internet and telephony products, which historically had lagged behind the penetration rates achieved by our main competitors. We have a strategic marketing focus on offering bundled packages, including both packages comprising our broadband Internet and telephony services (so-called "dual play") or—until end of October 2014—our dual-play packages complemented by our cable television (CATV and/or Premium TV) services. Since November 2014 we offer triple play packages comprising broadband Internet, telephony and cable television services. As a result of these initiatives, we increased our Internet RGUs from approximately 115 thousand in 2011 to 197 thousand as of September 30, 2014. Telephony RGUs have increased from approximately 87 thousand as of December 31, 2011 to 166 thousand as of September 30, 2014. The average number of RGUs per unique subscriber increased from 1.30 as of December 31, 2011 to 1.40 as of December 31, 2013 and 1.43 as of September 30, 2014, respectively. In addition, our blended Year-End ARPU increased from €12.0 for the financial year ended December 31, 2011 to €13.4 for the financial year ended December 31, 2013. Our blended Year-Average ARPU increased from €11.6 for the financial year ended December 31, 2011 to €13.2 for the financial year ended December 31, 2013. Our blended Quarterly-Average ARPU for the three-month period ended September 30, 2014 amounted to €14.0 (€13.3 for the corresponding prior year period).

Churn

The loss of subscribers, which we refer to as "churn", is an important factor in the television, broadband Internet and telephony industries due to the highly competitive nature of these industries. Churn levels may be affected by changes in our prices or our competitors' prices, subscriber satisfaction, subscriber mortality and the relocation of subscribers, as well as the termination of agreements with respect to our leased lines, which we also use to deliver our services. Increases in churn may lead to loss of subscribers and therefore reduced revenues.

In 2011, we terminated customer relationships that we considered uneconomical with a number of subscribers, for instance because continuing such relationships would have required significant additional investment e.g. for the re-analogization of signals in head ends that we were unlikely to recoup. This adjustment of our customer portfolio significantly increased churn in 2011.

Against the backdrop of a very high level of indebtedness, in 2008 and 2009, our previous management significantly increased the prices of our products, in some cases by 30% (Project Sunrise). As a result, a significant proportion of customers terminated, or chose not to renew, the contracts concluded during that period. Because of long contractual terms and long notice periods, the repercussion from this pricing strategy continued to impact our churn in 2011, 2012 and 2013. Similarly, churn in the periods since 2012 increased due to the uncertainty and customer dissatisfaction created by the events described below under "*—Sales Processes and Restructuring*".

The fact that we provide CATV services to the majority of our homes connected based on bulk contracts with housing associations, for which renewal rates have historically been high, has a stabilizing effect on our overall subscriber churn levels (see "*Business—Competitive Strengths—We have stable and long-term client relationships which secure stable and predictable revenues from our CATV business as well as additional cross- and up-selling opportunities")*.

However, due to the competitive situation also bulk contracts, which after their initial term come up for renewal annually, may be terminated. For example our housing association contract with HOWOGE, a housing association in Berlin, expired on September 30, 2014, resulting in a loss of 26,804 homes connected. Similarly, at the end of December 2014, we received notice that our housing association contract with Nassauische Heimstätte/Wohnstadt, a housing association in Hesse, will not be renewed and will expire in May 2015, resulting in a loss of 41,278 homes connected. The effects of such terminations of bulk contracts on our business and results of operations differ. The contract with HOWOGE related to homes connected in our core region Berlin. These homes were connected or could have been connected to our own network and upgraded, allowing sale of Internet and Premium TV products with high margins. The contract with Nassauische Heimstätte/Wohnstadt, however, related to homes scattered over various regions in Hesse and Rhineland Palatinate where we do not have any major presence. These homes were not connected to our own L3 network, but received signal from UnityMedia. We only provided CATV with a low margin. As these homes were scattered and not located close to our network clusters, we did not consider a migration to our own L3 network and a network upgrade. Going forward, our business is mainly affected by churn relating to homes which are or can be connected to our own network and can be upgraded to increase Internet and Premium TV penetration.

However, out of contracts covering approximately 350 thousand homes connected which were up for renewal in 2013, contracts covering approximately 260 thousand homes connected, or approximately 75%, were successfully negotiated and approximately 90 thousand, or approximately 25%, were lost within the meaning of churn, which corresponds to a churn rate of approximately 5% calculated on the basis of the total number of homes connected.

Cost Structure

While historically a large proportion of our costs were fixed (such as signal fees), a number of initiatives during the periods under review resulted in shift of costs from fixed to variable. These initiatives resulted in improved EBITDA margins. For example, we outsourced large parts of our call centers, concluded agreements with more variable termination structures with KD on signal delivery (which allows us to migrate homes more flexibly), reduced personnel through the hiring of maintenance providers and other vendors e.g. for internal IT, and increased the proportion of leased lines in our network, which allows us to "pay as we grow". We estimate that as of September 30, 2014, approximately two thirds of our costs are subscriber-based cost and variable in nature.

The most significant part of our Costs of Materials are signal fees and content/license fees and, to a lesser extent, expenses for customer premises equipment (CPE) and costs of leased lines, which we capitalize and depreciate in a straight line over their estimated useful lives or, if shorter, the lease term, unless the CPE is sold to the customers in which case the revenues from the sale are realized and the costs fully expensed at the time when the contract is won. Effective as of January 1, 2012, KD increased the signal delivery costs charged to us by approximately 30%. The announcement in 2011 of this significant increase led us to adopt our migration strategy described above in "*—Migration from Third Party Level 3 Networks to "Own" Network and Network Upgrade*".

Eutelsat provides us with digital TV platform services and transponder capacity, for which we have to pay a fee per subscriber, which is subject to certain minimum guarantees, even if we do not transport these signals to our subscribers. These minimum guarantees were calculated on the basis of numbers of subscribers that we did not attain during the periods under review and do not expect to have in the future. Therefore, we have established provisions for expected payments to Eutelsat not covered by subscriber fees. As of December 31, 2013, these provisions amounted to €15.3 million (complemented by related trade payables of €7.7 million), compared to €28.7 million as of December 31, 2012 and €22.6 million as of December 31, 2011. We are negotiating the amendment and settlement agreement regarding these minimum guarantees with M7, please see "*Material Contracts—Other Material Contracts—Agreements with Satellite Network Operator Eutelsat S.A. and with Eutelsat Visavision GmbH (now part of M7 Group)*".

As part of our Cost of Materials, we incur costs in procuring CPEs such as cable boxes and routers that we sell, rent or otherwise provide to our customers. We typically provide our customers with these products without additional charge, at a reduced price or free for a certain amount of time as part of a promotional campaign for our television and Internet offerings. These costs were €8.5 million, €10.8 million, and €10.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. We capitalize these costs to the extent permitted. In case we sell the CPE to our customers, we fully expense the costs in line with the accounting practice of our peer companies. We expect these costs to increase further when we pursue

our broadband and WiFi strategy which includes to provide WiFi customers with tablet computers and gateway routers for free or at high discounts.

With the growth of our business, subscriber acquisition costs increase. Subscriber acquisition costs include commissions for sales agents, promotion costs such as discounts, hardware or vouchers, and logistics cost. We capitalize subscriber acquisition costs, which for example include sales commissions, CPE and resulting shipping costs, under applicable accounting standards. Our target is to recover subscriber acquisition costs within less than two years since acquisition. From time to time we incur costs from write-downs of capitalized subscriber acquisition costs. These costs are variable and typically fluctuate between 1% and 2% of our revenues.

We incur costs for our customer service, including basic and technical attention, claims management and retention services, a significant portion of which is outsourced to external customer care centers. The associated costs generally depend on the level of our customer care call volume and any investments we may make to improve customer service and satisfaction as part of our growth strategy. These costs may fluctuate as a result of, among other things, the number of new subscriptions, the introduction of new products and services that are unfamiliar to our customers or difficult to install, the quality and reliability of our services and the quality of our alternative customer support options, such as the automated customer care functions on our website.

Our networks also include a considerable number of leased lines for the backbone network to transport signals to our L4 networks. We capitalize the related lease agreements under applicable accounting principles. Expenses related to the capitalization of the leased lines amounted to €5.9 million in 2013, compared to €3.4 million in 2012 and €1.7 million in 2011. This increase of the proportion of leased lines in our network, allows us to "pay as we grow".

Sales Processes and Restructuring

In the periods under review we underwent several sales processes, in which our shareholders and lenders sought to sell the Group, and engaged in significant restructuring efforts (see "*—Key Events in the Periods under Review*"). These processes required significant attention by our management, created uncertainty for our customers and staff and materially disrupted our ordinary course of business activities. We also had a delay in investments in the upgrade of our network and incurred high amounts of M&A advisory fees, bank fees and other expenses as well as restructuring expenses.

In the run-up to the 2011 Scheme, from mid-2009 through the end of 2010, we were effectively prevented from making any capital investments and had to significantly reduce our spend on marketing and subscriber acquisition. This standstill and the *de facto* termination of our efforts (and capabilities) to engage in new B2C business materially adversely affected our customer relationships in the periods under review and still results in customers not prolonging their relationships with us.

The sale and purchase agreement for the KD Acquisition, which was eventually terminated, contained customary covenants for the period between signing on May 21, 2012 and closing. These covenants provided, among other things, that our business would be continued in the ordinary course of business, no changes would be made to existing contracts, and any transactions outside the ordinary course of business would require KD's consent. This covenant prevented us from continuing our strategy of migrating our L4 networks from KD's L3 networks to our "own" L3 networks and terminating signal delivery agreements with KD. It also prevented us from increasing our indebtedness, which, in turn, limited our ability to invest in the upgrade of our networks. As a consequence, until the termination of the sale and purchase agreement in March 2013, our upgrade and migration strategy was interrupted. The public announcement in 2012 of the proposed takeover by KD also had a negative impact on our TV revenues. Some agreements with housing associations were not prolonged and we lost bids for new contracts, because some of our existing or prospective housing associations customers were reluctant to do business with a much larger cable provider, and others concluded concession agreements directly with KD.

Throughout the periods under review, we underwent a broad restructuring of significant aspects of our business. We significantly changed our organizational structure and processes and reduced personnel and our office footprint. At the same time, we sought to rebuild our B2C capabilities that had previously been terminated in the run-up to the 2011 Scheme.

Capital Structure

Throughout the periods under review, we were highly leveraged. As of December 31, 2013, our net indebtedness was €551.1 million. Our consolidated equity was negative and amounted to €61.5 million. The

ratio of our net indebtedness to our Normalized EBITDA was 1 to 6.3. Our total senior financing as reflected in our Audited Combined Financial Statements amounted to €605.8 million as of December 31, 2011, €607.1 million as of December 31, 2012 and €609.5 million as of December 31, 2013, the difference being interest not paid, but accrued. All our senior financing obligations accrue interest at a variable rate based on the EURIBOR. Our Senior Tranche A Loan, which amounted to €523.4 million as of December 31, 2013, has a margin of 3.25%. In connection with the 2013 Scheme, the maturities of these financings were prolonged until 2017 and 2018, respectively. Accordingly, changes in the EURIBOR interest rate affected our financing cost. In connection with certain waivers that we were granted under our senior debt documentation and the renegotiation of our indebtedness, we incurred banking fees and other costs. In the nine-month period ended September 30, 2014 they amounted to €5.5 million. In 2013 our cashflow from operating activities was €72.3 million, of which €24.0 million was used to pay interest and related financing costs.

We also have a €28.3 million revolving credit line, which was undrawn throughout the periods under review.

We expect the offering to impact our capital structure by reducing our overall financial liabilities due to our intention to use the proceeds to reduce outstanding indebtedness. After the offering we expect to have financing under our new IPO Financing Agreement in the amount of €500 million available to us. See "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*" and "*Capitalization and Indebtedness*" for more information.

Waiver of KD/Brenda Award

In 2011, an arbitration panel upheld a claim by KD against us for €38 million plus interest ("**KD/Brenda Award**"), ordering us to repay the purchase price paid by KD for an earlier acquisition of certain assets from the former Tele Columbus group. At the time of the arbitration, we established a provision which was increased to the full amount of the KD/Brenda Award in 2011 and increased the provision further as interest accrued. Under the sale and purchase agreement for the KD Acquisition (see "*—Key Events in the Periods under Review—Failed KD Aquisition*"), KD agreed to waive its right to receive payment of the KD/Brenda Award in the event that the KD Acquisition were to be unsuccessful as a result of failing to obtain antitrust approval for the transaction by the FCO. Accordingly, we released the provisions for the KD/Brenda Award in 2012 given that the KD Acquisition was either going to close, as a result of which the KD/Brenda Award would become an intra-group payable, or to fail—either because it would be prohibited by the Federal Cartel Office (FCO) or made subject to conditions KD would not accept, in which case the KD/Brenda Award would be waived. This release of the provision for the KD/Brenda Award resulted in other income of €38 million in our 2012 combined financial statements, which we considered to be a non-recurring item and therefore excluded from our Normalized EBITDA for 2012.

Seasonality

Certain aspects of our business are subject to seasonal fluctuations. We have disproportionately high annual prepayments in our TV business in January and July of each year, which do not affect our profits and losses but result in significantly higher cash flows from operating activities in those months.

Key Performance Indicators

We use several financial and non-financial key performance indicators, including RGUs, ARPU, EBITDA adjusted for exceptional non-recurring items (Normalized EBITDA) and normalized contribution margin, to track the financial performance of our business and to guide our management. We use these indicators in addition to our IFRS financial measures in order to evaluate, monitor and manage our business as is customary in our industry. None of these measures are measures of financial performance under IFRS, nor have these measures been reviewed by an outside consultant, expert or auditor. Unless otherwise noted, all of these non-IFRS measures are derived from management estimates. These non-IFRS measures are defined by our management and may not be comparable to similar measures used by other companies.

Development of Subscribers and RGUs

In 2011, we focused on further migrating networks from third party L3 networks. We refer to the homes connected which no longer receive TV signal from third parties as "own homes". We also simultaneously began to upgrade our networks to a HFC structure, which allows the cross-selling of Internet and telephony products. We refer to these homes as "upgraded".

	As of September, 30 2014	As of December, 31		
		2013	2012	2011
	(unaudited) (in thousands unless otherwise indicated)			
Network				
Homes connected	1,720	1,749	1,856	1,963
Homes upgraded	1,068	1,040	1,016	928
% of homes connected	62%	59%	55%	47%
Own homes (homes not connected to 3rd party L3)	1,194	1,197	1,250	1,273
% of homes connected	69%	68%	67%	65%
Own homes upgraded	932	891	881	789
% of homes connected	54%	51%	48%	40%
Subscribers				
Unique subscribers	1,291	1,302	1,353	1,447
RGUs				
CATV	1,320	1,338	1,416	1,538
thereof CATV on own network	*919*	*917*	*950*	*972*
Premium TV	163	164	153	142
Internet	197	174	135	115
Telephony	166	146	112	87
Total RGUs	1,846	1,822	1,816	1,881
RGUs per unique subscriber (in units)	1.43	1.40	1.34	1.30
Penetration (in %)				
Internet in % of homes upgraded	18.4	16.7	13.3	12.4
Internet in % of own homes upgraded	20.1	18.5	14.5	13.7
Premium TV in % of CATV RGUs on own network	17.7	17.9	16.1	14.6
% of bundles(1)	73.0	71.9	68.2	63.9

(1) Based on subscribers segmented by bundles, only Internet and only Telephony.

The number of homes connected decreased between 2011 and 2013 from 1,963 thousand as of December 31, 2011 by 5.5% to 1,856 thousand as of December 31, 2012 and by a further 5.8% to 1,749 thousand as of December 31, 2013 (September 30, 2014: 1,720 thousand). Over the same period, the number of "own" homes between 2011 and 2013 only decreased by 1.8% from 1,273 thousand to 1,250 thousand and by further 4.2% to 1,197 thousand (September 30, 2014: 1,194 thousand). These decreases were largely due to the following reasons. First, in 2008 and 2009, our previous management significantly increased the prices of our products and services, in some cases by 30% (Project Sunrise), as a result of which many customers terminated or chose not to prolong their contracts with us. Because of long contractual terms and notice periods in many of these contracts, the number of homes connected and of "own" homes were affected by these terminations even in the periods under review. Second, in 2011, we terminated customer relationships that we considered uneconomical with a number of subscribers, for instance because continuing such relationships would have required significant additional investment e.g. for the re-analogization of signals in satellite head ends that we were unlikely to recoup. Third, in connection with the 2011 Scheme, we were prevented from investing in our networks as a result of which certain customers did not prolong their contracts with us. Finally, as a result of the KD Acquisition, concession agreements with several housing associations were not prolonged, because some of our existing or prospective housing association customers were reluctant to do business with a much larger cable provider. The number of "own" homes as a percentage of homes connected increased, however, from 65% as of December 31, 2011 to 67% as of December 31, 2012 and to 68% as of December 31, 2013 (September 30, 2014: 69%). The number of "own" homes upgraded to two-way transmission increased from 789 thousand as of December 31, 2011 by 92 thousand, or 11.7%, to 881 thousand as of December 31, 2012 and by further 10 thousand, or 1.1%, to 891 thousand as of December 31, 2013 (September 30, 2014: 932 thousand), which resulted in 51% of homes connected as of December 31, 2013 (September 30, 2014: 54%) being upgraded and connected to our "own" network, compared to 40% as of December 31, 2011 and 48% as of December 31, 2012. The comparatively low increase in 2013 by only 10 thousand, or 1.1%, compared to 2012 was mainly due to the standstill in connection with the KD Acquisition which prevented us from migrating subscribers from KD's L3 networks into our L3 networks.

The number of unique subscribers decreased between 2011 and 2013 by 6.5% from 1,447 thousand as of December 31, 2011 to 1,353 thousand as of December 31, 2012 and by further 3.8% to 1,302 thousand as of December 31, 2013 (September 30, 2014: 1,291 thousand). This decline was mainly due to the reasons described in connection with the decreases in homes connected and "own" homes above.

As of September 30, 2014 and December 31, 2013, respectively, we had a total of 1,846 thousand RGUs and 1,822 thousand RGUs, respectively, which almost equaled the amount of RGUs as of December 31, 2012 and December 31, 2011, respectively. However, the composition of our RGUs changed to reflect the increasing demand for our Internet and telephony services and that a growing number of our subscribers purchased more than one of our service offerings. Our Internet and telephony RGUs increased from 115 thousand and 87 thousand, respectively, as of December 31, 2011 to 135 thousand and 112 thousand, respectively, as of December 31, 2012, to 174 thousand and 146 thousand, respectively as of December 31, 2013 and to 197 thousand and 166 thousand, respectively as of September 30, 2014, whereas our CATV RGUs decreased from 1,538 thousand as of December 31, 2011 to 1,416 thousand as of December 31, 2012, to 1,338 thousand as of December 31, 2013 and to 1,320 thousand as of September 30, 2014, during the same period. The RGUs in Premium TV increased from 142 thousand as of December 31, 2011 to 153 thousand as of December 31, 2012, to 164 thousand as of December 31, 2013 and thereafter remained almost stable at 163 thousand as of September 30, 2014. As a consequence, the average number of RGUs increased from 1.30 as of December 31, 2011 to 1.34 as of December 31, 2012, to 1.40 as of December 31, 2013 and to 1.43 as of September 30, 2014.

Led by the increase in the average number of RGUs, the penetration of Internet upgraded homes increased from 12.4% as of December 31, 2011 to 13.3% as of December 31, 2012, to 16.7% as of December 31, 2013 and to 18.4% as of September 30, 2014. The penetration of Internet in own and upgraded homes increased from 13.7% as of December 31, 2011 to 14.5% as of December 31, 2012, to 18.5% as of December 31, 2013 and to 20.1% as of September 30, 2014. The penetration of Premium TV as a percentage of CATV RGUs on our "own" network, increased from 14.6% to 16.1%, and to 17.9% as of December 31, 2011, 2012, 2013 respectively and remained almost stable at 17.7% as of September 30, 2014. Further, in the same period, also the penetration of bundles increased from 63.9% to 68.2%, to 71.9% and to 73.0%.

In October 2014, our housing association contract with HOWOGE, a housing association in Berlin, had expired and was not renewed as planned, resulting in a loss of 26,804 homes connected. The number of RGUs therefore decreased by 22 thousand and our total RGUs decreased from 1,846 thousand on September 30, 2014 to 1,829 thousand on October 31, 2014 (part of the loss was offset by new homes contracted).

ARPU

ARPU indicates the extent to which we are realizing potential revenues from subscribers. The higher our ARPU, the better we have already realized such potential revenues. The following table provides information regarding our ARPU for the periods indicated.

	For the three-month period ended September 30, 2014	For the Financial Year ended December 31,		
		2013	2012	2011
	(unaudited) (in thousands unless otherwise indicated)			
Year-End ARPU[(1)] (in €/month for the year)				
Blended TV Year-End ARPU[(1)] per unique subscriber[(3)]	—	9.6	9.3	9.0
Blended Internet & telephony Year-End ARPU[(1)] per unique subscriber[(4)]	—	22.9	22.5	23.3
Total blended Year-End ARPU[(1)] per unique subscriber	**—**	**13.4**	**11.6**	**12.0**
Year-Average ARPU[(2)] (in €/month for the year)				
Blended TV Year-Average ARPU[(2)] per unique subscriber[(3)]	—	9.5	9.4	9.2
Blended Internet & telephony Year-Average ARPU[(2)] per unique subscriber[(4)]	—	22.4	21.9	21.9
Total blended Year-Average ARPU[(2)] per unique subscriber	**—**	**13.2**	**12.4**	**11.6**
Quarterly-Average ARPU[(5)] (in €/month for the year)				
Blended TV Quarterly-Average ARPU[(5)] per unique subscriber[(3)]	9.7	—	—	—
Blended Internet & telephony Quarterly-Average ARPU[(5)] per unique subscriber[(4)]	21.8	—	—	—
Total blended Quarterly-Average ARPU[(5)] per unique subscriber	**14.0**	**—**	**—**	**—**

(1) Year-End ARPU is defined as average revenues generated per unique subscriber calculated by dividing December subscription revenues (including discounts, credits and installation fees) by December subscribers/RGUs.

(2) Year-Average ARPU is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the year by the sum of the monthly total number of subscribers/RGUs for the year.

(3) Includes RGUs with partial services (*Teilregelleistung*) and Premium TV services.

(4) Includes Internet and telephony. Based on Internet RGUs.

(5) Quarterly-Average ARPU is defined as average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the relevant quarter by the sum of the monthly total number of subscribers/RGUs for the relevant quarter.

In the financial year ended December 31, 2013, total blended Year-End ARPU increased by €1.8, or 15.5%, to €13.4 from €11.6 in the financial year ended December 31, 2012, which, in turn, was a decrease by €0.4, or 3.3%, from €12.0 in the financial year ended December 31, 2011. The increase in blended Year-End ARPU between 2011 and 2013 resulted primarily from a higher number of Internet and telephony RGUs which have a significantly higher Year-End ARPU than our TV RGUs. Total blended Year-Average ARPU increased from €11.6 in the financial year ended December 31, 2011 by €0.8, or 6.9%, to €12.4 in the financial year ended December 31, 2012, and further increased to €13.2 in the financial year ended December 31, 2013, which was an increase by €0.8, or 6.5%.

The blended Year-End ARPU per subscriber in our TV segment increased by €0.30, or 3.2%, to €9.6 in the financial year ended December 31, 2013, compared to €9.3 in the financial year ended December 31, 2012, which, in turn, was an increase by €0.3, or 3.3%, from €9.0 in the financial year ended December 31, 2011. This increase was primarily driven by a higher number of Premium TV RGUs which increased by approximately 11 thousand, or 7.2%, to approximately 164 thousand (September 30, 2014: approximately 163 thousand) in the financial year ended December 31, 2013, compared to approximately 153 thousand in the financial year ended December 31, 2012, which, in turn, was an increase by approximately 11 thousand, or 7.7%, from 142 thousand in the financial year ended December 31, 2011. Total blended Year-Average ARPU in our TV segment increased from €9.2 in the financial year ended December 31, 2011 by €0.2, or 2.2%, to €9.4 in the financial year ended December 31, 2012, and further increased to €9.5 in the financial year ended December 31, 2013, which was an increase by €0.1, or 1.1%.

In contrast, blended Year-End ARPU per subscriber in our Internet and Telephony segment decreased from €23.3 in the financial year ended December 31, 2011 by €0.8, or 3.4%, to €22.5 in the financial year ended December 31, 2012, and thereafter again increased by €0.4, or 1.8%, to €22.9 in the financial year ended December 31, 2013. The decrease between 2011 and 2013 was primarily driven by the streamlining of our product portfolio and the termination of an interconnection agreement with DTAG. Total blended Year-Average ARPU in our Internet and Telephony segment remained stable at €21.9 in the financial years ended December 31, 2011 and 2012 and increased to €22.4 in the financial year ended December 31, 2013, which was an increase by €0.5, or 2.3% reflecting the increase in Internet and Telephony RGUs.

In the three-month period ended September 30, 2014, total blended Quarterly-Average ARPU amounted to €14.0, while blended Quarterly-Average ARPU in our TV segment amounted to €9.7 and blended Quarterly-Average ARPU in our Internet and Telephony segment amounted to €21.8.

We continue to focus on increasing our blended ARPU per subscriber, particularly by increasing our RGUs per unique subscriber. In particular, we aim to increase our blended ARPU per subscriber from a Year-End ARPU of €13.4 as of December 31, 2013 to €17 and our RGUs per unique subscriber from 1.40 as of December 31, 2013 to 1.7 by increasing the penetration of our CATV subscriber base with broadband Internet, telephony and Premium TV products.

Normalized EBITDA

Our management considers Normalized EBITDA to be one of several useful measures of performance for managing the business of the Group. This is a measure which is widely used in our industry. Other companies may use different adjustments or calculate these adjustments differently, and similarly titled measures published by them may therefore not be comparable to ours.

We believe that the adjustments to EBITDA made in the computation of Normalized EBITDA are appropriate because (i) operating results adjusted for these items provide a more consistent measure for the regular operating performance of our business between periods, and (ii) items excluded in the computation of Normalized EBITDA are not necessarily indicative of the operating results of our businesses.

The following table provides a reconciliation of our Normalized EBITDA to our reported EBITDA for the nine-month periods ended September 30, 2014 and 2013 as well as for the financial years ended December 31, 2013, 2012 and 2011:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited unless otherwise indicated)		
	(in € million unless otherwise indicated)				
EBITDA (audited)	**64.9**	**62.7**	**91.2**	**117.8**	**73.9**
EBITDA margin (in % of revenues)	**40.7**	**40.8**	**44.2**	**57.4**	**36.1**
KD/Brenda Award	0.0	0.0	0.0	(38.0)	0.5
Gains/losses from asset sales	(0.5)	(0.6)	(0.7)	(0.4)	(0.7)
Eutelsat contract provisions[1]	1.0	0.0	(10.3)	8.1	3.5
Other provisions	0.0	0.0	(0.2)	(0.8)	(0.5)
Empire I and Empire II	0.1	0.0	0.0	0.1	0.9
Redundancy payments	0.7	2.3	1.7	0.4	0.2
Financial restructuring costs	5.5	1.5	3.8	5.4	2.6
Financial restructuring (pass-through of costs/release of provisions)	0.0	(0.8)	(1.5)	(9.3)	(6.3)
Other net legal and consultancy fees	0.5	0.6	0.6	0.1	0.5
Other non-recurring items[2]	0.8	0.6	3.5	3.7	3.8
Total non-recurring items	8.0	3.6	(3.1)	(30.7)	4.5
Normalized EBITDA	**72.9**	**66.3**	**88.1**	**87.1**	**78.4**
Normalized EBITDA margin (in % of revenues adjusted for non-recurring items)	**45.8**	**43.2**	**42.7**	**42.4**	**38.3**

(1) These amounts differ from the amounts by which provisions for expected losses on our Eutelsat agreement were established in 2012 and released in 2013, as the amount of the provisions was affected by several factors, such as new estimates in business plans, payments made under the Eutelsat agreement and renegotiations of the Eutelsat agreement, which partially offset each other and partially were not categorized as non-recurring.

(2) Includes expenses related to the migration to the SEPA payment transaction system, an agreement with NetCom Kassel GmbH (including, in particular, a termination fee), the streamlining of our customer portfolio ("Project Harmony"), significant increases of the prices of our products in 2008 and 2009, in some cases by 30% as a result of which a significant proportion of customers terminated, or chose not to renew, the contracts concluded during that period ("Project Sunrise"), the relocation of our headquarters from Ernst-Reuter-Platz, Berlin, to Goslarer Ufer, Berlin, set-up costs of our quality contact center at our headquarters, an agreement with Deutsche Annington Immobilien AG (including, in particular, litigation costs) and provisions for contingent losses due to construction and deconstruction obligations under our lease agreement regarding our former headquarters at Ernst-Reuter-Platz, Berlin.

Our expenses incurred in relation to the restructuring and sales processes that we underwent during the periods under review were high. In the nine-month period ended September 30, 2014, we had extraordinary legal and advisory fees amounting to €6.0 million. These extraordinary effects caused Normalized EBITDA to be higher than reported EBITDA. In 2013, we had extraordinary income resulting from the release of provisions for expected losses on our Eutelsat agreement amounting to €4.2 million which was partly offset by several smaller effects such as higher extraordinary personnel expenses. In 2012, we generated extraordinary income amounting to €38.0 million from the release of provisions for the KD/Brenda Award (see "*—Key Factors Affecting our Results of Operation—KD/Waiver of Brenda Award*") and incurred extraordinary losses amounting to €6.0 million from the establishment of a provision for expected losses on our Eutelsat agreement.

For more information with respect to the "KD/Brenda Award", see "*—Key Factors Affecting our Results of Operations—Waiver of KD/Brenda Award*", with respect to "Eutelsat contract provisions", see "*Material Contracts—Other Material Contracts—Agreements with Satellite Network Operator Eutelsat S.A. and with Eutelsat Visavision GmbH (now part of M7 Group)*", with respect to "Empire I and Empire II", see "*—Key Factors Affecting our Results of Operation—Migration from Third Party Level 3 Networks to "Own" Networks and Network Upgrade*" and with respect to "Financial restructuring costs", see "*—Key Events in the Periods under Review—Equity and Financial Restructurings*". The non-recurring item "Financial restructuring (pass-through of costs/release of provisions)" relates to a claim against TC Management resulting from the passing through of costs in connection with the KD Acquisition.

Normalized EBITDA Margin

Our management considers Normalized EBITDA margin, which is calculated as Normalized EBITDA divided by the amount of total revenues adjusted for non-recurring items, to be one of several useful measures of performance for managing the business of the Group as well. This is a measure which is widely used in our industry. Other companies may use different adjustments or calculate these adjustments differently, and similarly titled measures published by them may therefore not be comparable to ours.

Our Normalized EBITDA margin amounted to 45.8% in the nine-month period ended September 30, 2014, compared to 43.2% in the nine-month period ended September 30, 2013. This development reflected the increase in Normalized EBITDA of 10% from the nine-month period ended September 30, 2013 to the nine-month period ended September 30, 2014, and this increase was significantly higher than the increase in revenues which was 3.8% in the same period.

Normalized Contribution Margin

Our management considers normalized contribution of our segments as well as the normalized contribution margin of our segments to be a useful measure to indicate the profitability of our segments. Normalized contribution is calculated as total operating performance (total revenues, own work capitalized and other income) less cost of materials. The normalized contribution margin (normalized contribution divided by total revenues) of our TV segment decreased from 66.6% in the nine-month period ended September 30, 2013 to 65.6% in the nine-month period ended September 30, 2014. The normalized contribution margin of our Internet and Telephony segment increased from 74.0% in the nine-month period ended September 30, 2013 to 90.1% in the nine-month period ended September 30, 2014.

Comparison of Operating Profit/Loss for the Nine-Month Period ended September 30, 2014 and the Nine-Month Period ended September 30, 2013

	For the Nine-Month Period ended September 30,		
	2014	**change in %**	**2013**
		(unaudited) (in € million)	
Revenues	159.4	3.8%	153.5
Own work capitalized	4.7	34.3%	3.5
Other income	7.2	(13.3)%	8.3
Total operating performance	**171.2**	**3.6%**	**165.3**
Cost of materials	(54.6)	(3.9)%	(56.8)
thereof CATV signal fees	*(24.4)*	*4.7%*	*(23.3)*
Personnel expenses	(23.9)	1.7%	(23.5)
Other expenses	(27.9)	25.7%	(22.2)
EBITDA	**64.9**	**3.5%**	**62.7**
Amortization and depreciation	(40.2)	(13.9)%	(46.7)
EBIT	**24.7**	**53.4%**	**16.1**
Profit from investments in associates	0.0	0.0%	0.0
Interest and similar income	0.0	(100)%	0.1
Interest and similar expenses	(33.2)	55.9%	(21.3)
Other finance income/costs	(1.1)	1000%	(0.1)
Profit before tax	**(9.6)**	**84.6%**	**(5.2)**
Income tax expenses	(4.7)	(38.2)%	(7.6)
Profit/loss for the period	**(14.3)**	**(11.7)%**	**(12.8)**
Profit/loss attributable to owners of TC Group	(16.0)	6.7%	(15.0)
Profit/loss attributable to non-controlling interests	1.7	(22.7)%	2.2

Revenues

Our revenues mainly comprise the monthly subscription fees and to a lesser extent the one-time installation and connection charges for basic analog cable television as well as ancillary digital services. They also comprise fees for accessing high-speed Internet and telephony charges. Our revenues also include transmission fees and feed-in charges for Sky as well as for various shopping channels payable to us in exchange for feeding in their programs.

Total revenues in the nine-month period ended September 30, 2014 were €159.4 million, compared to €153.5 million in the prior year period, an increase of €5.9 million, or 3.8%, Thereof, €117.7 million (compared to €119.0 million in the prior year period) were generated in our TV segment, while €38.5 million (compared to €31.5 million in the prior year period) were generated in our Internet and Telephony segment. The increase in revenues was the result of several factors that partly offset each other. CATV revenues slightly decreased due to a loss of housing association contracts. This loss was mainly due to customers not willing to renew the contract with us at the existing or the newly proposed price level or we were not willing to commit to the investments required by the customer. This decrease in CATV revenues was offset by strong growth in revenues in our Internet and Telephony segment, which increased by €7.0 million, or 22.2%, to €38.5 million in the nine-month period ended September 30, 2014 compared to the prior year period. CATV RGUs decreased from 1.34 million as of September 30, 2013 to 1.32 million as of September 30, 2014. However, Premium TV RGUs increased from 153 thousand as of September 30, 2013 to 163 thousand as of September 30, 2014. Accordingly Premium TV revenues increased by 10.5% from €7.6 million in the nine-month period ended September 30, 2013 to €8.4 million in the same period in 2014. These two opposite developments are explained by the fact that more of the existing CATV subscribers subscribed for our HD or Pay-TV content offerings. The increases in revenues from Internet and telephony and Premium TV were driven by upgrades of our network to two-way transmission, which increased our customer base to which we could up- and cross-sell our Premium TV, Internet and telephony products, and new product offerings, such as new bundled products, which, in turn, led to new Premium TV, Internet and telephony customers.

Own Work Capitalized

Our own work capitalized mainly comprises expenses for work performed by our own employees in connection with expanding our own cable network. In the nine-month period ended September 30, 2014 it was €4.7 million, an increase by €1.2 million or 34.3%, from the prior year period. This increase reflects our efforts and investments made to upgrade and expand our cable network.

Other Income

Other income mainly consists of income from dunning fees, asset disposals, derecognized liabilities and/or reversed provisions, services and miscellaneous other income. Other income in the nine-month period ended September 30, 2014 decreased by €1.1 million or 13.3% to €7.2 million compared to €8.3 million in the prior year period. This decrease was mainly due to a decrease of income from dunning fees, asset disposals and miscellaneous other income. The following table provides an overview of our other income for these periods:

	For the Nine-Month Period ended September 30,	
	2014	**2013**
	(unaudited) **(in € million)**	
Income from the derecognition of liabilities and the release of provisions	0.3	0.4
Income from dunning fees	1.3	1.9
Income from subsidies	0.8	0.0
Income from asset disposals	0.8	1.2
Income from services	0.4	0.2
Income from connection and disconnection costs	0.4	0.7
Miscellaneous other income	3.2	3.9
Total other income	**7.2**	**8.3**

Costs and Expenses

Total costs and expenses in the nine-month period ended September 30, 2014 were €106.4 million compared to €102.5 million in the prior year period, an increase by €3.9 million, or 3.8%, from the prior year period. Costs and expenses are incurred in the following three functional areas:

	For the Nine-Month Period ended September 30,	
	2014	**2013**
	(unaudited) (in € million)	
Costs of materials	54.6	56.8
thereof CATV signal fees	*24.4*	*23.3*
Personnel expenses	23.9	23.5
Other expenses	27.9	22.2
Total costs and expenses	**106.4**	**102.5**

Cost of Materials

Our costs of materials are primarily derived from costs of purchased services/merchandise, i.e. predominantly from fees for the reception of signals, but to a smaller extent also from maintenance costs, commissions and other services as well as from changes in inventory for modems and digital receivers. They also comprise costs of raw materials and consumables, which refer to goods used for repairs and maintenance.

Costs of materials in the nine-month period ended September 30, 2013 were €56.8 million compared to €54.6 million in the same period in 2014, a decrease by €2.2, million, or 3.9%. This slight decrease was mainly due to lower total signal related costs (comprising all signal related costs), which decreased by 4.4% from €38.4 million to €36.7 million. This reduction in signal delivery fees reflects the increasing number of subscribers which are connected to our own network.

Personnel Expenses

Our personnel expenses mainly comprise wages and salaries and to a lesser extent also social security, pension and other benefits as well as other personnel expenses. Pension contributions refer to old pension commitments made by companies which were acquired. We did not make any new pension commitments. Under these acquired commitments, pensions are payable if the employee or managing director (including former managing directors and employees) has reached the age of 60 and has been employed by the respective company for more than 5 years.

Personnel expenses in the nine-month period ended September 30, 2014 were €23.9 million, a slight increase by €0.4 million, or 1.7%, from the prior year period. The following table gives an overview of our personnel expenses for these periods:

	For the Nine-Month Period ended September 30,	
	2014	**2013**
	(unaudited) (in € million)	
Wages and salaries	19.4	19.7
Social security, pension and other benefits	3.6	3.3
Other personnel expenses	0.8	0.5
Total personnel expenses	**23.9**	**23.5**

The increase in personnel expenses was mainly due to higher social security, pensions and other benefits which increased by €0.3 million, or 9.1%, to €3.6 million in the nine-month period ended September 30, 2014. Personnel expenses in the prior year period were influenced by higher wages and salaries paid to our management in 2013, as our management was partly replaced as a result of which we temporarily had to pay wages and salaries to both our new and old managers.

Other Expenses

Our other expenses primarily consist of legal and advisory fees as well as advertising expenses, but further include office space costs, provisions for bad debts, communication costs, IT expenses, vehicle expenses, ancillary costs for money transfer, losses from non-current asset disposals, income from prior year cancellations, travel expenses and miscellaneous other expenses.

Other expenses in the nine-months period ended September 30, 2014 were €27.9 million, an increase by €5.7 million, or 25.7%, from the corresponding prior year period. This increase was mainly driven by non-recurring advisory fees incurred in connection with the Spin-Off, the 2014 Scheme and the preparation of this offering (see "*General Information on Tele Colombus AG and the TC Group*"). The following table provides an overview of our other expenses for these periods:

	For the Nine-Month Period ended September 30,	
	2014	**2013**
	(unaudited)	
	(in € million)	
Legal and advisory fees	8.0	3.7
Advertising	6.3	5.2
Office space costs	3.3	2.5
Provisions for bad debts	3.9	3.6
IT expenses	2.1	1.8
Miscellaneous other expenses (< €2 million)	4.3	5.3
Total other expenses	**27.9**	**22.2**

The increase in other expenses was mainly due to higher legal and advisory fees, which increased from €3.7 million by €4.3 million, or 116.2%, to €8.0 million (€6.0 million of them non-recurring), higher advertising expenses, which increased by €1.1 million, or 21.2%, to €6.3 million, and higher IT expenses, which increased by €0.3 million, or 16.7%, to €2.1 million and higher bad debt provisions which increased from €3.6 million by €0.3 million or 8.3% to €3.9 million.

EBITDA and Normalized EBITDA

EBITDA is defined as net income (or loss) before amortization and depreciation, financial income and expenses and income taxes. This is not a measure defined under IFRS.

In the nine-month period ended September 30, 2014, EBITDA amounted to €64.9 million compared to €62.7 million in the prior year period, an increase by €2.2 million, or 3.5%. This increase is due to the fact that higher revenues and cost savings, in particular for signal fees, were almost completely offset by the increase in non-recurring items which were caused by the Spin-Off, 2014 Scheme and the preparation of the offering. In the nine-month period ended September 30, 2014, non-recurring costs items amounted to €8.0 million compared to €3.6 million in the nine-month period ended September 30, 2013, which included redundancy payments and €6.0 million non-recurring legal and advisory costs in connection with the restructuring and preparation of the offering. Accordingly, our Normalized EBITDA increased from €66.3 million for the nine-month period ended September 30, 2013 by €6.6 million, or 10.0%, to €72.9 million for the same period in 2014 (for a table providing a reconciliation of our reported EBITDA to our Normalized EBITDA see "*—Key Performance Indicators—Normalized EBITDA").*

Amortization and Depreciation

Our depreciation relates to property, plant and equipment and our amortization relates to intangible assets. The amortization and depreciation in the nine-month period ended September 30, 2014 amounted to €40.2 million, a decrease by €6.5 million, or 13.9%, from the prior year period.

Amortization and depreciation related primarily to the investments made to upgrade the network infrastructure and the depreciation of hardware leased to customers. As these investments are capitalized and then amortized over a period of five to 15 years, the decrease in the nine-month period ended September 30, 2014 was mainly due to investments made in periods prior to the periods under review and does not reflect our investment activities. For the amount of capital expenditures in the period see "*—Liquidity and Capitalization—Capital Expenditure*".

EBIT

EBIT is defined as net income (or loss) before financial income and expenses and income taxes. This is not a measure defined under IFRS. In the nine-month period ended September 30, 2014, EBIT increased from €16.1 million in the prior year period by €8.6 million, or 53.4%, to €24.7 million. The increase in EBIT was due to the factors described above, in particular higher revenues, lower signal delivery fees and lower amortization and depreciation.

Interest and Similar Income

Interest and similar income decreased from €0.1 million in the nine-month period ended September 30, 2013 to €0.0 million in the same period in 2014 due to lower cash reserves.

Interest and Similar Expenses

Our interest and similar expenses predominantly related to interest payments to third parties mainly in connection with liabilities to banks. In the nine-month period ended September 30, 2014, it amounted to €33.2 million compared to €21.3 million in the prior year period, an increase by €11.9 million, or 55.9%. The following table provides an overview of our interest and similar expenses for these periods:

	For the Nine-Month Period ended September 30,	
	2014	**2013**
	(unaudited)	
	(in € million)	
Interest expenses to third parties	33.2	21.1
Interest expenses to related parties	0.1	0.2
Interest and similar expenses	**33.2**	**21.3**

This increase was mainly due to higher interest paid under our current financing agreement which increased by €12.1 million, or 57.3%, to €33.2 million. The conditions of our Tranche A Liabilities were amended in the 2013 Scheme. This amendment resulted in higher interest expenses. In addition we incurred waiver fees and similar expenses in connections with the 2014 Scheme.

Profit before Tax

In the nine-month period ended September 30, 2013, our profit before tax was negative and amounted to €5.2 million. This loss was primarily due to an EBIT of €16.1 million and interest expenses of €21.3 million. In the nine-month period ended September 30, 2014, EBIT increased to €24.7 million due to higher revenues and lower amortization and depreciation. However, as interest expenses increased by 55.9% to €33.2 million compared to the prior year period, the profit before tax decreased by €4.4 million, or 84.6%, to negative €9.6 million.

Income Tax Expenses

Income tax expenses mainly comprise adjustments for prior years, adjustments for impairments/non-recognitions, trade tax additions/reductions and taxes for prior years. In the nine-month period ended September 30, 2013, our income tax expenses amounted to €7.6 million, compared to €4.7 million in the nine-month period ended September 30, 2014 a decrease of 38.2% due to higher losses.

Profit/Loss for the Period

In the nine-month period ended September 30, 2013, we recorded net losses of €12.8 million, compared to net losses of €14.3 million in the nine-month period ended September 30, 2014. The drivers for this development were the same as for the decrease of profit before tax.

Comparison of Operating Profit/Loss for the Financial Years 2013, 2012 and 2011

	For the Financial Year ended December 31,				
	2013	2012	change in % (12 - 13)	2011	change in % (11 - 12)
	(audited unless otherwise indicated) (in € million)				
Revenues	206.2	205.3	0.4%	204.7	0.3%
Own work capitalized	6.9	7.0	(1.4)%	6.7	4.5%
Other income	26.1	60.0	(56.5)%	20.6	191.3%
Total operating performance	**239.2**	**272.3**	**(12.2)%**	**231.9**	**17.4%**
Costs of materials	(83.8)	(91.4)	(8.3)%	(93.5)	(2.2)%
thereof CATV signal fees (unaudited)	*(31.0)*	*(34.7)*	*(10.7)%*	*(37.4)*	*(7.2)%*
Employee benefits	(31.7)	(31.0)	2.3%	(31.0)	0.0%
Other expenses	(32.5)	(32.1)	1.2%	(33.5)	(4.2)%
EBITDA	**91.2**	**117.8**	**(22.6)%**	**73.9**	**59.4%**
Amortization and depreciation	(62.8)	(62.9)	(0.2)%	(57.4)	(9.6)%
EBIT	**28.3**	**54.9**	**(48.5)%**	**16.5**	**232.7%**
Profits from investments in associates	0.0	0.0	0.0%	0.1	(100.0)%
Interest and similar income	0.4	0.6	(33.3)%	0.5	20.0%
Interest and similar expenses	(28.3)	(32.3)	(12.4)%	(34.9)	(7.4)%
Other finance income/costs	(0.5)	(0.1)	400.0%	(2.6)	(96.2)%
Profit before tax	**(0.0)**	**23.2**	**n/a**	**(20.5)**	**n/a**
Income tax expenses	(8.6)	(2.7)	218.5%	(1.1)	145.5%
Profit/loss for the year	**(8.6)**	**20.5**	**n/a**	**(21.6)**	**n/a**
Profit/loss attributable to owners of TC Group	(12.0)	17.6	n/a	(23.9)	n/a
Profit/loss attributable to non-controlling interests	3.3	2.9	13.8%	2.3	26.1%

Revenues

Total revenues increased between 2011 and 2013 at a compound annual growth rate ("**CAGR**") of 0.4% p.a. For the financial year ended December 31, 2013, they were €206.2 million, an increase by €0.9 million, or 0.4%, from the prior financial year as a result of several factors that largely offset each other. TV revenues decreased in 2013 due to a loss of housing association contracts. This loss was either due to customers not willing to renew the contract with us at the existing or the newly proposed price level or we were not willing to commit to the investments required by the customer and/or terminated the contract ourselves because the delivery of signal to such units had become uneconomical. This decrease in TV revenues was offset by strong growth in revenues in our Internet and Telephony segment and which was complemented by an increase in growth in our Premium TV revenues. These increases were due to upgrades of our network to two-way transmission, which increased our customer base to which we could up- and cross-sell our Premium TV, Internet and telephony products, and new product offerings, such as new bundled products, which, in turn, led to new Premium TV, Internet and telephony customers.

Total revenues for the financial year ended December 31, 2012 were €205.3 million, an increase by €0.6 million, or 0.3%, from the prior financial year. This increase was primarily due to increasing revenues from Internet or telephony services, which were partly offset by declining TV revenues mainly due to a loss of housing association contracts after the announcement of the KD acquisition in May 2012 (see *"—Key Events in the Periods under Review—Failed KD Acquisition"*). Some customers were reluctant to renew their contracts with us because they assumed that we would belong to the KD group in the future. We also missed out on new contracts because potential new customers did not want to do business with an operator belonging to a large group. Further, due to the KD Acquisition, the upgrade of the network and the migration strategy was suspended (see "*—Key Factors Affecting our Results of Operations—Sales Processes and Restructuring*").

The increase in revenues over the periods under review was reflected in the increase in blended Year-End ARPU, which decreased from €12.0 in 2011 to €11.6 in 2012 and increased to €13.4 in 2013. The decline in blended Year-End ARPU in 2012 was due to the loss of CATV subscribers in connection with Project Harmony on the one hand (see above) and the discontinuance of an interconnection agreement with DTAG on the other hand and a decrease in prices due to price concessions in new housing association

contracts. Over the periods under review, blended Year-End ARPU benefitted from the increasing penetration of the customer base with Internet and telephony products.

Own Work Capitalized

Our own work capitalized remained almost stable in the periods under review. It amounted to €6.7 million in 2011, increased by €0.3 million, or 4.5%, to €7.0 million in 2012 and decreased by €0.1 million, or 1.4%, to €6.9 million in 2013.

In 2011, own work capitalized also included additional services performed in connection with the upgrade and expansion of our billing and customer administration software "Camelot".

Other Income

Other income increased from €20.6 million in 2011 by 191.3% to €60.0 million in 2012 and decreased by 56.5% to €26.1 million in 2013.

The following table gives an overview of our other income for the financial year ended December 31, 2013 compared to the financial year ended December 31, 2012 and to the financial year ended December 31, 2011.

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited) (in € million)		
Income from the derecognition of liabilities and the release of provisions	14.4	44.8	8.1
Income from dunning fees	1.9	2.8	2.4
Income from subsidies	2.6	3.3	2.4
Income from asset disposals	2.1	1.4	1.7
Income from services	0.7	0.3	0.1
Miscellaneous other income	4.3	7.4	5.9
Total other income	**26.1**	**60.0**	**20.6**

The significant increase in other income in the financial year 2012 in the amount of €60.0 million compared to €20.6 million in the financial year 2011 was primarily due to the release of provisions for the KD/Brenda Award in the amount of €38 million (see "*—Key Factors Affecting our Results of Operations—Waiver of KD/Brenda Award*"). The increase in the financial year 2013 in the amount of €26.1 million compared to €20.6 million in the financial year 2011 was due to the release of provisions for minimum guarantee payments in the amount of €4.2 million under our contract with Eutelsat (see "*—Key Factors Affecting our Results of Operations—Cost Structure*").

Costs and Expenses

Total costs and expenses decreased over the periods under review. They were €158.0 million in 2011, decreased by 2.2% to €154.5 million in 2012 and were further reduced by 4.2% to €148.0 million in 2013.

Costs and expenses are incurred in the following three functional areas:

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited unless otherwise indicated) (in € million)		
Costs of materials	83.8	91.4	93.5
thereof CATV signal fees (unaudited)	*31.0*	*34.7*	*37.4*
Personnel expenses	31.7	31.0	31.0
Other expenses	32.5	32.1	33.5
Total costs and expenses	**148.0**	**154.5**	**158.0**

Cost of Materials

The following table gives an overview of our cost of materials for the financial year ended December 31, 2013 compared to the financial years ended December 31, 2012 and 2011.

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited) (in € million)		
Cost of raw materials and consumables	2.1	2.2	3.8
Costs of services purchased/merchandise	81.7	89.2	89.7
Total costs of materials	**83.8**	**91.4**	**93.5**

Costs of materials mainly include signal fees. The decline in cost of material from €93.5 million (including non-recurring cost of materials of €6.3 million) in 2011 by 2.2% to €91.4 million (including non-recurring cost of materials of €10.6 million) in 2012 and further by 8.3% to €83.8 million (including non-recurring cost of materials of €1.7 million) in 2013 was primarily due to a reduction in CATV signal fees from €37.4 million in 2011 to €34.7 million in 2012 and to €31.0 million in 2013 as a result of our migration strategy and the build-up of our "own" L3 networks. CATV signal fees as percentage of the total operating performance fell from 16.1% in 2011 to 13.0% in 2013. In 2012, the migration strategy was suspended because of the pending KD Acquisition (see "*—Key Factors Affecting our Results of Operations—Sales Processes and Restructuring*).

Personnel Expenses

The following table gives an overview of our personnel expenses for the financial year ended December 31, 2013 compared to the financial years ended December 31, 2012 and 2011.

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited) (in € million)		
Wages and salaries	26.6	25.0	24.4
Social security, pension and other benefits	4.3	4.5	5.0
Other personnel expenses	0.8	1.5	1.5
Total personnel expenses	**31.7**	**31.0**	**31.0**

Personnel expenses remained relatively stable during the periods under review. They amounted to €31.0 million in 2011 and 2012 and increased by €0.7 million, i.e. 2.3%, to €31.7 million in 2013. Total full-time-equivalent ("**FTEs**") employees (including trainees, apprentices, short-term employees (*Aushilfen*) as well as interns (which are both in general counted as one tenth FTE) and excluding temporary agency employees (*Leiharbeitnehmer*) and freelancers, developed from 390 as of December 31, 2011, to 367 as of December 31, 2012 and 357 as of December 31, 2013. The slight increase in personnel expenses despite decreasing FTE numbers was mainly due to usual increases in wages and salaries as well as expenses incurred in connection with the hiring of higher qualified employees. As a percentage of the total operating performance, personnel expenses declined from 13.4% in 2011, over 11.4% in 2012, to 13.3% in 2013.

Other Expenses

The following table gives an overview of our other expenses for the financial year ended December 31, 2013 compared to the financial years ended December 31, 2012 and 2011.

	For the Financial Year ended December 31,		
	2013	2012	2011
	(audited) (in € million)		
Legal and advisory fees	7.4	8.0	6.9
Advertising	6.9	7.1	8.2
Office space costs	3.7	4.2	4.0
Provisions for bad debts	4.1	4.9	3.6
Miscellaneous other expenses (< €2.5 million)	10.4	7.9	10.7
Total other expenses	**32.5**	**32.1**	**33.5**

Other expenses remained relatively stable during the periods under review. They amounted to €33.5 million (including non-recurring other expenses of €7.1 million) in 2011, decreased by €1.4 million, or 4.2%, to €32.1 million (including non-recurring other expenses of €6.5 million) in 2012 and increased by €0.4 million, or 1.2%, to €32.5 million (including non-recurring other expenses of €7.7 million) in 2013. In the periods under review, the main components of other expenses were legal and advisory fees and advertising which were high throughout the periods under review due to the two debt restructurings and various M&A processes conducted (see "*—Key Events in the Periods under Review*"). Advertising costs and office space costs were €6.9 million and €3.7 million in 2013, respectively, and decreased by €1.3 million, or 15.9%, and €0.3 million, or 7.5%, respectively, since 2011 due to cost reductions during the periods under review.

EBITDA and Normalized EBITDA

EBITDA in 2012 was €117.8 million, an increase by €43.9 million, or 59.4%, from 2011. In 2013, EBITDA decreased by €26.6 million, or 22.6%, compared to 2012. The increase in 2013, when compared to 2011, was due to higher revenues, in particular from Internet and telephony services, and cost savings (mainly for signal fees) from the migration of our subscribers from third party L3 networks and was achieved despite constraints due to the standstill in the upgrade and migration from third party L3 networks to our "own" L3 networks. However, EBITDA was also affected by several non-recurring items during the periods under review. In 2011, it was negatively affected by non-recurring items, in particular including the establishment of Eutelsat contract provisions, financial restructuring costs, the pass-through of costs/release of provisions in connection with financial restructurings and other non-recurring items, amounting in aggregate to €4.5 million. In contrast, in 2012, it was positively affected by non-recurring items, in particular including the release of provisions in connection with KD/Brenda Award, the establishment of Eutelsat contract provisions, financial restructuring costs and the pass-through of costs/release of provisions in connection with financial restructurings, amounting in aggregate to €30.7 million. In 2013, it was also positively affected by non-recurring items, in particular including the release of Eutelsat contract provisions, financial restructuring costs and other non-recurring items, amounting in aggregate to €3.1 million. Accordingly, our Normalized EBITDA increased between 2011 and 2013 at a CAGR of 6.0% p.a. In 2013, it increased by €1.0 million, or 1.1%, to €88.1 million, while in 2012, it increased by €8.7 million, or 11.1%, to €87.1 million, in each case from the prior year period (for a table providing a reconciliation of our reported EBITDA to our Normalized EBITDA, see *"—Key Performance Indicators—Normalized EBITDA*").

Amortization and Depreciation

The amortization and depreciation charged increased during the periods under review. They amounted to €57.4 million in 2011, increased by €5.5 million, or 9.6%, to €62.9 million in 2012 and thereafter slightly decreased by €0.1 million, or 0.2%, to €62.8 million in 2013. Amortization and depreciation related primarily to the investments made to upgrade the network infrastructure and the depreciation of hardware leased to customers. As these investments are capitalized and then amortized over a period of five to 15 years, the increase in 2012 and decrease in 2013 were mainly due to investments made in periods prior to the periods under review. Especially the increase from 2011 to 2013 could not be changed by the fact that, in 2013 and 2012, certain investments in the network infrastructure were lower than in 2011 due to

the financial and operational constraints resulting from the signed KD Acquisition (see "*—Key Factors Affecting our Results of Operations—Sales Processes and Restructuring*").

EBIT

EBIT increased from €16.5 million in 2011 by €38.4 million, or 232.7%, to €54.9 million in 2012 and thereafter decreased by €26.6 million, or 48.5%, to €28.3 million in 2013. The increase in EBIT from 2011 to 2013 and the peak in 2012 were due to the factors described above.

Interest and Similar Income

The following table gives an overview of our interest and similar income for the financial year ended December 31, 2013 compared to the financial years ended December 31, 2012 and 2011.

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited) (in € million)		
Interest income from third parties	0.4	0.5	0.4
Interest income from associates	0.1	0.1	0.1
Interest and similar income	**0.4**	**0.6**	**0.5**

Interest and similar income is primarily derived from interest received on bank balances and remained stable during the periods under review.

Interest and Similar Expenses

The following table gives an overview of our interest and similar expenses for the financial year ended December 31, 2013 compared to the financial years ended December 31, 2012 and 2011.

	For the Financial Year ended December 31,		
	2013	**2012**	**2011**
	(audited) (in € million)		
Interest paid to third parties	(28.1)	(31.7)	(34.4)
Interest paid to associates	(0.2)	(0.5)	(0.5)
Interest and similar expenses	**(28.3)**	**(32.3)**	**(34.9)**

Interest paid to third parties are comprised of the interest paid to our lenders under our existing financing agreements, including waiver fees. The decrease in interest expenses from €34.9 million in 2011 by 7.4% to €32.3 million in 2012, and by 12.4% to €28.3 million in 2013, was primarily due to lower EURIBOR rates.

Profit before Tax

In 2011, our profit before tax was negative and amounted to €20.5 million. This loss was primarily due to an EBIT of €16.5 million and interest expenses of €34.9 million. In 2012, EBIT increased to €54.9 million due to extraordinary income from release of provisions. Accordingly, with interest expenses being slightly lower (€32.3 million), the profit before tax increased by €43.7 million to €23.2 million. In 2013, with an EBIT of €28.3 million and lower interest expenses (€28.3 million), the profit before tax decreased by €23.2 million to minus €45 thousand.

Income Tax Expenses

In 2011, our income tax expenses amounted to €1.1 million, compared to €2.7 million in 2012 and €8.6 million in 2013. The peak in 2013 was due to a tax audit for periods prior to the periods under review as a result of which we had to pay a substantial income tax amount for these historical periods in 2013.

Profit/Loss for the Year

In the financial year ended December 31, 2011, we recorded net losses of €21.6 million, compared to net income of €20.5 million in the financial year ended December 31, 2012 and net losses of €8.6 million in the financial year ended December 31, 2013. The drivers for this development were the same as for the profit before tax.

Financial Position

Overview

In the following, we describe our financial position and the changes in our financial position. The table below presents assets, equity and liabilities as of September 30, 2014 and as of the financial years ended December 31, 2013, 2012 and 2011.

	As of September 30, 2014	As of December 31, 2013	2012	2011
	(unaudited)	(audited)		
	(in € million)			
Non-current assets				
Property, plant and equipment	200.8	207.8	206.9	204.5
Intangible assets and goodwill	383.4	372.2	380.7	386.1
Shares in non-consolidated subsidiaries	0.0	0.5	0.5	0.5
Investments in associates	0.3	0.3	0.3	0.3
Receivables from related parties	0.0	9.4	9.3	9.2
Other financial receivables	1.1	1.5	0.9	0.8
Deferred expenses	0.1	0.0	0.1	0.2
Total non-current assets	**585.7**	**591.7**	**598.7**	**601.7**
Current assets				
Inventories	2.5	1.7	2.5	1.5
Trade receivables	21.2	18.9	18.5	16.3
Receivables from related parties	2.4	2.2	6.0	2.9
Other financial receivables	2.1	7.1	18.6	3.8
Other receivables	9.9	0.9	1.1	3.7
Income tax refund claims	0.5	1.2	1.3	1.8
Cash and cash equivalents	36.1	70.5	22.0	45.6
Deferred expenses	6.6	2.2	1.1	1.1
Total current assets	**81.3**	**104.7**	**71.0**	**76.6**
Total assets	**667.1**	**696.4**	**669.7**	**678.3**
Equity				
Equity attributable to owners of TC Group	(104.3)	(68.2)	(88.7)	(107.5)
Non-controlling interests	4.7	6.7	6.1	5.8
Total equity	**(99.6)**	**(61.5)**	**(82.6)**	**(101.8)**
Non-current liabilities				
Pension plans and other long-term employee benefits	9.9	9.8	9.9	7.7
Other provisions	7.8	11.4	27.0	20.8
Interest-bearing liabilities	630.2	43.5	601.9	597.0
Liabilities to related parties	0.0	13.2	19.4	19.1
Trade payables	35.7	32.7	27.0	25.6
Deferred income/revenue	0.7	1.2	0.1	0.1
Total non-current liabilities	**684.2**	**111.7**	**685.3**	**670.3**
Current liabilities				
Other provisions	8.1	4.8	2.8	3.2
Interest-bearing liabilities	2.6	578.1	11.2	13.7
Trade payables	37.2	43.2	27.9	30.6
Liabilities to related parties	3.6	2.6	8.7	2.3
Other financial liabilities	0.3	4.6	4.3	38.1
Other payables	15.8	8.0	7.2	15.6
Income tax liabiliites	4.0	0.7	0.4	1.8
Deferred income/revenue	10.9	4.2	4.7	4.6
Total current liabilities	**82.4**	**646.2**	**67.1**	**109.8**
Total equity and liabilities	**667.1**	**696.4**	**669.7**	**678.3**

Non-Current Assets

The principal component of our non-current assets were intangible assets, as they represent 65.5% and 62.9%, respectively, of our non-current assets and 57.5% and 53.4%, respectively, of our total assets, in each case as of September 30, 2014 and December 31, 2013, respectively. Intangible assets primarily consist of goodwill, which amounted to €363.4 million as of December 31, 2013 and the valuation of which was determined primarily on the basis of the purchase price offers available in the periods under review as well as internal calculations based on EBITDA multiples derived from a peer group of publicly-listed national and international cable operators. No impairment of goodwill was recognized during the periods under review. Also currently, there is no indication of any impairment of goodwill.

Property, plant and equipment represented 34.3% and 35.1%, respectively, of our non-current assets and 30.1% and 29.8%, respectively, of our total assets, in each case as of September 30, 2014 and December 31, 2013, respectively. They increased from €204.5 million as of December 31, 2011, to €206.9 million as of December 31, 2012 and to €207.8 million as of December 31, 2013 and thereafter decreased to €200.8 million as of September 30, 2014. These increases were primarily due to an increase in technical facilities from €188.8 million as of December 31, 2011, to €198.4 million as of December 31, 2012 and to €200.0 million as of December 31, 2013 which primarily resulted from higher investments in new network structures (including leased lines). The decrease was primarily due to planned investments which were postponed to the second half of 2014. Receivables from related parties slightly increased during the periods under review, from €9.2 million in 2011 to €9.3 million in 2012, to €9.4 million in 2013 and sharply decreased to €0.0 million as of September 30, 2014. Shares in non-consolidated subsidiaries and investments in associates remained relatively low during the periods under review. Shares in non-consolidated subsidiaries amounted to €0.0 million as of September 30, 2014 and €0.5 million as of December 31, 2013 and investments in associates amounted to €0.3 million as of September 30, 2014 and €0.3 million as of December 31, 2013.

Current Assets

The most significant components of our current assets are cash and cash equivalents, representing 44.4% and 67.3%, respectively, of our current assets and 5.4% and 10.1%, respectively, of our total assets, in each case as of September 30, 2014 and December 31, 2013, respectively. Another important component is our trade receivables, representing 26.1% and 18.1%, respectively, of our current assets and 3.2% and 2.7%, respectively, of our total assets, in each case as of September 30, 2014 and December 31, 2013, respectively. Current assets decreased from €76.6 million as of December 31, 2011 to €71.0 million as of December 31, 2012. Thereafter, they increased to €104.7 million as of December 31, 2013 and again decreased to €81.3 million as of September 30, 2014. Both the decrease and increase were primarily due to a movement in cash and cash equivalents, which amounted to €36.1 million as of September 30, 2014, compared to €70.5 million as of December 31, 2013, €22.0 million as of December 31, 2012 and €45.6 million as of December 31, 2011. The increase from 2012 to 2013 resulted primarily from extraordinary proceeds in 2013 in connection with the sale of ImmoMediaNet in an amount of approximately €27.0 million, while the decrease from 2011 to 2012 was primarily due to a reduction in trade receivables in 2011 (by way of payment of outstanding invoices). Trade receivables increased from €16.3 million as of December 31, 2011, to €18.5 million as of December 31, 2012, to €18.9 million as of December 31, 2013, and to €21.2 million as of September 30, 2014.

Receivables from related parties increased from €2.9 million as of December 31, 2011, to €6.0 million as of December 31, 2012. Thereafter, they decreased to €2.2 million as of December 31, 2013, and again increased to €2.4 million as of September 30, 2014. The temporary increase in receivables from related parties in 2012 was due to a claim against TC Management resulting from the passing through of costs of €4.8 million in connection with the KD Acquisition which was settled in 2013 by setting off such claim with indebtedness of TC Management. Other financial receivables increased from €3.8 million as of December 31, 2011, to €18.6 million as of December 31, 2012. Thereafter, they decreased to €7.1 million as of December 31, 2013, and decreased to €2.1 million as of September 30, 2014. The peak in 2012 was due to a payment of €15.0 million into an escrow account to which we were obliged in connection with the KD Acquisition. The increase from 2011 to 2013 was primarily due to additional securities provided by us to credit institutions in connection with the collection of receivables from our end customers. Other receivables decreased from €3.7 million as of December 31, 2011, to €1.1 million as of December 31, 2012 and to €0.9 million as of December 31, 2013, and thereafter sharply increased to €9.9 million as of September 30, 2014. Income tax refund claims decreased from €1.8 million as of December 31, 2011, to €1.3 million as of December 31, 2012, to €1.2 million as of December 31, 2013, and to €0.5 million as of

September 30, 2014. Deferred expenses amounted to €1.1 million as of December 31, 2011, and December 31, 2012, and thereafter increased to €2.2 million as of December 31, 2013, and to €6.6 million as of September 30, 2014. The increase as of September 30, 2014 was due to advance payments on signal fees and expenses occurred in connections with the initial public offering.

Equity

During the entire periods under review, our equity was negative. This was primarily due to accumulated losses from the past which, among other things, were due to our negative financial result caused by our high leverage and high interest rates, high amortization and depreciation as well as high legal, consulting and restructuring expenses in these historical periods. However, in the periods under review, our equity increased from negative €101.8 million as of December 31, 2011, to negative €82.6 million as of December 31, 2012, to negative €61.5 million as of December 31, 2013, but thereafter again decreased to negative €99.6 million as of September 30, 2014. The increase from 2011 to 2012 was primarily due to the release of the provisions for the KD/Brenda Award in an amount of €38.0 million. The increase from 2012 to 2013 was primarily due to extraordinary proceeds in connection with the sale of ImmoMediaNet which amounted to approximately €27.0 million. In contrast, the decrease as of September 30, 2014 was due to the lack of any such extraordinary income, i.e. was in line with the development in the prior financial years adjusted for extraordinary income.

Non-Current Liabilities

Our non-current liabilities consist primarily of interest-bearing liabilities, mainly our Tranche A Liabilities, representing 92.1% and 38.9%, respectively, of our non-current liabilities and 94.5% and 6.2%, respectively, of our total equity and liabilities, trade payables, representing 5.2% and 29.3%, respectively, of our non-current liabilities and 5.4% and 4.7%, respectively, and of our total liabilities, in each case as of September 30, 2014 and December 31, 2013, respectively.

From 2012 to 2013, our non-current liabilities decreased significantly. They amounted to €111.7 million as of December 31, 2013 compared to €685.3 million as of December 31, 2012 and €670.3 million as of December 31, 2011. The decrease from 2012 to 2013 was primarily due to a shift of term loans amounting to €565.9 million due June 30, 2014 and December 31, 2014, respectively, from non-current interest-bearing liabilities to current interest-bearing liabilities, resulting in a decrease in non-current interest-bearing liabilities from €597.0 million as of December 31, 2011 and €601.9 million as of December 31, 2012, respectively, to €43.5 million as of December 31, 2013. This shift was a result of the remaining term of the Tranche A Liabilities as of the record date. As the maturities were extended in the first quarter of 2014 in the 2013 Scheme (see "*—Key Events in the Periods under Review*"), our non-current liabilities again increased to €684.2 million as of September 30, 2014. In addition, other provisions increased from €20.8 million as of December 31, 2011 to €27.0 million as of December 31, 2012 and thereafter significantly decreased to €11.4 million as of December 31, 2013, and to €7.8 million as of September 30, 2014. The decrease from 2012 to 2013 was primarily caused by a partial shift of provisions set up in connection with a long-term signal delivery contract amounting to €7.7 million from other provisions to trade payables (see "*Material Contracts—Other Material Contracts—Agreements with Satellite Network Operator Eutelsat S.A. and with Eutelsat Visavision GmbH (now part of M7 Group)*"). This was also the reason why the trade payables increased from €25.6 million as of December 31, 2011 and €27.0 million as of December 31, 2012, respectively, to €32.7 million as of December 31, 2013, and €35.7 million as of September 30, 2014, respectively. Liabilities to related parties decreased from €19.1 million as of December 31, 2011, and €19.4 million as of December 31, 2012, respectively, to €13.2 million as of December 31, 2013, and sharply decreased to €0.0 million as of September 30, 2014. The decrease from 2012 to 2013 was due to the repayment of a shareholder loan to TC Management in the amount of €6.7 million. Pension plans and other long-term employee benefits remained relatively stable in the periods under review, increasing from €7.7 million as of December 31, 2011 to €9.9 million as of December 31, 2012, thereafter slightly decreasing to €9.8 million as of December 31, 2013 and thereafter again slightly increasing to €9.9 million as of September 30, 2014. The increase from 2011 to 2012, 2013 and September 30, 2014, respectively, was due to a change of the method for calculating pension provisions according to IAS 19.

Current Liabilities

The most significant items of our current liabilities were interest-bearing liabilities, representing 3.2% and 89.5%, respectively, of our current liabilities and 0.4% and 83.0%, respectively, of our total equity and liabilities, and trade payables, representing 45.1% and 6.7%, respectively, of our current liabilities and

5.6% and 6.2%, respectively, of our total equity and liabilities, in each case as of September 30, 2014 and December 31, 2013, respectively.

From 2012 to 2013, our current liabilities increased significantly due to the changing maturity profile of our Tranche A Liabilities. Our current liabilities amounted to €82.4 million as of September 30, 2014, compared to €646.2 million as of December 31, 2013 and to €67.1 million as of December 31, 2012 and €109.8 million as of December 31, 2011, while our interest-bearing liabilities amounted to €2.6 million, €578.1 million, €11.2 million and €13.7 million, respectively, in these periods (see "*—Non-Current Liabilities*"). In addition, trade payables slightly decreased from €30.6 million as of December 31, 2011, to €27.9 million as of December 31, 2012, increased to €43.2 million as of December 31, 2013 and again decreased to €37.2 million as of September 30, 2014. The peak in 2013 was primarily due to the bringing forward of the last payment run in 2013 resulting in a higher number of invoices becoming due thereafter and therefore remaining unpaid. In addition, a liability amounting to €7.7 million for payment of signal delivery costs to Eutelsat was booked from provisions in trade payables. In contrast, other financial liabilities decreased from €38.1 million as of December 31, 2011 to €4.3 million as of December 31, 2012, €4.6 million as of December 31, 2013 and €0.3 million as of September 30, 2014, respectively. The decrease from 2011 to 2012 was largely caused by the release of the provisions for the KD/Brenda Award, amounting to €38.0 million, which was waived by KD in 2011. Liabilities to related parties remained relatively stable and amounted to €3.6 million as of September 30, 2014, compared to €2.3 million as of December 31, 2011, with a temporary increase to €8.7 million as of December 31, 2012. This temporary increase was caused by a liability to TC Management which was reclassified as liability to related parties in 2012. The liability was set off against a claim against TC Management resulting from costs of €4.8 million passed through to us in connection with the KD Acquisition. Other payables amounted to €15.8 million as of September 30, 2014, compared to €8.0 million as of December 31, 2013, €7.2 million as of December 31, 2012 and €15.6 million as of December 31, 2011.

Liquidity and Capitalization

Overview

Liquidity management is a critical element of our central financial management. We therefore monitor our liquidity daily. The aim of our financing policy is to secure sufficient liquid reserves at all times to satisfy our operating and strategic financial needs.

Our sources of liquidity include cash and cash equivalents (including cash, demand deposits, checks and pledged cash and cash equivalents), cash flow from operating activities and amounts available under our revolving credit line. As of September 2014, our cash and cash equivalents were €36.1 million. As of December 31, 2013, our cash and cash equivalents were €70.5 million, compared to €22.0 million as of December 31, 2012 and €45.6 million as of December 31, 2011. Taking into account the available undrawn amount of €28.3 million as of September 30, 2014 and December 31, 2013, respectively, under the Super Senior Revolving Facility but not including the anticipated proceeds of the offering, we had access to €64.4 million and €98.8 million of liquidity as of September 30, 2014 and December 31, 2013, respectively, compared to €50.3 million as of December 31, 2012 and €73.9 million as of December 31, 2011. In February 2014, we also extended the due date of our existing credit facilities (Tranche A Liabilities) with a total volume of more than €600 million to 2017 and 2018, respectively.

Our principal uses of liquidity include interest payments and capital expenditures. Interest expenses amounted to €16.4 million for the nine-month period ended September 30, 2014 and to €24.0 million, €29.8 million and €14.5 million for the financial years ended December 31, 2013, 2012 and 2011, respectively, including interest on our existing credit facilities. Going forward, we may also utilize cash to pay dividends on our shares. However, we currently do not have plans to utilize cash to pay dividends on our shares, as we intend to invest our cash in further upgrading our network structure.

We believe that, based on our current level of operations as reflected in our results of operations for the nine-month period ended September 30, 2014 and the financial years ended December 31, 2013, 2012 and 2011, and based on our budget for the nine-month period ended September 30, 2014 and the financial year ended December 31, 2013, and based on our refinanced capital structure at initial public offering, these sources of liquidity will be sufficient to fund our operations, capital expenditures and debt service for the full forecasted period of three years. However, our ability to fund our operations, capital expenditures and debt service depends on our financial and operating performance. In the future, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We are constantly evaluating opportunities and options to improve our overall

capital structure, including potential refinancing or amend-and-extend transactions, and from time to time may discuss these options with third party financing sources or our existing lenders.

Legal limitations sometimes restrict the ability of subsidiaries to make available cash to us or to our other subsidiaries. These restrictions include laws on dividend payments without sufficient capital resources, restrictions of intergroup loans or cash pooling and regulatory restrictions on repatriating funds. These limitations do not apply if there is a profit pooling agreement in place with the respective company.

Cash Flows

The table below presents our cash flows for the nine-month period ended September 30, 2014 compared to the nine-month period ended September 30, 2013 and to the financial years ended December 31, 2013, 2012 and 2011.

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	(in € million)		(in € million)		
Cash flows from operating activities					
Earnings before interest and taxes (EBIT)	**24.7**	**16.1**	**28.3**	**54.9**	**16.5**
Amortization and depreciation	40.2	46.7	62.8	62.9	57.4
Loss (+) / gain (−) on sale of property, plant and equipment	(0.5)	(0.6)	(1.3)	(0.8)	(1.4)
Increase (−) / decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities	(10.0)	(12.7)	(5.5)	(3.2)	30.8
Increase (+) / decrease (−) in provisions, trade and other payables not classified as investing or financing activities	(4.3)	(9.7)	(4.5)	(34.3)	(23.9)
Income taxes paid	(3.6)	(6.8)	(7.5)	(2.4)	2.5
Net cash from operating activities	**46.6**	**33.0**	**72.3**	**77.1**	**81.9**
Cash flows from investment activities					
Proceeds from sale of property, plant and equipment	1.5	2.0	4.6	1.9	2.5
Acquisition of property, plant and equipment	(21.2)	(21.2)	(41.4)	(48.8)	(61.5)
Acquisition of intangible assets	(3.9)	(5.0)	(6.7)	(7.6)	(5.9)
Acquisition of investment property	(10.5)	0.0	(0.8)	0.0	(0.2)
Interest received	0.0	0.1	0.4	0.5	0.4
Net cash used in investing activities	**(34.0)**	**(24.2)**	**(44.0)**	**(54.0)**	**(64.6)**
Cash flows from financing activities					
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH(1)	(1.7)	32.7	32.7	2.8	1.8
Payment of financial lease liabilities	(4.3)	(3.3)	(4.9)	(3.0)	0.0
Dividends paid	(3.1)	(2.8)	(2.8)	(2.5)	(2.1)
Proceeds from loans, bonds or short-term or long-term borrowings from banks	0.0	7.3	8.2	2.9	47.8
Repayment of borrowings and short-term or long-term borrowings	(2.0)	(2.7)	(3.5)	(1.8)	(49.4)
Purchase of non-controlling interests	(19.9)	0.0	—	—	—
Interest paid	(16.4)	(22.0)	(24.0)	(29.8)	(14.5)
Net cash from (used in) financing activities	**(47.4)**	**9.2**	**5.8**	**(31.5)**	**(16.5)**
Cash and cash equivalents at the end of the reporting period					
Net increase/(decrease) in cash and cash equivalents	(34.8)	18.0	34.1	(8.4)	0.8
Cash and cash equivalents as at the beginning of the reporting period	70.5	22.0	22.0	45.6	44.5
Cash and cash equivalents as at the end of the reporting period	**35.7**	**40.1**	**56.1**	**37.2**	**45.3**
Less/plus release of restricted cash and cash equivalents in the period	0.4	14.4	14.4	(15.1)	0.3
Liquid cash and cash equivalents as at the end of the reporting period	**36.1**	**54.5**	**70.5**	**22.0**	**45.6**

(1) On August 19, 2014, Tele Columbus GmbH changed its name to Tele Columbus Beteiligungs GmbH as part of the reorganization in preparation for a possible initial public offering.

Cash Flows for the Nine-Month Period ended September 30, 2014 and for the Financial Years ended December 31, 2013, 2012 and 2011

Cash Flows from Operating Activities

Cash flow from operating activities includes all cash generated from operations and also reflects cash paid for taxes.

In the nine-month period ended September 30, 2014, our net cash flow from operating activities amounted to €46.6 million, an increase of 41.2% from the prior year period. This increase was due to several factors. Our net cash flow from operating activities was positively affected by a lower increase in inventories, trade receivables and other assets not classified as investing or financing activities by €2.7 million to €10.0 million, and a lower decrease of provisions, trade and other payables not classified as investing or financing activities by €5.4 million to €4.3 million, i.e. a significant decrease of our net working capital. In addition, income tax paid decreased from €6.8 million in the nine-month period ended September 30, 2013 to €3.6 million in the nine-month period ended September 30, 2014.

In the financial year ended December 31, 2013, our net cash flow from operating activities amounted to €72.3 million, a decrease of 6.2% from the prior financial year. This decrease was due to several factors. This was, excluding the non-cash effects of the release of provisions for the KD/Brenda Award in 2012 amounting to €38.0 million and the release of provisions for minimum guarantee payments under our contract with Eutelsat in 2013 amounting to €4.2 million, primarily due to a higher increase in inventories, trade receivables and other assets not classified as investing or financing activities and a decrease instead of an increase (as in the prior year period) in provisions, trade and other payables not classified as investing or financing activities, which had a negative impact on our net cash flow from operating activities of €27.5 million in the aggregate. A higher amount of income taxes paid led to a reduction in our net cash flow from operating activities by further €5.1 million. This increased cash outflow was only partially offset by an increase in EBIT (excluding the release of provisions for the KD/Brenda Award in 2012 and the release of provisions for minimum guarantee payments under our contract with Eutelsat in 2013) by €7.2 million.

In the financial year ended December 31, 2012, our net cash flow from operating activities amounted to €77.1 million and therefore decreased by 5.9% from €81.9 million in the financial year ended December 31, 2011. This development was due to several factors. Our net cash flow from operating activities was negatively affected by an increase in inventories, trade receivables and other assets not classified as investing or financing activities which had a negative impact on our net cash flow from operating activities of €34.0 million in the aggregate and was due to a purchase price payment of €23.8 million received in 2011 for assets sold in 2010, as well as income tax paid instead of received (as in the prior year period), which reduced our our net cash flow from operating activities by further €4.9 million. This increased cash outflow was only partially offset by an increase in provisions, trade and other payables not classified as investing or financing activities (excluding the non-cash effects of the release of provisions for the KD/Brenda Award in 2012 amounting to €38.0 million), which had a positive impact on our net cash flow from operating activities of €10.4 million in the aggregate and was primarily due to the commencement of Project Empire I, with large investments in 2011, which slowly decreased in the subsequent periods, as well as an increase in EBIT (excluding amortization and depreciation and the release of provisions for the KD/Brenda Award in 2012) by €5.8 million.

Cash Flows from Investing Activities

In the nine-month period ended September 30, 2014, our net cash flow from investing activities amounted to negative €34.0 million, an decrease by 40.5% from negative €24.2 million in the nine-month period ended September 30, 2013. This was primarily due to an decrease in cash flows from acquisition of investment property from €0.0 million in the nine-month period ended September 30, 2013 to negative €10.5 million in the nine-month period ended September 30, 2014.

In the financial year ended December 31, 2013, our net cash flow from investing activities amounted to negative €44.0 million, an increase of 18.5% from negative €54.0 million in the financial year ended December 31, 2012. This was primarily due to an increase in cash flows from acquisition of property, plant and equipment and cash flows from intangible assets, from negative €48.8 million and negative €7.6 million, respectively, in the financial year ended December 31, 2012, to negative €41.4 million and negative €6.7 million, respectively, in the financial year ended December 31, 2013, whereby our net cash flow from investing activities increased, in aggregate, by €8.3 million.

In the financial year ended December 31, 2012, our net cash flow from investing activities amounted to negative €54.0 million, an increase of 16.4% from negative €64.6 million in the financial year ended December 31, 2011. This was primarily due to an increase in acquisition of property, plant and equipment (€48.8 million in the financial year ended December 31, 2012, compared to €61.5 million in the financial year ended December 31, 2011), which was primarily due to a decrease in capital expenditures due to the sequencing of own capital expenditures related to Project Empire I (two-thirds of which were incurred in 2011 and one-third in 2012), a decrease of own capital expenditures related to Project Harmony as well as a lower number of customer projects in 2012.

Cash Flows from Financing Activities

In the nine-month period ended September 30, 2014, our net cash flow from financing activities amounted to negative €47.4 million, as compared to a positive €9.2 million in the prior year period. This was primarily due to a decrease in additions from €32.7 million to negative €1.7 million due to extraordinary high additions in the nine-month period ended September 30, 2013 which were caused by additional securities provided by us to credit institutes in connection with the collection of receivables from our end customers, as well as an increase in payments for purchase of non-controlling interests from €0.0 million to negative €19.9 million.

In the financial year ended December 31, 2013, our net cash flow from financing activities amounted to €5.8 million, an increase by €37.3 million from negative €31.5 million in the prior financial year. This was primarily due to an increase in additions from €2.8 million to €32.7 million due to income from the sale of ImmoMediaNet amounting to €27.0 million, an increase in deposits from loans, bonds or short-term or long-term borrowings from banks from €2.9 million to €8.2 million due to additional securities provided by us to credit institutes in connection with the collection of receivables from our end customers, and a decrease in paid interest from €29.8 million to €24.0 million due to lower EURIBOR rates.

In the financial year ended December 31, 2012, our net cash flow from financing activities amounted to negative €31.5 million, a decrease of 90.9% from negative €16.5 million in the prior financial year. The main reasons for this was an increase in paid interest (€29.8 million in the financial year ended December 31, 2012, compared to €14.5 million in the prior financial year) which was due to the fact that in 2012 two installments had to be paid under the credit facilities, while in 2011 only one installment had to be paid. In contrast, the decrease in deposits from loans, bonds or short-term or long-term borrowings from banks (€2.9 million in the financial year ended December 31, 2012, compared to €47.8 million in the prior financial year) was largely offset by a decrease in repayments of loans and short-term or long-term loans from credit institutions (€1.8 million in the financial year ended December 31, 2012, compared to €49.4 million in the prior financial year) both of which were primarily due to the rescheduling of a loan and the granting of a revolving credit facility which remained undrawn.

Working Capital

Our working capital is seasonal due to disproportionately high annual prepayments in our TV business in January and July of each year. The main components of our working capital are trade receivables, which remained flat between 2011 and 2013, and trade payables, which increased between 2011 and 2013.

The table below presents our working capital for the nine-month period ended September 31, 2014 compared to the financial years ended December 31, 2013, 2012 and 2011.

	For the Nine-Month Period ended September 30,	For the Financial Year ended December 31,		
	2014	2013	2012	2011
	(unaudited) (in € million)	(audited) (in € million)		
Inventories	2.5	1.7	2.5	1.5
Trade receivables	21.2	18.9	18.5	16.3
Receivables from related parties	2.4	2.2	6.0	2.9
Other receivables	9.9	0.9	1.1	3.7
Income tax refund claims	0.5	1.2	1.3	1.8
Deferred expenses	6.6	2.2	1.1	1.1
Trade payables	(37.2)	(43.2)	(27.9)	(30.6)
Liabilities to related parties	(3.6)	(2.6)	(8.7)	(2.3)
Other payables	(15.8)	(8.0)	(7.2)	(15.6)
Income tax liabilities	(4.0)	(0.7)	(0.4)	(1.8)
Deferred income/revenue	(10.9)	(4.2)	(4.7)	(4.6)
Net working capital	**(28.4)**	**(31.7)**	**(18.4)**	**(27.5)**

In the nine-month period ended September 30, 2014, our net working capital was negative €28.4 million, compared to negative €31.7 million, negative €18.4 million and negative €27.5 million in the financial years ended December 31, 2013, 2012 and 2011, respectively. The peak in the financial year ended December 31, 2012 was primarily due to three effects. First, in 2011, our net working capital was reduced as a result of higher other payables, which amounted to €15.6 million and were due to the commencement of Project Empire I, with large investments in 2011, which slowly decreased in the subsequent periods. Second, in 2012, our net working capital was increased by higher receivables from related parties, which amounted to €6.0 million and were mainly due to a claim against TC Management resulting from the passing through of costs of €4.8 million in connection with the KD Acquisition. Third, in 2013, our net working capital was reduced as a result of higher trade payables, which amounted to €43.2 million and were due to the bringing forward of the last payment run in 2013 resulting in a higher number of invoices remaining unpaid in 2013 as well as a shift of a liability amounting to €7.7 million for payment of signal delivery costs to Eutelsat from provisions into trade payables. The increase of the net working capital as of September 30, 2014 by 10.4% compared to December 31, 2013 is mainly due to an increase of other receivables due to prepayments and creditors with a debit balance. Other payables increased by 97.5% mainly from accruals for the cost of the offering.

Capital Expenditure

Our capital expenditures were primarily financed through operating cash flows. Our capital expenditures decreased in the periods under review from €68.1 million, or 33.3% of our total revenues, in 2011 to €59.6 million, or 29.0% of our total revenues, in 2012 and to €51.5 million, or 25.0% of our total revenues, in 2013.

The following table shows the development of our capital expenditures in five functional areas. The numbers presented are based on management estimates:

	For the Nine-Month Period ended September 30,		For the Financial Year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited) (in € million)				
Customer projects	22.0	15.3	24.9	28.3	27.0
Network architecture	11.0	6.6	13.9	22.4	29.2
IT	0.9	0.6	1.3	0.6	2.9
Other	1.5	0.7	4.5	1.3	2.3
Own work capitalized	4.6	3.5	6.9	7.0	6.7
Total capital expenditures	**40.0**	**26.6**	**51.5**	**59.6**	**68.1**
Total capital expenditures in % of revenue	**25.1%**	**17.4%**	**25.0%**	**29.0%**	**33.3%**

Capital expenditures for customer projects refer to our obligations to rebuild or upgrade the housing associations' networks under existing contracts, as well as to capital expenditures with regard to technical devices leased to our end customers such as modems and receivers. Capital expenditures for network architecture focus on the migration of our customers from third party L3 networks to our "own" L3 networks (Project Empire), as well as the expenses related to enhancements of the IP readiness of our "own" networks (Project HFC). Capital expenditures for IT concern, for example, acquisitions of servers. Capital expenditures with regard to own work capitalized mainly comprise expenses for work performed by our own employees in connection with expanding our own cable network. Our capital expenditures relate to Germany.

Major Capital Expenditures in the Financial Years ended December 31, 2013, 2012 and 2011, in the Nine-month Period ended September 30, 2014 and in the Period from October 1, 2014 until the Date of the Prospectus

Our total capital expenditures decreased from €68.1 million in the financial year ended December 31, 2011 to €51.5 million in the financial year ended December 31, 2013, a decrease of 24.4%, mainly resulting from investments in connection with Project Harmony and the commencement of the implementation of our migration strategy in 2011 (Project Empire I), with large investments in 2011 which slowly decreased in proportion to the degree we concluded our migration and upgrade projects (see also "*—Key Factors Affecting our Results of Operations—Migration from Third Party Level 3 Networks to "Own" Networks and Network Upgrade*"). These projects affected our capital expenditures in network architecture.

Our capital expenditures for customer projects amounted to €27.0 million in 2011, increased in 2012 to €28.3 million and thereafter decreased to €24.9 million in 2013. They represented 13.2% of our revenues in the financial year 2011, 13.8% in the financial year 2012 and 12.1% in the financial year 2013. This slight decrease is due to a lower number of customer projects as well as lower capital expenditures incurred in connection with these projects in 2013.

Our capital expenditures for network architecture amounted to €29.2 million in the financial year 2011, decreased to €22.4 million in the financial year and further and decreased to €13.9 million in the financial year 2013, thereby representing 14.3% of our revenues in the financial year 2011, 10.9% of our revenues in the financial year 2012 and 6.7% of our revenues in the financial year 2013. This rapid decrease reflects the completion of our first migration initiative (Project Empire I), which caused approximately two-thirds of the necessary expenses in 2011 and approximately one-third in 2012, and a decline in investments made in connection with Project HFC, which were also mainly made in 2011. This was only partly offset through investments made in 2013 in connection with our second migration initiative (Project Empire II). Capital expenditures related to capitalization of leased lines (included in network architecture) amounted to €1.7 million in the financial year 2011, compared to €3.4 million in the financial year 2012 and €5.9 million in the financial year 2013, an increase by 247.1% over these periods. This increase of the proportion of leased lines in our network, allows us to "pay as we grow".

As a result of the increasing degree of accomplishment of our Projects Empire and HFC, both expenses for migrations of our subscribers from third party L3 networks to our "own" L3 networks, as well as expenses for enhancements of our networks for IP readiness, significantly decreased in the periods under review. As of December 31, 2013, approximately 68% of homes connected were already migrated to our "own" L3 network (which may include leased lines), and approximately 74% of our "own" L3 networks was already upgraded to two-way transmission, allowing us to offer the majority of our subscribers broadband Internet access, fixed-line telephony services and other multimedia services.

Our capital expenditures for IT amounted to €2.9 million in the financial year 2011, compared to €0.6 million in the financial year 2012 and €1.3 million in the financial year 2013. The fluctuations were mainly due to the acquisition of a server in 2011 which was sold and leased back in 2013 as well as capitalized costs in connection with outsourced IT services.

Other capital expenditures amounted to €2.3 million in the financial year 2011, €1.3 million in the financial year 2012 and €4.5 million in the financial year 2013. These expenses are mainly related to investments in networks owned by minority participations held by us which focus on business areas different from our own.

Capital expenditures with regard to own work capitalized mainly comprise expenses for work performed by our own employees in connection with expanding our own cable network. In the financial year 2011, own work capitalized amounted to €6.7 million. They increased to €7.0 million in the financial year 2012 and

thereafter slightly decreased to €6.9 million in the financial year 2013. They mainly related to Projects Harmony, HFC and Empire I.

Capital expenditures increased by €13.4 million, or 50.4%, to €40.0 million in the nine-month period ended September 30, 2014 (compared to €26.6 million in the nine-month period ended September 30, 2013). They primarily related to customer projects (€22.0 million) and investments in our network architecture (€11.0 million), in particular as a result of Project Empire II.

From October 1, 2014 until the date of the Prospectus, we made further capital expenditures in the amount between approximately €40 million and €45 million mainly related to the acquisition of the remaining shares in BMB for an aggregate purchase price of €21.6 million (consisting of a net purchase price of €19.9 million and a future investment obligation of €1.7 million) (see "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Events in the Periods under Review—Material Acquisitions and Sales*") and related to customer projects, in which we fulfilled our obligations to rebuild or upgrade housing associations' networks under existing contracts, and capital expenditures necessary to increase the customer base to which we can offer Internet, telephony and other multimedia services. This included, in particular, parts of our long-term Projects HFC and Empire II, parts of the enhancements of our network for IP readiness as well as smaller M&A activities. These capital expenditures related to Germany only and were financed out of our cash flows.

For the full financial year ending December 31, 2014, capital expenditures amounted to between €80 million and €85 million (including the amounts spent on the acquisition of the shares in BIG and BMB, see "*Material Contracts—Material Acquisitions*, *Divestures and Joint Ventures*"), an increase of approximately €28.5 million to €33.5 million, or approximately 55.3% to 65%, compared to €51.5 million in the financial year ending December 31, 2013. We expect that the majority of our capital expenditures in the financial year ending December 31, 2014 were success-based, such as expenditures related to customer projects or necessary to increase the customer base to which we can offer Internet, telephony and other multimedia services (including Projects HFC, Empire II and Empire III as well as enhancements of our network for IP readiness). Capital expenditures for customer projects are expected to have increased by more than 70%, compared to the preceding financial year, and expenses related to our network are expected to have increased by more than 120%. The significant expected increase in expenses related to our network is primarily due to Empire II, as a result of which both expenses for migrations of our subscribers from third party L3 networks to our "own" L3 networks and expenses for enhancements of our networks for IP readiness significantly increased.

Major Current Capital Expenditures

Our major current capital expenditures, i.e. such projects that have been initiated but have not been finalized as of the date of the Prospectus, mainly relate to customer projects, in which we fulfill further obligations to rebuild or upgrade housing associations' networks under existing contracts, and capital expenditures necessary to increase the customer base to which we can offer Internet, telephony and other multimedia services. They comprise, in particular, outstanding parts of Projects HFC and Empire II and further enhancements of our network for IP readiness, relate to Germany only and are financed out of our cash flows.

Future Capital Expenditures and Planned Capital Expenditures for 2015

As of the date of the Prospectus, our management board has made firm commitments on several capital expenditures mainly related to customer projects, in which we will fulfill further obligations to rebuild or upgrade housing associations' networks under existing contracts, and capital expenditures necessary to increase the customer base to which we can offer Internet, telephony and other multimedia services. This includes a firm commitment of our management board on our third migration initiative (Project Empire III), which is planned to start in 2015 and expected to incur capital expenditures in the amount of approximately €30 million. These capital expenditures will be related to Germany only and are planned to be financed out of our cash flows. Apart from Project Empire III and the capital expenditures related to customer projects, our management board has not made any further firm commitments with regard to future (and not yet initiated) capital expenditures. We intend, however, to raise our capital expenditures in 2015 by approximately €30 million to €35 million compared to the capital expenditures in 2014, in order to continue our strategy of migration and upgrades of our networks.

Commitments and Contingencies

The following table sets forth our financial liabilities, financial lease liabilities and operating lease liabilities as of December 31, 2013.

	As of December 31, 2013[1]			
	Payments due by period			
	Total	Less than 1 Year	1 - 5 Years	More than 5 Years
	(in € million)			
Financial liabilities	640.1	595.4	43.2	1.6
Financial lease liabilities	40.2	7.0	25.3	7.9
Operating lease liabilities	14.2	4.5	9.2	0.6
Total	**694.5**	**606.9**	**77.7**	**10.0**

(1) The relevant periods commence on December 31, 2013. Therefore, the period "Less than 1 Year" ends on December 31, 2014, and the period "1 - 5 Years" on December 31, 2018.

Other Material Financial Obligations

Pension and other long-term Employee Benefit Obligations

Provisions for pension and other long-term employee benefits amounted to €9.8 million, €9.9 million and €7.7 million as of December 31, 2013, 2012 and 2011, respectively. They remained stable at a relatively low level as pension commitments have been granted almost only in the past (especially when the respective employees were employed with Siemens or Bosch). The increase from 2011 to 2012 was due to a change of the method for calculating pension provisions according to IAS 19.

Research and Development, Patents and Licenses

We have not undertaken any significant research or development over the past financial years. Therefore, there were no significant amounts spent on company-sponsored research and development activities during each of the financial years ended December 31, 2013, 2012 and 2011.

Off-Balance Sheet Arrangements

There are no significant off-balance sheet arrangements that are likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditure or capital resources other than those described in the section "finance lease".

Qualitative and Quantitative Disclosures about Market Risks

Different financial risks arise from our operating activities, in particular liquidity risks, risks from changes in interest rates as well as risks from defaults on receivables. Our risk management is designed to identify possible risks and to mitigate their negative impact on our financial development. For this purpose, we use financial instruments to hedge certain risks.

Risk management is handled by our treasury in accordance with the principle of segregation of duties and monitoring. Financial risks are thereby identified, evaluated and secured in collaboration with the operating units. Our management has prepared written risk management rules and has defined rules for certain areas such as interest risks, credit risks, the use of derivatives and other financial instruments as well as for the use of excess liquidity.

In the past derivative instruments were solely used for hedging uncertain cash flows due to the risk of changing interest rates. Since debt restructuring in 2009 there have been no interest rate swaps.

Non-derivative financial instruments result from operating activities as well as from investing and financing activities. They include:

Activity	Significant financial instruments
Operating activities	Trade receivables
Investing activities	Non-current receivables
Financing activities	Cash and cash equivalents
	Bonds and loans

Liquidity Risks

The liquidity risk is the risk that existing liquidity reserves are not sufficient to meet the financial obligations on time. Liquidity risks may also develop when cash flows become necessary owing to operating or investment activities. Furthermore, liquidity risks may develop from financing activities. This would be the case if short-term cash outflows are needed to repay liabilities due to deferred payments, but the operating activities are not generating sufficient cash inflows, and at the same time sufficient liquid funds are not at the Company's disposal for such repayments.

Liquidity projections for specific planning periods and non-utilized credit lines within the Group with a term until June 30, 2017, are intended to continually ensure a supply of liquidity. As of December 31, 2013 the Group had at its disposal non-utilized credit lines totaling €28.3 million (2012 and 2011: also €28.3 million). These revolving credit lines were not utilized.

The following table shows the contractually agreed due dates for financial obligations (for information on the subsequent extension of the maturities by way of the 2013 Scheme in February 2014, please refer to "*—Key Events in the Periods under Review—Equity and Financial Restructurings—Schemes of Arrangement in 2013/2014*"):

€ (in thousands)	**31/12/2013**	**31/12/2012**	**31/12/2011**	**01/01/2011**
Less than one year	595,360	11,762	11,866	628,132
Between one and five years	43,202	631,988	641,315	2,297
More than five years	1,563	683	1,917	0
	640,125	644,433	655,097	630,428

Payment obligations for trade payables as well as other payables are shown in our statement of financial position, whereby there are non-current liabilities of this type due within one and five years.

Under the financing agreements, a variety of requirements have to be met. In the case of non-compliance, lenders have the opportunity to call in the loans (especially with ING Bank N.V., Amsterdam and Credit Suisse, London Branch). Observance of these covenants is continuously monitored by management. The liquidity risk in case of non-compliance with these regulations at the respective reporting dates amounted to €621.7 million for 2013, to €613.1 million for 2012, to €610.7 million for 2011 and to €587.3 million for January 1, 2011. The prognostic calculations of the applicable financial covenants prepared by us as a contracting party to the loan agreements indicate for the financial year 2014 that all financial covenants will be fulfilled for 2014 and 2015 due to the suspension of the financial requirements in 2014. The risk of non-compliance with these covenants and the corresponding financing regulations may still have a negative impact on the availability of credit and the assumption of going concern in 2014 and in the following years.

Interest Risks

The identified risks from interest rate fluctuations mainly refer to loans with variable interest rates. Non-current financial instruments with variable interest rates, for which the interest rate is linked to a market interest rate, such as EURIBOR, are exposed to risks arising from future cash flows. In the case of financial instruments with fixed interest rates, there is a risk with regard to measurement. At present there are no procedures for hedging or controlling variable interest-bearing liabilities. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest.

The table below shows how the EURIBOR fluctuations affect the combined income statement:

€ (in thousands)	**2013**	**2012**	**2011**
Increase in EURIBOR by 1%	(6,021)	(5,985)	(5,930)
Decrease in EURIBOR by 1%	6,021	5,985	5,930

The calculation is based on the portfolio of variable-interest liabilities as at the reporting date multiplied by the respective interest rate adjustment. As we do not use derivative financial instruments, it is exposed to the risks from interest rate fluctuations and consequent cash flows. Therefore, a significant increase in the EURIBOR would directly lead to a significant increase in our interest expense. Consequently, we monitor the interest rate environment meticulously and are ready to execute interest hedging transactions, if any, in the appropriate case.

Non-current liabilities at fixed interest rates are measured at amortized cost. The fair value of non-current liabilities can significantly differ from their carrying amounts as the fair value of these liabilities may change depending on how interest rates and the market situation develop in general.

Credit Risks

There are credit risks with regard to trade receivables, other receivables and cash and cash equivalents. There are trade receivables due from other companies as well as from private customers. Credit risks are based on the default risk of the contracting party concerned.

Preventative and other measures have been taken, and debt-collecting agencies have been involved to mitigate the credit risk of trade receivables. A part of the preventative measures is to assess the creditworthiness of a customer with regard to credit standing, past experiences and other factors before any contractual relationship is entered into.

Receivables outstanding are impaired at different percentages depending on the dunning level. The percentage rates take into account our management's assessment on the respective amount that is likely to be collected. These are primarily based on past experience. In the periods under review, only trade receivables were written down. Therefore, we assume that all unimpaired receivables are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. Wholesale customers are sent reminders on an individual basis. The responsible departments decide whether a reminder is to be sent by considering the special agreements made with these customers. If a customer then does not settle the outstanding payments, the case is referred to a debt-collecting agency, and in the case of commercial customers, solicitors are involved and/or the service to the customer is discontinued.

Trade receivables are written down to the expected amount likely to be collected in accordance with the procedure to determine the specific bad debt charges. Therefore, there is a maximum default risk in the amount of the (active) carrying amounts of these financial assets. Current other financial receivables are assessed individually. Concerning non-current other financial receivables estimated, cash flows are discounted using the original effective interest rate.

There have been no swap transactions since the implementation of debt restructuring measures in 2009.

It can be assumed that the impaired carrying amount of trade receivables serves as an approximation of the fair value.

Critical Accounting Estimates and Policies

The preparation of our combined financial statements required management to apply accounting methods and policies that are based on judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affected the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. However, the Combined Financial Statements included herein may not necessarily reflect what our results of operations, financial position and cash flows would have been, had we been operating in our current structure on a stand-alone basis during the periods presented.

We have summarized below our accounting policies that require the judgment of our management in making assumptions or estimates regarding the effects of matters that are inherently uncertain, and for which changes in conditions may significantly affect our results of operations and financial condition. For more information, see the notes to our combined financial statements included in the financial statements section in the Prospectus.

Significant Estimates and Assumptions

The Company is occasionally obligated to dismantle and to remove all network facilities and infrastructures when rental agreements expire. The management assumes a low probability for such work being required and has therefore not recognized any provision for dismantling obligations.

In connection with a long-term signal delivery agreement, provisions for an onerous contract were recognized (2013: €15.3 million; 2012: €28.7 million; 2011: €22.6 million). The signal delivery agreement expires on June 30, 2018 and includes minimum charges. In the event of non-compliance with these

minimum charges, the Company must make up the difference. Based on the expected subscriber volume and the tiered pricing contractually agreed upon, the expected amount of the obligation was calculated and compared with the minimum charges resulting in an overall loss.

Goodwill of €363.4 million is not amortized but is subject to an impairment test each year. Further reviews are performed if there is evidence of an impairment. As of December 31, 2011, 2012 and 2013, fair value less costs to sell was used as the basis for the determination of the recoverable amount in accordance with IAS 36. The measurement of fair value based on non-binding purchase price offers for Tele Columbus GmbH and its subsidiaries was classified as fair value of level 3 pursuant to IFRS 13 based on the input factors of the measurement technique used. As, in the course of the reorganization, all operating investments of Tele Columbus GmbH were transferred to Tele Columbus Holding GmbH with the exception of certain liabilities in a Spin-Off, the TC Group assumes that the fair value can be derived from the respective non-binding purchase prices as well as other internal measures.

Deferred tax assets are recognized if sufficient taxable income is expected for future periods. The availability of sufficient taxable income can be verified by existing deferred tax liabilities.

Non-controlling interests in partnerships are puttable by the holder of such interests. Therefore, such interests are recognized as financial liabilities as defined in IAS 32.11/32.16 and are measured at the present value of the redemption amount in accordance with IAS 32.23. The Company uses an accounting policy choice and accounts for those interests under the present access method since the non-controlling interests are still entitled to dividends. Thus, the non-controlling interests themselves are continued to be accounted for in equity. The liability required to be recognized in accordance with IAS 32 at the present value of the redemption amount is recognized with a corresponding adjustment item within "net assets attributable to shareholders of TC Group". The present value was determined by a multiplier valuation based on the entity value of the entire Group. The entity value of the partnership which was derived of the entity value of the entire Group was discounted by using the cost of equity under the assumption of a 25-year-term in order to determine the present value of the redemption amount.

Significant Accounting Policies

Intangible Assets

Acquired intangible assets are measured at cost. Internally generated intangible assets are capitalized at cost if they comply with the requirements of IAS 38. Intangible assets with finite useful life are amortized over an asset's estimated useful life (between 3 and 15 years) using the straight line method from the time of their operational readiness.

Development expenses for improving and expanding internally generated software are capitalized insofar as the recognition requirements under IAS 38.57 et seqq. are met. Capitalized development expenses are amortized over a period of two years.

Expenses for the acquisition of new customers are capitalized as intangible assets if they are payments to external third parties directly connected with the conclusion of a contract and if they comply with the recognition and measurement criteria for intangible assets pursuant to IAS 38. Such expenses are amortized over a initial minimum contract term of 1 to 2 years. Goodwill and intangible assets with indefinite useful lives are not amortized according to plan but are assessed by means of annual impairment tests for possible impairment. Further reviews are performed if there is evidence of impairment. The impairment test is carried out on the basis of the applicable cash generating unit to which the goodwill is allocated.

Property, Plant and Equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairments.

Property, plant and equipment are generally depreciated by the straight line method over a period of 3 to 15 years. The cable network infrastructure comprises technical facilities with estimated useful lives of between 8 and 15 years. Borrowing costs are capitalized if they are directly attributable to the acquisition of a qualified asset. If they are not attributable, they are expensed in the period incurred.

Customer terminals in the form of receivers are recognized as part of the network infrastructure under technical equipment and depreciated over their estimated useful life of three years.

In case of impairments, an impairment loss is also recognized. Estimated useful lives are assessed at each reporting date. Adjustments are made in accordance with the new basis. If there are any indications of impairment and if the recoverable amount is lower than the amortized cost, property, plant and equipment are written down. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In principle, an impairment test is carried out for each asset.

Impairments are reversed when the reasons for these impairments have ceased to exist or if an impairment has been reduced.

Costs for maintenance and repair are recognized in the period in which they are incurred. Significant subsequent acquisition costs are capitalized when it is sufficiently probable that future benefits expected to flow to the Company will be higher than the benefits previously expected.

Leasing

According to IAS 17, a distinction is made between operating and finance leases. In the case of a finance lease, the significant risks and opportunities are transferred to the lessee such that the asset must be capitalized in the statement of financial position of the lessee. Finance lease assets are measured at the beginning of the lease term at the lower of the asset's fair value and the present value of minimum lease payments. The asset is written down straight line over its estimated useful life or the shorter lease term. Future lease payments are recognized as a lease liability under liabilities. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance lease agreements are also included in sale-and-lease-back agreements. Any and all capital gains are deferred over the term of the finance leases. Finance leases, in particular, exist for rented building distribution equipment and leased local cabling on the basis of fibre optic connections.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made in connection with an operating lease are recognized in the combined income statement over the term of the lease using the straight line method.

The TC Group also leases customer premises equipment (CPE) necessary for receiving digital television and broadband transmission packages to its customers. Such lease arrangements, in which the TC Group is the lessor, are classified as operating leases. Consequently, the Company capitalizes CPEs as property, plant and equipment at cost. It is not possible to provide information pursuant to IAS 17.56 regarding future fees for the provision of CPEs as it is incorporated into the fees for all services provided to customers.

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. As defined in IAS 32 and IAS 39, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

Financial assets and liabilities are recognized when a company enters into a contractual relationship with a corresponding contracting party. A financial asset is derecognized when the contractual rights of the financial asset expire or the rights to the financial asset are transferred to another party. A financial liability is eliminated from the combined statement of financial position when it is repaid, i.e. when the liabilities mentioned in the contract are settled or terminated, or when the financial liability expires.

If the terms of existing financial liabilities are changed significantly, the existing loan based on the previous terms is extinguished, and the loan based on the changed terms is recognized at fair value as required by IAS 39.40. Fair value is determined by discounting the contractually expected future cash flows using an interest rate consistent with the market situation. If the determined fair value deviates from the transaction price, the difference is amortized over the contract term.

Provisions

IFRS requires a provision be set up when a company of the TC Group has a current, legal or actual obligation because of a past event, an outflow of resources of economic benefit is likely to be needed to satisfy this obligation, and a reliable estimate of the amount of this obligation is possible. If the TC Group expects a refund for a provision, the refund is recognized as a separate asset to the extent the inflow of the

refund is as good as secured. If the compounding effect resulting from discounting is significant, provisions are reduced by discounting the prospective future cash flows at a pre-tax interest rate which reflects current market expectations with regard to the interest effect and, if necessary, the risks specific to the liability.

Revenue Recognition

The TC Group generates revenues in the following key segments: analogue and digital cable television, additional digital services, Internet and telephony and transmission fees. Current proceeds from fixed charges are generally recognized on a straight line basis over the individual term of the contract.

New customers are partly gained through advertising offers, such as a certain number of free months for a contract term of 1 to 2 years. If the customer can terminate the contract within the first free months, no income is received during this period. If a customer has signed a contract with a minimum term, the subscription fees are realized for the minimum term including months free of charge by the straight line method.

All revenues are realized by the straight line method over the entire term. Fees for the use of modems at the beginning of contracts are received throughout a contract term of at least 12 months. Income from installation charges are realized when they are incurred. This income is offset by corresponding internal and external processing costs for new customers. Revenues from customer premises equipment (CPE) sold to the customer are realized in full when the contract is won. Costs are fully expensed at the same time.

Income Tax

Deferred taxes are generally considered for all temporary differences arising between the value of an asset or a liability recognized for tax purposes and the carrying amount as defined by IFRS. Deferred taxes for the temporary differences arising from goodwill are only considered if they are recognized for tax purposes.

Deferred tax assets from deductible temporary differences and from tax loss carryforwards are only recognized to the extent that it is reasonably certain the company concerned will earn sufficient taxable income to realize the corresponding benefit or temporary differences are reversed. However, if deferred taxes arise in a transaction, which is not a business combination, at the initial recognition of an asset or liability, which at the time of the transaction neither affects the accounting nor the taxable profit or loss, the tax is not deferred.

The value of deferred taxes is determined by taxable income generated in the future, and it is checked on an annual basis. If it is not reasonably likely that sufficient taxable income can be generated in the future to cover losses carried forward or generated by temporary differences, the deferred tax assets are adjusted by the corresponding amount. Deferred taxes are measured by applying tax rates (and tax regulations) that are valid or have been enacted by the reporting date and whose application at the time of realising the deferred tax receivable or settling deferred tax liabilities is expected. Deferred tax is measured on a non-discounted basis.

Information from the Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH Prepared in Accordance with the German Commercial Code for the Financial Year Ended December 31, 2013

The audited unconsolidated financial statements of Tele Columbus Holding GmbH (which on September 12, 2014 changed its legal form and was renamed Tele Columbus AG) for the financial year ended December 31, 2013 have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*). Tele Columbus Holding GmbH was the top holding company of the operational entities of the Group. In the financial year 2013, Tele Columbus Holding GmbH had a result from ordinary activities in the amount of minus €7.2 thousand compared to a result from ordinary activities of minus €0.7 thousand in the financial year 2012.

As of December 31, 2013 and 2012, i.e. prior to the Spin-Off which had economically retroactive effect as from January 1, 2014 (see "*—Preparation of the Combined Financial Statements—Structure of TC Group*"), Tele Columbus Holding GmbH was an empty shell company. Its equity was positive and it was not party to a profit and loss pooling agreement and had no fulltime employees (FTE). Its managing directors were paid by Tele Columbus GmbH.

After the Spin-Off, i.e. with economically retroactive effect as from January 1, 2014, the Company's equity was negative as a result of the transfer of the assets and liabilities of TC GmbH to the Company (for a description of the assets and liabilities excepted herefrom, see "*—Preparation of the Combined Financial Statements—Structure of TC Group*"). The Company was further a party to profit and loss pooling agreements with Tele Columbus Multimedia GmbH, Tele Columbus Hessen GmbH, Tele Columbus Kabel Services GmbH, Tele Columbus Netze Berlin GmbH, Tele Columbus Ost GmbH, Tele Columbus Cottbus GmbH, Tele Columbus Sachsen-Anhalt GmbH and Tele Columbus Sachsen-Thüringen GmbH.

Tele Columbus Holding GmbH incurred a loss for the financial year ended December 31, 2013 in the amount of €7.2 thousand, compared to a loss of €0.7 thousand for the financial year ended December 31, 2012. This includes other operating expenses in the amount of €7.3 thousand in 2013 (compared to €0.7 thousand in 2012). This increase in other operating expenses was mainly due to legal and advisory fees which in 2013 amounted to €7.2 thousand.

As of the financial year ended December 31, 2013, the total assets of Tele Columbus Holding GmbH amounted to €20.8 thousand, a decrease of €3.5 thousand, or 14.4%, compared to €24.3 thousand for the financial year ended December 31, 2012. This decrease was also mainly due to legal and advisory fees which in 2013 amounted to €7.2 thousand.

Income Statement Information

	For the Financial Year ended December 31,	
	2013	**2012**
	(audited) **(€ in thousands)**	
Other operating income	0.1	0.0
Other operating expenses	(7.3)	(0.7)
Result from ordinary activities	(7.2)	(0.7)
Net profit (loss) for the financial year	(7.2)	(0.7)

Statement of Financial Position

	As of December 31,	
	2013	**2012**
	(audited) **(€ in thousands)**	
Assets		
Total non-current assets	**0.0**	**0.0**
Cash and credit balances with banks	20.8	24.3
Total current assets	**20.8**	**24.3**
Total assets	**20.8**	**24.3**
Equity		
Subscribed capital	25.0	25.0
Loss carry forward	(0.7)	0.0
Net profit (loss) for the financial year	(7.2)	(0.7)
Total equity	**17.0**	**24.3**
Provisions		
Other provisions	3.8	0.0
Total provisions	**3.8**	**0.0**
Total equity and liabilities	**20.8**	**24.3**

MARKET AND COMPETITIVE ENVIRONMENT

Introduction

We operate our business in Germany, which in 2013 was the largest TV and broadband cable market in terms of TV and cable households in Europe, respectively (Sources: Euromonitor; ANGA, Breitbandkabel—Factsheet TV 2014). Germany is also the largest economy in Europe which, despite economic difficulties in a number of European countries over the past years, has benefitted from comparatively favorable macroeconomic conditions, such as steady GDP growth (1.8% expected in 2014 Source: Eurostat), disciplined fiscal policy (public debt of 78% of GDP in 2013), low inflation (1.5% in 2013, Source: Statista), low unemployment (5% in 2014, Source: IMF—World Economic Outlook Database 2014), and average GDP per capita of €30,000 in 2013 (Source: IMF—World Economic Outlook Database 2014).

Although German fixed-line broadband cable penetration has been increasing over time and reached 70% of all households in 2013, it is still low in the European context (e.g. compared to 89% of households in France, 90% in the Netherlands, 83% in the UK) (Source: TeleGeography). Fixed-line and mobile broadband penetration in Eastern Germany, where approximately 80% of our homes connected as of June 30, 2014, are located, lags approximately 5-10% behind the most penetrated areas in Germany (with the exception of Berlin) (Source: TNS Infratest, Breitband in Deutschland 2013) representing an attractive further growth opportunity.

German TV Market

The German TV market is the largest in Europe, with approximately 39.5 million TV households in 2013 (Source: Euromonitor) and a combined cable, satellite, terrestrial and IPTV penetration rate of approximately 96% based on the number of households in total in 2013 (Source: TNS Infratest, Digitalisierungsbericht 2014). Penetration by pay-TV, i.e. digital television services which can be purchased in addition to basic cable/satellite TV offerings, is low but increased from 10% of German TV households in 2009 to 14% in 2012 (Source: Solon, Strategien und Visionen 2013).

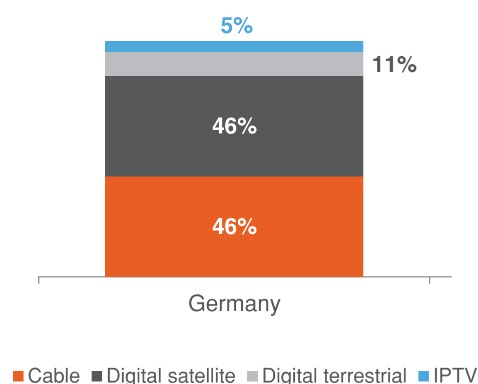
German TV Distribution Platforms

Television signals are distributed in Germany through various platforms, including cable (and fiber), satellite and digital terrestrial systems, as well as broadband Internet access technologies such as VDSL and ADSL+. Cable and satellite were the leading television signal distribution platforms in Germany in 2013, with approximately 46.3% of TV households watching cable TV and approximately 46.2% watching TV via satellite (Source: TNS Infratest, Digitalisierungsbericht 2014). Although digital terrestrial television (DTT) and transmission in IP protocol (IPTV) have penetrated other TV markets in Europe, German cable TV has proven resilient against competition from these distribution platforms. In 2013, digital terrestrial reception was used as a means of reception by approximately 11% of households respectively (Source: TNS Infratest, Digitalisierungsbericht 2014).

Across the distribution platforms for TV signals, 80.8% of all television households received and used digital programming in 2013, which replaced analog terrestrial television (Source: TNS Infratest, Digitalisierungsbericht 2014). Due to the fact that the sale of analog satellite equipment stopped several years ago and German TV stations ceased the transmission of analog television signals via satellite as of April 30, 2012, all satellite TV is digital. Digital usage via cable is constantly increasing with 55.9% of all TV cable households in 2013 receiving digital programs (Sources: TNS Infratest, Digitalisierungsbericht 2014; ANGA, Breitbandkabel—Factsheet TV 2014). However, subscribers for cable television can still receive and use analog as well as digital cable TV signals in parallel. To the extent cable operators receive TV signals to their local head ends via satellite, they are able to convert digital signals back to analog for the benefit of those cable TV customers who prefer analog reception. Analog signals can be received without requiring any additional devices, support old television sets and have a low technical complexity.

The split of TV delivery platforms in Germany in 2013 can be illustrated as follows:

German TV market split in a European context (2013)



Source: TNS Infratest, Digitalisierungsbericht 2014 (exceeds 100% as multiple use of platforms is possible).

Cable

Cable as TV distribution channel provides a substantial program offering of between 30 and 50 analog channels and 90 to 300 digital free and pay-TV channels, depending on the cable operator and the region served (Source: ANGA, Breitbandkabel 2014—Factsheet TV). In general, cable TV is the only TV platform that provides for the full array of interactive television and multimedia services (such as video-on-demand products) combined with full high-speed Internet connectivity offering bandwidth of up to 150 Mbps. Cable connection delivers high-capacity dependent content to connected homes across our entire upgraded network, which allows subscribers to simultaneously view basic or digital television programming on multiple televisions and to place phone calls. The user experience for Internet and TV is enhanced by the fact that there is no capacity sharing and therefore no interdependency of our broadband Internet service with TV transmission. Services are delivered in a "plug and play" mode.

To receive TV programming distributed via cable, end customers generally simply need to connect their TV to receive analog TV signals. The reception of digital TV signals usually requires a set-top box or an integrated digital TV ("**IDTV**") set, which has become part of most standard TVs offered on the retail market. Public and certain private broadcasters also transmit unencrypted HDTV signals. For the reception of general private HDTV programming, end customers need a subscription, a set top box or CI+ module and a smart card. In case of encryption of digital TV signals, the set-top box or IDTV set, in combination with a CI+ module, decrypts the signal supported by a smartcard which is usually provided by the cable operator.

Satellite

Satellite operators provide television users in Germany with up to approximately 30 digital free- and pay-TV television channels targeted at the German market and several hundred international television programs, depending on the location of the satellite transponder. To receive programming distributed via satellite, viewers need a satellite dish and a digital satellite receiver. Viewers also require a smartcard for pay-TV television services distributed via satellite. If applicable, satellite customers are charged pay-TV subscription fees directly by the providers of such programs. A prominent example in (premium) pay-TV in Germany is currently Sky. Since May 2014, SES Astra has (through an affiliate) introduced, in cooperation with the large private free TV providers, a subscription model for HD ("**HD+**"). Apart from SES Astra, satellite providers generally do not have any relationship with end customers in Germany.

The principal advantage of receiving television signals via satellite is, in our view, lower costs in the long term, given that the initial cost of purchasing a satellite dish is offset by the absence of recurring subscription fees.

Because satellite generally is not a two-way signal technology, satellite signals are mostly limited to television signals (such as linear programming) and current satellite technology is not necessarily equipped for the full array of interactive television and multimedia services, such as full video-on-demand products other than limited catch-up-TV or near-video-on-demand offerings. While satellite operators can team up with providers of broadband Internet and fixed-line telephony services or providers of wireless broadband

services, they are unable to directly supply all the products in a triple play bundle and, in particular, are not able to compensate for a possible decline in linear television use through increased demand for high bandwidth broadband Internet services. In addition, the installation of devices necessary to receive TV signals via satellite is inconvenient and entails significant up-front costs. Tenants, in particular in MDUs, may not be allowed to install satellite dishes, if they have access to cable TV (see below "*—German Cable Market—Housing Association Model in the German Market*").

DTT

DTT is another way of transmitting television signals. Currently, the number of TV channels that can be transmitted via DTT is, in most areas, limited to approximately 24 channels. In addition, DTT does not allow for the provision of enhanced two-way functionalities given the lack of a return path. However, in the event of a switch to MPEG4/DVB-T2 technology (which is, according to a joint press release published by the State Media Authorities in June 2014, to commence in mid-2016 and to be completed in 2020) the transmission capacity of DTT could be increased to at least 64 SD channels and also may allow HD offerings. In order to receive DTT, a consumer needs an antenna and a receiver, but the consumer is not required to pay any subscription fees. This may change when DVB-T2 becomes available since the main private broadcasters P7S1 and RTL have announced that their signals will be distributed via DVB-T2 only in encrypted form against payment of a subscription fee. DTT has been implemented in nearly all cable regions. However, in some areas, the private broadcasters, who are required to pay for DTT distribution, have not distributed their signals via DTT, thereby limiting the content available. For example in Munich, RTL does not distribute its signals via DTT and has announced that it will reconsider this decision only when DVB-T2 becomes available in this region, which is expected at the earliest in 2016.

IPTV

As a consequence of improvements in Internet access and data transmission technologies, in particular DSL technologies, the Internet is increasingly being used as a platform for the distribution of IPTV and Video-on-demand (VoD) services. However, for most DSL subscribers IPTV is associated with a number of constraints compared to other infrastructures, due to the high bandwidth required for HD streams, difficulties arising with multi-room support and DVR recording of several streams as well as the limits on simultaneous Internet use. Demand for IPTV, which is available in many of Germany's urban centers, is currently limited but increasing with approximately 5% of TV households using IPTV in 2013 (Source: TNS Infratest, Digitalisierungsbericht 2013). IPTV use may further increase in the future as it becomes more widely available and the number of channels transmitted may increase. Currently, according to DTAG, transmission of one HD channel via IPTV requires a DSL connection with a (nominal) bandwidth of (up to) 16 Mbit/s. With 25 Mbit/s, it is possible to receive one HD channel and one SD channel simultaneously. Reception of two HD channels requires a bandwidth of 50 MBit/s. Companies operating DSL infrastructures have begun to upgrade their respective infrastructures to ADSL2+ and VDSL, which will further increase the use of IPTV. As of March 30, 2014, DTAG, which has been offering IPTV services since 2006, reported that it had approximately 2.3 million connected subscribers to its "Entertain" product. Currently, IPTV subscriber growth is therefore mainly driven by increasing penetration of DTAG products.

OTT Providers

In Germany there is increasing demand for services provided by "over-the-top" (OTT) providers such as, for instance, Amazon, Apple, Google (with its offerings "Google Play" and "Youtube"), maxdome, Watchever, MyVideo.de and Netflix (who has launched in Germany in September 2014), which deliver non-linear video signals as a stream on top of third parties' broadband Internet access services, and OTT-providers of linear TV signals such as Magine and Zattoo. In addition, broadcasting companies have announced plans to, or have already begun to, offer programming via Internet, e.g., by providing specific applications for end user devices that connect to on-premises wireless or mobile phone networks. These services may become more popular, in particular among Germany's younger demographic. To the extent the use of such devices is expected to significantly increase Internet bandwidth demand, we might profit as a result of this trend because customers substituting our TV offerings with OTT offerings might instead subscribe to our broadband Internet access services, which generate significantly higher ARPU than our cable TV offerings.

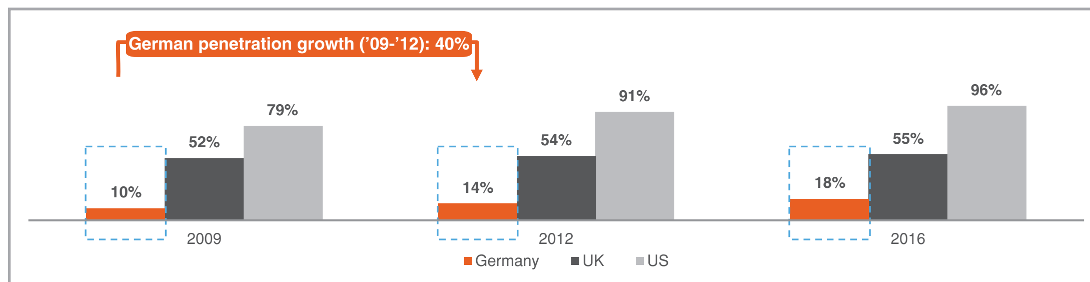
German Pay-TV Market

The German pay-TV market can be divided into basic pay-TV and premium pay-TV as well as VoD. Basic pay-TV primarily consists of basic content packages (which are offered by cable providers and include additional channels, such as Discovery channel), international TV channel packages and access to pay-per-view. The premium pay-TV market consists of package offerings that include premium sports channels and premium movie channels showing recent film and series releases.

The German pay-TV market continues to be less developed than other European pay-TV markets or the market in the United States due to the availability of a large variety of free-TV programming in Germany. In 2012, approximately 14% of all German TV households subscribed for pay-TV compared to approximately 91% in the United States and approximately 54% in the UK (Source: Solon, Strategien und Visionen 2013).

According to Solon, the German pay-TV market is expected to continue to grow in terms of penetration of TV households as presented below:

German pay-TV penetration in a global context



(German pay-TV subscribers in million, penetration of TV households in %)

Source: Solon, Strategien und Visionen 2013.

German Cable Market

Network Infrastructure

The German cable market is the largest European cable market with approximately 18 million cable households in 2013 (Source: ANGA, Breitbandkabel 2014—Factsheet TV). The structure of the German cable network market is strongly influenced by historical factors and has been split between regional Level 3 (L3) network operators and Level 4 (L4) network operators. Whereas the L3 network transports signals from regional distribution networks to the transfer point outside of the subscriber's dwelling unit, the L4 network is the part of the network from the transfer point to the wall outlet in the subscriber's dwelling unit. Until 1996, due to its former monopoly, DTAG was generally permitted to control the implementation of the build-out of the cable network and of telecommunications services in Germany. In 1996, the German Telecommunications Act (*Telekommunikationsgesetz*) came into force and DTAG was obliged to open its network to competitors. DTAG eventually sold its cable network. As a result, following several mergers and acquisitions, two large competitors currently own the major part of the regional L3 networks, i.e., Vodafone/KD and Unitymedia/KBW, with which we compete inter alia with our L3/L4 networks. The L4 network was not part of the former monopoly of DTAG. In addition to integrated L3/L4 network operators, several L4 focused network operators and housing associations operate in the L4 network market.

Housing Association Model in the German Cable Market

In Germany, the majority of households, i.e. 52% as of June 2014, are part of multi dwelling units (MDUs). This represents one of the highest apartment building penetrations in Europe (Source: Euromonitor). In France only 42% and in the UK 21% of households are in MDUs (Source: Euromonitor). 79% of MDUs in Germany have more than three dwellings (Source: Federal Statistical Office). MDUs are typically managed by housing associations which determine and manage the TV signal access for the residents. This usually also includes the decision on whether to use cable or satellite. Housing associations are therefore key customers for German cable operators. With regard to cable TV

services, housing associations generally enter into contractual relationships with cable operators for the provision of cable TV services to the tenants in the form of bulk contracts. Under many of these contracts the housing associations buy cable TV access for all premises they administer at a fixed price from a cable operator. The housing associations in turn charge the tenants for the basic cable services, which are often included in operating costs, which are charged by landlords and housing associations as part of the rental agreement according to the applicable rental law regulations (*Betriebskostenverordnung*). The housing association contracts which we have newly concluded since January 2013 have an average initial term of over five years or more. Many contracts have an evergreen clause and provide for consecutive renewals for terms of one further year after the initial term, unless terminated. In most cases, the tenants are allowed to subscribe for additional services such as pay-TV on the basis of individual contracts with the cable operators. Housing associations, however, do not usually allow tenants to have a competing cable operator install its own facilities or to switch to satellite reception. Many housing associations forbid the installation of satellite dishes due to the risk of structural damage and zoning laws. Accordingly, once housing associations decide to contract with a particular cable operator, it is very difficult for cable competitors to gain access to the TV households managed by the respective housing association. The housing association would either have to terminate the underlying contract in advance or switch to another cable operator upon expiration of the underlying contract. Costs and inconveniences for tenants in almost all cases prevent a duplication of the cable infrastructure and we are not aware of any current arrangements providing for a shared use of in-house networks, even if it is technically possible. Cable churn rates are therefore relatively low given that proximity to the housing associations, service level and tailored solutions are more important than price. Once a stable customer relationship has been established, the contracts will often be renewed without soliciting offers of other operators. Smaller housing associations often prefer smaller cable companies as provider because they assume that such operators will pay more attention to smaller customers.

The role of housing associations described above, which is typical of the German cable TV market, forms the basis for the Company's business model, which is characterized by stable and long-term relationships with housing associations.

Competition

In recent years, the German cable TV market has been characterized by consolidation of L4 network operators. In addition to us, the four major L4 network operators in our core regions are currently Vodafone/KD, Unitymedia/KBW, PrimaCom and Pepcom. All of them have regional core areas with the exception of Vodafone/KD, who is the market leader in terms of cable TV subscribers (i.e. 7.1 million cable TV subscribers as of June 30, 2014) and provides services in all German federal states (*Bundesländer*) except for North Rhine-Westphalia, Hesse and Baden-Württemberg (Sources: Homepage KD; Solon, Wirtschaftsfaktor Kabel). Unitymedia/KBW, as the second largest German cable network provider with 6.6 million cable TV subscribers as of December 31, 2013 is focused on North Rhine-Westphalia, Hesse and Baden-Württemberg (Sources: Homepage Unitymedia; Solon, Wirtschaftsfaktor Kabel). Our regional focus as, in our view, third largest national German cable network operator overlaps with Vodafone/KD's offerings in the Eastern German federal states (Saxony Anhalt, Berlin, Brandenburg, Saxony and Thuringia) and Unitymedia/KBW's focus in North Rhine-Westphalia and Hesse (Source: Solon, Wirtschaftsfaktor Kabel).

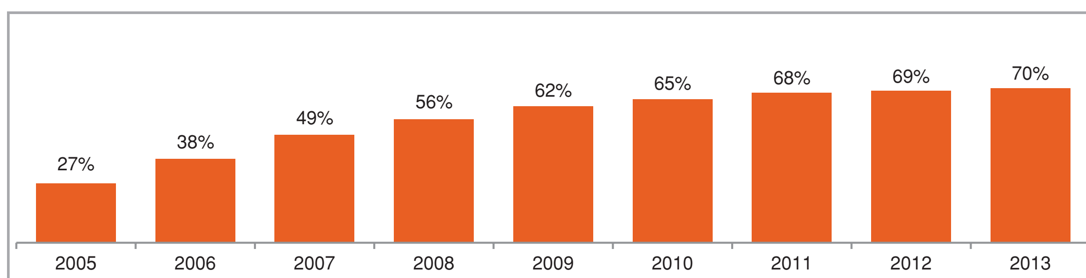
Other competitors are PrimaCom, which acquired DTK Deutsche Telekabel in March 2014, and Pepcom. Both had approximately 0.6 million cable TV subscribers as of December 31, 2013 (Sources: PrimaCom Homepage; Pepcom Homepage). PrimaCom mainly operates in our core regions as well as in Mecklenburg-Vorpommern and Hamburg, whereas Pepcom operates as a holding company of several smaller local cable network operators in cities such as Munich, Frankfurt (Oder), Nurnberg, Erlangen and Fürth.

German Broadband Internet Market

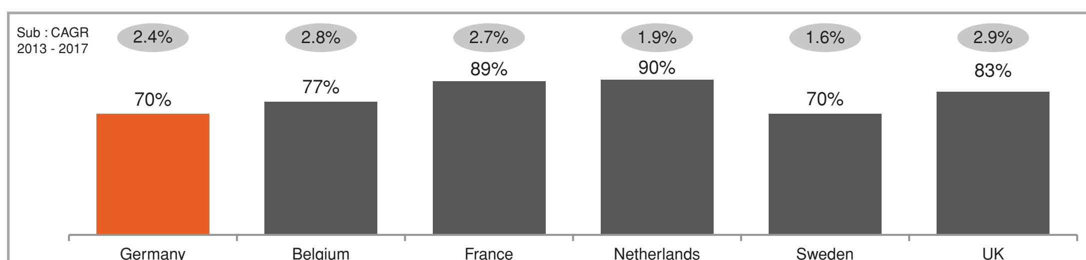
Fixed-line broadband Internet penetration in Germany was estimated at approximately 70% of households in 2013 and is expected to continue to grow (Sources: TeleGeography, Euromonitor). However, although German fixed-line broadband penetration has increased over time, it still lags behind other European markets. For example, in the Netherlands, France, Sweden, Belgium and the UK, fixed-line broadband penetration ranges between approximately 70% and 90% of households (Sources: TeleGeography, Euromonitor). Fixed-line broadband penetration in Germany in terms of percentage of households is expected to increase at a CAGR of 2.4% from 2013 to 2017 (Source: Euromonitor) which will still be

significantly below other European countries but suggests further growth potential regarding broadband Internet.

German fixed broadband penetration over time (% of households)(1)



Fixed broadband penetration in a European context (% of households)(2)



(1) Source: TeleGeography.

(2) Source: Broadband penetration from TeleGeography and subscriber growth data from Euromonitor International as of August 2014.

Note: Broadband penetration is calculated as a percentage of all internet connections with data transfer speeds of at least 256kbit/s in one direction to total households.

Broadband Internet penetration (fixed-line and mobile) in Eastern Germany, where approximately 80% of the Company's homes connected as of June 30, 2014, are located, lags approximately 5-10% behind the most penetrated areas in Germany (with the exception of Berlin) (Source: TNS Infratest, Breitband in Deutschland 2013) representing an attractive further growth opportunity.

Broadband Internet services in Germany are principally provided through two major distribution platforms, hybrid fiber coaxial (HFC) cable networks and DSL-based networks (including VDSL and ADSL2+). Any of these networks may contain transmission by glass fiber (e.g., fiber backbone connections or fiber to the building (FTTB)). Transmission based entirely on glass fiber (fiber to the home, FTTH), however, is very rare in Germany.

Broadband Internet Access Technologies

Cable

Cable networks upgraded to two-way transmission are well-suited to provide services with high bandwidth requirements due to their network characteristics. As they were originally designed for high bandwidths and transmission of large signal volumes, cable networks are able to deliver a variety of services (such as VoIP and video signals) in parallel to signal streams and to broadcast analog and digital TV programs as well as analog and digital radio programs simultaneously at consistent speeds and quality, irrespective of the distance between the customer and the distribution point in the network area.

DSL

DSL-based networks are dependent on the distance from the local exchange in order to provide fast connections. The maximum speed advertised by DSL providers is in fact only feasible for customers located less than one kilometer from the nearest local exchange. According to a study by the FNA (*Bundesnetzagentur*), the marketed maximum DSL speed (in this study between 8 and 18 Mbit/s) was only reached in 1.8% of the cases. 72.9% of the cases reached 50% or more of such marketed maximum speed

(Source: FNA, Abschlussbericht Dienstequalität von Breitbandzugängen, 2013). In contrast, the marketed maximum cable speed (in this study also between 8 and 18 Mbit/s) was reached in 61.8% of the cases and 90.5% of the cases obtained 50% or more of the marketed maximum cable speed (Source: FNA, Abschlussbericht Dienstequalität von Breitbandzugängen, 2013). To increase and harmonize network speed, companies operating DSL infrastructure have begun to upgrade their respective infrastructures to ADSL2+, and VDSL to be able to offer integrated triple play services. We offer up to 150 Mbit/s in our cable network, which is at least triple the speed of standard VDSL.

FTTB and FTTH

Broadband Internet access based on glass fibre (FTTB and FTTH) is very rare in Germany. Currently only 184,000 households use FTTB and 56,000 households use FTTH (Source: FNA, Tätigkeitsbericht Telekommunikation 2012/2013), i.e. 0.6% on a basis of 40.7 million households. However, a total of 1.4 million households, i.e. 3% on a basis of 40.7 million households is within the coverage of FTTH and/or FTTB (Source: FNA, Tätigkeitsbericht Telekommunikation 2012/2013; Federal Statistical Office). Both figures are low, compared to other European markets with high cable presence (Sources: Arcep; CNMC—Análisis geográfico de los servicios de bande ancha despliegue de NGA en Espana; The Communications Markets Report 2014). Without an extensive roll-out of glass fiber networks, which requires massive investments that are unlikely to be recovered quickly enough to secure attractive financing terms given the current price level for Internet products, FTTB and FTTH are unlikely to be an imminent threat for cable operators in Germany.

LTE

Additional Internet access technologies include LTE technology, which is the standard in mobile broadband, offering a significantly higher bandwidth than UMTS did in the past. As a pre-condition for use of LTE frequencies, mobile providers are under a legal obligation to roll out LTE services in rural areas first before they are permitted to roll them out in more densely populated areas. Specifically, mobile providers are obliged to provide access to LTE technology to at least 90% of the German population living in rural areas and to at least 50% of the German population living in more densely populated areas, in each case by January 1, 2016. The 90% target in rural areas has already been reached.

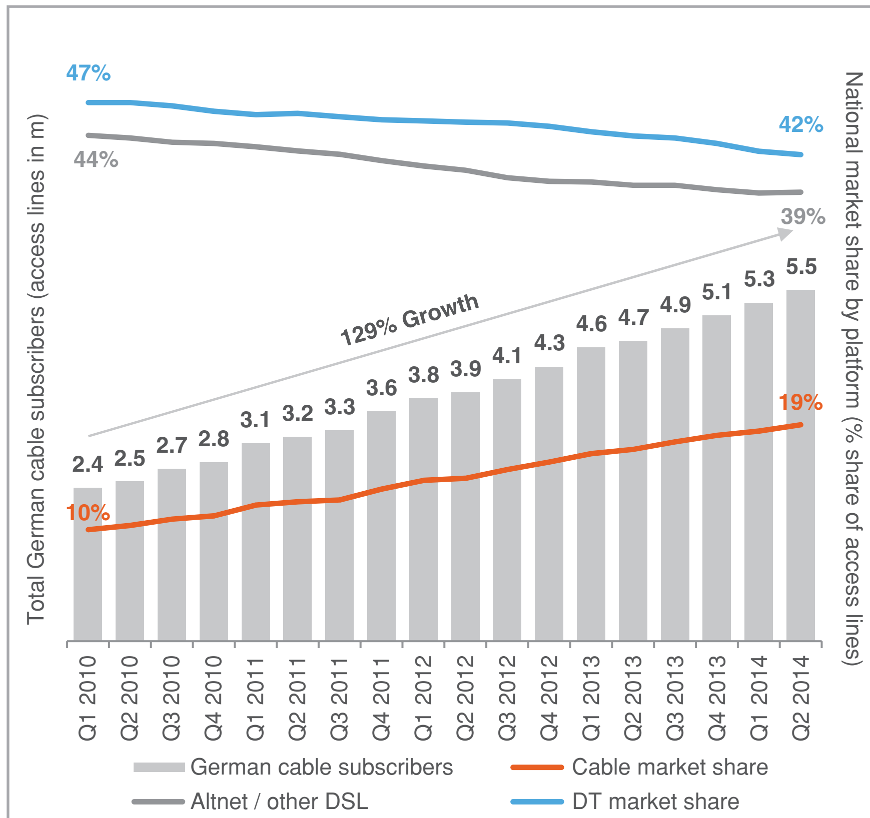
Market Share of Internet Access Infrastructure

The most important DSL service provider in Germany is DTAG, Germany's dominant and incumbent telecommunications service provider with approximately 12.4 million Internet connections, or 43.4% of all Internet connections in 2013 (Source: VATM, TK-Marktanalyse Deutschland 2013). Other major competitors in the broadband Internet market are resellers of DTAG's services, including 1&1 and alternative network operators such as Vodafone and Telefónica. These rent the unbundled local loop or use the regulated access to the bit stream, an Internet access service which DTAG is obliged by law to provide in areas where third party providers of DSL based Internet do not have an own infrastructure to the end customers' dwelling units.

However, after having invested in significant network upgrades, cable operators are playing an increasingly important role in the German broadband Internet market. With approximately 18% of total Internet connections in 2013 (compared to approximately 11% in 2010), the cable segment is the fastest growing Internet access platform and continues to gain market share from the DSL segment (Source: VATM, TK-Marktanalyse Deutschland 2013, ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet).

With approximately 80% of all Internet connections in 2013, DSL continues to be the predominant technology for Internet access followed by cable with approximately 18% and FTTH and FTTB with 1.0%

(Sources: VATM, TK-Marktanalyse Deutschland 2013, DTAG Quaterly Reports Q1 2010 - Q2 2014) although DSL is losing shares against cable as illustrated in the following chart:

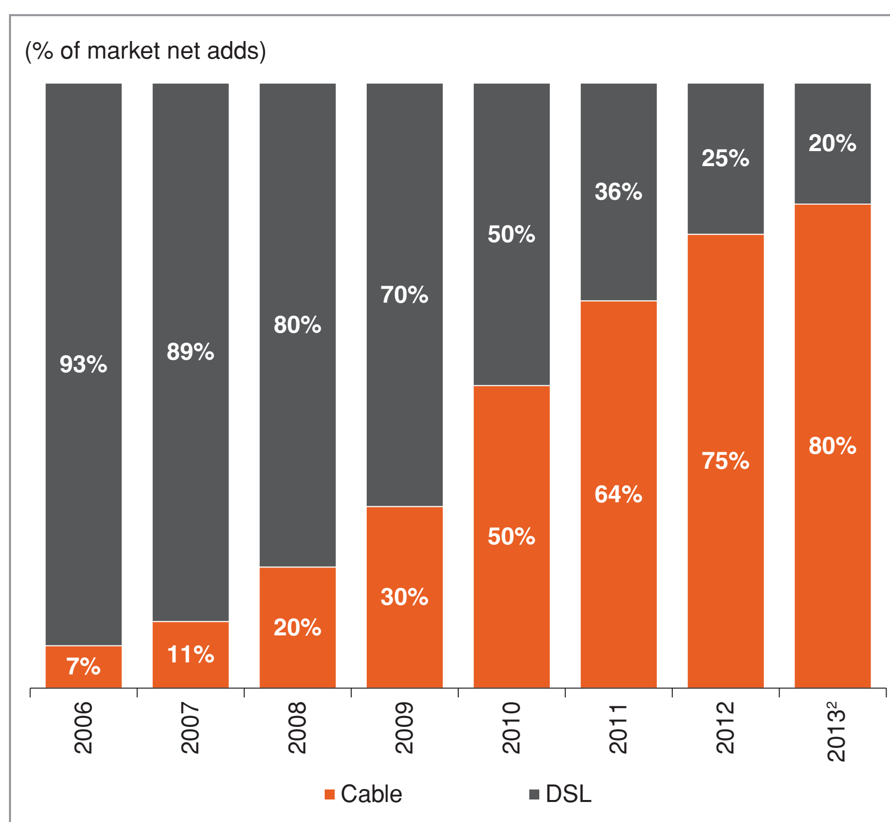


(Total Internet connections in million)

Sources: DTAG Quaterly Reports Q1 2010 - Q2 2014; VATM, TK-Marktanalyse Deutschland 2013.

The Company estimates that in 2013, 80% of net additions to broadband Internet customers chose Internet access via cable accelerating from 75% in 2012 and 64% in 2011 (Sources: ANGA, Breitbandkabel 2013; VATM, TK-Marktanalyse Deutschland 2013).

Net additions to broadband Internet customers[1]



(1) ANGA, Breitbandkabel 2013; VATM, TK-Marktanalyse Deutschland 2013.

(2) Company estimate.

Further, in 2013 among the Internet customers choosing cable for their Internet access, approximately 64% decided for a bandwidth of 30 Mbit/s or more and approximately 13% opted for a bandwidth of 100 Mbit/s or more (Source: ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet).

Cable is capable of accommodating the growing demand for high-speed Internet since it can offer bandwidths of up to 150 Mbit/s. VDSL, in contrast only delivers bandwidth of up to 50 Mbit/s and, at present, has lower network coverage than cable. Furthermore, cable benefits from homogeneous broadband Internet speeds throughout the entire network, while signal strength and speeds in DSL networks decline with increasing distance to the next exchange (Source: FNA, Abschlussbericht Dienstequalität von Breitbandzugängen, 2013). FTTB and FTTH technology will most likely be constrained to local high-density markets due to high build-out costs in relation to the current market pricing for the services offered. In addition, we believe that cable will play an important role in the German federal government's broadband Internet strategy, which aims to provide access to 50 Mbit/s lines to 100% of all homes by 2018.

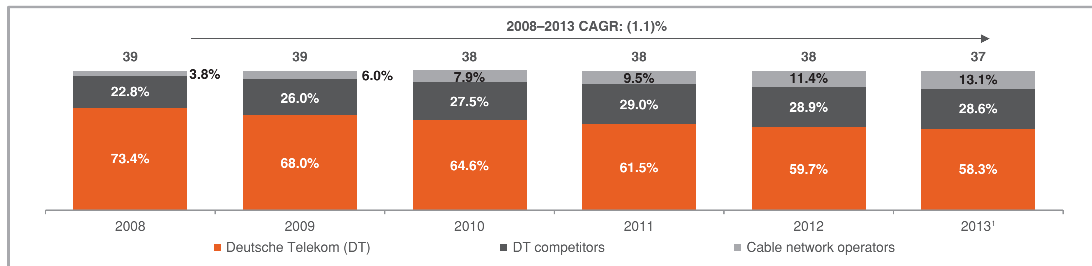
Subsidies for Broadband Internet Infrastructure

The German government is pursuing the objective of securing broadband Internet access with a bandwidth of at least 50 Mbit/s to 100% of all homes by 2018, leaving it to the network operators to decide on the appropriate technology for achieving this. The government engages in coordinating measures and has set up a federal framework for granting subsidies for the construction of cable ducts (*Bundesrahmenregelung Leerrohre*, to be replaced by the Next Generation Access Framework notified to the EU Commission in February 2014 which now contains rules for "white spots, "grey spots" and "black spots"). The granting of subsidies for the extension of infrastructure in certain areas, depend inter alia on present network coverage and presence of network providers in the region (for more information see "*Regulation*"). In addition, in 2014 the Federal State of Bavaria has announced a subsidy program for high bandwidth Internet connections in rural areas.

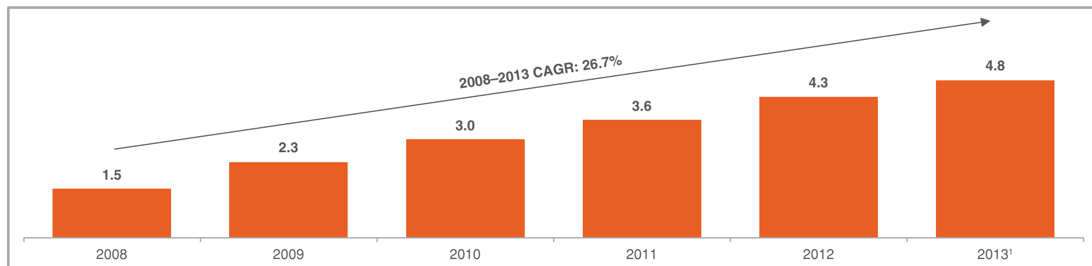
German Fixed-Line Telephony Market

The German market for fixed line telephony continues to be dominated by DTAG, with a market share of approximately 58.3% of traditional fixed-line connections (including VoIP services offered via these connections), followed by competitors of DTAG with 28.6% and cable operators with 13.1% of traditional fixed-line connections (Source: VATM, TK-Marktanalyse Deutschland 2013). However, cable operators have increasingly been gaining new customers both in absolute and in relative terms of number of fixed-line telephony connections, which overall has been slowly but constantly decreasing from 39.0 million in 2008 to (an estimated) 37.4 million in 2013. Over the same period, DTAG's market share has been constantly decreasing from 73% in 2008 to 58% in 2013.

German fixed line telephony market development (m)



German cable operator fixed line telephony subscribers (m)



(1) VATM estimate.

Source: VATM, TK-Marktanalyse Deutschland 2013.

In recent years, fixed-line telephony has been transformed into a commodity and has become increasingly dependent on a quality broadband offering, given that telephony is increasingly bundled with broadband services and often provided on the basis of Internet protocol technology (VoIP). Competition in the fixed-line telephony market has increased due to the emergence of resellers, alternative carriers, declining mobile phone charges (and resulting mobile substitution) and alternative access technologies and service providers such as Skype. As a result, fixed-line telephony has experienced significant price erosion, with operators predominantly offering flat-rate products.

The key factors differentiating cable companies' telephony offerings are their pricing and the fact that they are increasingly integrated into product bundles. Cable operators in Germany generally offer telephony services as a flat rate product for domestic fixed-line calls with additional charges for international and mobile calls (with prices generally lower than those of DTAG's equivalent services). Telephony services are offered both on a stand-alone basis and as part of double or triple play product offerings. The bundling of services is an appealing value proposition for the customer, while at the same time providing attractive economics to the cable operator.

Under these market conditions the market share of cable operators in the fixed line telephony market in terms of subscribers has constantly increased from 3.8%, or 1.5 million subscribers, in 2008 to 13.1%, or 4.8 million, subscribers in 2013 (Source: VATM, TK-Marktanalyse Deutschland 2013). We believe that the relatively low current penetration offers growth opportunities for cable operators.

Convergence Trends in the German Telecommunications and Media Market

Telephony and multimedia services are increasingly provided using a unified infrastructure and customers are seeking to receive television, multimedia and high-speed broadband Internet and telephony services from one provider at attractive prices for each service and, in particular, in relation to transmission quality and bandwidth offered. In response, service providers are bundling one or more combinations of (digital) television, broadband Internet access and telephony services into integrated offerings referred to as "double play" (two services provided together) or "triple play" (television, Internet and telephony services provided together).

Cable operators are well-positioned to benefit from convergence trends as they are continuously upgrading their products and services to offer bundled digital television, broadband and telephony services to their existing cable subscriber base and new subscribers, aiming to increase their market share in the telecommunications market. German cable operators' cable access TV subscriber base is typically under penetrated with respect to broadband Internet and VoIP offerings. We believe that this relative under penetration of German cable customers offers significant growth opportunities.

BUSINESS

Overview

We believe we were the third largest cable operator in Germany in terms of the number of subscribers in 2013 with leading market positions in Eastern Germany. We have strong regional positions in Berlin, Brandenburg, Saxony, Saxony Anhalt and Thuringia and a presence in several key regions in Western Germany (Source: Solon, Wirtschaftsfaktor Kabel).

We provide a variety of television and telecommunication services to our customers, including basic cable television (CATV), premium television packages (Premium TV) as well as Internet and telephony services. As of September 30, 2014, approximately 1.7 million homes were connected to our cable network (and are referred to herein as homes connected), of which approximately 1.3 million were provided with at least one of our services, such as CATV, Premium TV, Internet and telephony (each such home is herein referred to as a unique subscriber). As of and for September 30, 2014, our total ratio of RGUs (revenue generating units, i.e. each of the above described services received per unique subscriber) amounted to 1.4 (compared to 1.3 as of and for December 31, 2011) and our total blended Quarterly-Average ARPU amounted to €14.0 for the three-month period ended September 30, 2014 (while our Year-Average ARPU amounted to €11.6 and our Year-End ARPU amounted to €12.0 as of and for December 31, 2011).

Our main source of income is subscription charges paid by CATV subscribers. Approximately 97% of our unique subscribers are tenants of premises located in multi-dwelling units (MDUs) that are owned or administered by housing associations with whom we have entered into concession and signal delivery agreements and maintain strong and long-standing relationships. The majority of subscribers located in premises owned or administered by housing associations are serviced on the basis of bulk contracts. Under these agreements, the housing associations pay a "bulk" amount to us for the provision of our CATV services to the individual premises which they can bill to tenants as operating costs according to the applicable rental law regulations (*Betriebskostenverordnung*). If we do not enter in bulk contracts, it is in the discretion of the individual tenants to decide whether they wish to receive CATV services from us. In some cases we acquire the in-house network when we enter into a new concession and signal delivery contract with a newly acquired housing associations, pay rental fees for leased networks and commissions for the marketing of our Premium TV, Internet and phone products or for debt collection services and risks. Approximately 65% of our CATV subscribers as of September 30, 2014 received our signal based on bulk arrangements we have with housing associations and other landlords and approximately 35% based on individual contracts.

Germany is the largest cable market in Europe with approximately 18 million cable households in 2013 (Source: ANGA, Breitbandkabel 2014—Factsheet TV). Cable has also been the fastest growing Internet access technology over the past years due to its high coverage and technological advantages, in particular in terms of bandwidth, compared to competing Internet technologies, including the currently dominant broadband Internet access technology in Germany, DSL. The Company estimates that in 2013, 80% of net additions to broadband Internet customers chose Internet access via cable. We believe that cable networks, if upgraded to offer two-way transmission and increased bandwidth, will be the preferred distribution channel for the distribution of attractive products in TV, Internet and telephony because they can offer these services at high speed, high quality and competitive prices.

We provide our products and services through our two business lines that are also our primary reporting segments, "TV" and "Internet and Telephony":

- ***TV.*** In our TV segment, we offer basic CATV services to our customers, comprising approximately 100 digital TV (free-TV) channels (including approximately 35 channels in HD quality) and more than 70 digital radio channels. In addition to our basic CATV services, we offer our Premium TV packages, which may comprise up to approximately 50 digital premium TV channels, including up to approximately 32 channels in HD quality (not including transmitted Sky channels). Year-End ARPU in our TV segment amounted to €9.6 and revenues in our TV segment amounted to €158.9 million in 2013, i.e. 77.1% of total revenues. Further, out of our total of approximately 1.8 million RGUs in 2013, 1.3 million (compared to 1.5 million in 2011) were attributable to our basic CATV services and 164,000 (compared to 142,000 in 2011) to our Premium TV services.

- ***Internet and Telephony.*** In our Internet and Telephony segment, we offer our customers broadband Internet access and fixed-line telephony services either as stand-alone products or as bundles incorporating both broadband Internet and telephony services. Since November 2014 we also offer triple play bundles comprising broadband Internet, telephony and our cable television (CATV and Premium

TV) services. Revenues in our Internet and Telephony segment amounted to €43.3 million, i.e. 21.0% of total revenues, in the financial year 2013. Year-End ARPU in our Internet and Telephony Segment amounted to €22.9 in 2013. Further, out of our total approximately 1.8 million RGUs in 2013, 174,000 (compared to 115,000 in 2011) were attributable to our Internet services and 146,000 (compared to 87,000 in 2011) to our telephony services.

Historically, we primarily operated Level 4 (L4) networks, i.e., the in-house wiring, which transports signals (delivered by Level 3 (L3) network operators such as Vodafone/KD) from the transfer point outside of the subscriber's dwelling unit to the wall outlet inside. Since 2011 we have intensified our transformation into an integrated L3/L4 network operator by accelerating disconnection of our subscribers from third party L3 networks, which transport signals from regional distribution networks to transfer points outside subscribers' homes, and migrating them to our "own" L3 networks which we simultaneously build up. This allows us to achieve significant immediate savings on signal fees that we would otherwise be paying to third party L3 network operators and to better control the technical standard and specifications of our networks. At the same time we started to invest heavily in upgrading our networks. As a result, as of September 30, 2014, 78% of our network had been upgraded to 862 MHz and therefore, where upgraded to two-way transmission, has the capacity to transmit analog and digital TV broadcasting signals in parallel with providing broadband Internet, telephony and other interactive services to multiple users per household and to consistently deliver broadband speeds of up to 150 Mbit/s. In addition, as of September 30, 2014, approximately 54% of our homes connected were connected to our "own" L3 networks and upgraded to two-way transmission. Our goal is to increase this percentage to 70% in the medium term in order to expand the base of services for up- and cross-selling our Premium TV, telephony and Internet services to our new and existing customers. We believe that there is significant cross- and upsell opportunity evidenced by our low ratio of RGUs per unique subscriber and our low total blended monthly average ARPU, which we aim to increase to 1.7 (from 1.4 as of September 30, 2014) and €17 (from a Quarterly-Average ARPU of €14.0 in September 30, 2014), respectively, in the medium term.

In 2011 we engaged in a major restructuring of our liabilities, which was aimed at enabling a sale of business. In May 2012, we signed an agreement with KD for the sale of our operating companies to KD, subject to antitrust approval, which the German Federal Cartel Office (*Bundeskartellamt*, FCO) was only prepared to give subject to certain conditions that KD was unwilling to accept. Therefore the agreement was terminated in March 2013. As a result of the 2011 restructuring and a stand-still clause in effect while the KD Acquisition was pending, we had substantially reduced operational cash flow available for investments in the upgrade of our network. The uncertainty surrounding the KD Acquisition also had a negative impact on our customer base, insofar as customers refrained from renewing their contracts with us or awarding us new contracts. In addition, our customer base in recent years was impacted by a voluntary disconnection of uneconomical customers in connection with the streamlining of our customer portfolio (Project Harmony) and the repercussions from a significant increase in prices implemented by our previous management in 2009. For more information see "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Factors Affecting our Results of Operations—Sales Processes and Restructuring*" and "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Factors Affecting our Results of Operations—Churn*".

In 2011, a new Chief Executive Officer and a new Chief Financial Officer were appointed, who despite the constraints described above kept revenues stable and were able to increase Normalized EBITDA (which adjusts EBITDA for certain non-recurring items such as consulting expenses) at a CAGR of 6.0% p.a. in the period from 2011 to 2013. Following the recent restructuring forming the Group in preparation for this offering, management is well-positioned to continue our migration and upgrade strategy and to generate further growth by cross- and upselling Internet, telephony and Premium TV to our existing CATV subscriber base.

For the financial year ended December 31, 2013, we generated revenues in the amount of €206.2 million and Normalized EBITDA of €88.1 million. In the nine-month period ended September 30, 2014, we generated revenues in the amount of €159.4 million and Normalized EBITDA of €72.9 million. Our TV segment generated €117.7 million or 73.8% of our total revenues for the nine-month period ended September 30, 2014. Our Internet and Telephony segment generated €38.5 million or 24.2% of our total revenues for the nine-month period ended September 30, 2014. Detailed information on the definition of Normalized EBITDA, which is a non-GAAP financial measure, and its reconciliations to EBITDA can be found under "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Performance Indicators—Normalized EBITDA*."

Competitive Strengths

We believe that our business is characterized by the following competitive strengths:

We operate in the highly attractive German cable market

We operate our business in Germany, which in 2013 was the largest TV and broadband cable market in terms of TV and cable households in Europe, respectively (Sources: Euromonitor; ANGA, Breitbandkabel—Factsheet TV 2014). Germany is also the largest economy in Europe which, despite economic difficulties in a number of European countries over the past years, has benefitted from comparatively favorable macroeconomic conditions, such as steady GDP growth (1.8% expected in 2014 Source: Eurostat), disciplined fiscal policy (public debt of 78% of GDP in 2013), low inflation (1.5% in 2013, Source: Statista), low unemployment (5% in 2014, Source: IMF—World Economic Outlook Database 2014), and average GDP per capita of €30,000 in 2013 (Source: IMF—World Economic Outlook Database 2014).

The German cable market consisted of approximately 18 million cable households in 2013 (Source: ANGA, Breitbandkabel 2014—Factsheet TV). In Germany, the majority of households, i.e. 52% as of June 2014, are part of multi dwelling units (MDUs) (Source: Euromonitor) that are typically managed by housing associations which also manage TV signal access for the residents. In 2013, approximately 46% of German TV households received TV signals through cable (Source: TNS Infratest, Digitalisierungsbericht 2014), approximately 18% of households with broadband Internet access used cable for broadband Internet services (Source: VATM, TK-Marktanalyse Deutschland 2013) and approximately 13% of households with fixed-line telephony access used cable for fixed-line telephony services (Source: VATM, TK-Marktanalyse Deutschland 2013).

While fixed-line broadband Internet penetration in Germany has grown rapidly over the past years, penetration is still relatively low compared to the rest of Europe. Fixed-line broadband Internet access continues to be predominately provided via DSL/VDSL (approximately 80% of all households with broadband Internet access in 2013), but cable has been the fastest-growing Internet access technology due to its high coverage (approximately 18 million cable households) and superior speeds (Source: ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet). From 2010 to 2013 broadband Internet access via cable increased from approximately 11% to approximately 18% of all households with broadband access, gaining market share mainly from DSL (Sources: VATM, TK-Marktanalyse Deutschland 2013, ANGA, Breitbandkabel 2014—Factsheet Breitbandinternet). Customers increasingly require higher bandwidth and currently only cable and fiber networks (FTTH) have the ability to provide download speeds of 150 Mbit/s or more. Fiber networks currently only have a potential coverage of 1.4 million households, i.e. 3% of all households (based on a number of 40.7 million) (Source: FNA, Tätigkeitsbericht Telekommunikation 2012/2013; Federal Statistical Office), which is low compared to other European markets with high cable presence. Investments required for a further roll-out of fiber networks are substantial and, at the current price level for Internet products, these investments are unlikely to be recovered quickly enough to secure attractive financing terms. In contrast, existing fixed broadband penetration of total households is currently at 70% (Source: TeleGeography) and can be upgraded at relatively low costs, which, according to our experience in the past, can be recovered over a period of four to five years. Cable technology also allows a combination of high-speed Internet with fixed line telephony services as well as TV services, which satisfies the increasing demand for bundled products. The company estimates that in 2013, 80% of new Internet customers in Germany chose cable instead of DSL for their new Internet access.

The constant growth of the German cable market has accelerated growth of the German cable pay-TV market, which has historically been underdeveloped compared to other European countries and the United States. German pay-TV penetration has increased from 10% of all German TV households in 2009 to 14% in 2012 and is expected to grow to 18% in 2016, which is still low compared to approximately 96% in the United States and approximately 55% in the UK (Source: Solon, Strategien und Visionen 2013). We expect the German pay-TV market to grow further in the future due to new products such as personalized TV, pay-per-view services, HDTV programming or subscription IPTV, and believe that cable networks will be the preferred distribution channel for digital pay-TV packages, premium pay-TV products and IPTV, which will also help to protect the existing cable TV customer base.

We hold regional leadership positions in Eastern Germany, an environment with attractive growth opportunities

We believe we were the third largest cable operator in Germany in terms of the number of subscribers in 2013 and a leading cable network operator in Eastern Germany. As of September 30, 2014, approximately 80% of our homes connected were located in Eastern Germany. Our network footprint is focused on the city of Berlin and the German federal states of Brandenburg, Saxony Anhalt, Saxony and Thuringia. According to our own estimates, we had markets shares of 38% in Berlin-Brandenburg, 63% in Saxony Anhalt, 26% in Saxony and 27% in Thuringia as of September 30, 2014 (calculated on the basis of our homes connected divided by the total number of cable households in the respective federal state). Our regional focus and our strong presence enable us to build long-term relationships with our customers and to benefit from attractive growth opportunities in our core regions. While average income per capita in Eastern Germany is lower than average income per capita for Germany as a whole (Source: Federal Statistical Office), we believe this will not affect our growth opportunities in this region, since in our experience demand for broadband services and Premium TV is not sensitive to income levels given that access to TV and Internet are perceived as basic needs.

Although fixed-line broadband Internet penetration in Eastern Germany has been steadily increasing in recent years, it continues to lag approximately 5-10% behind the areas with the highest broadband penetration in Germany, with the exception of Berlin which has the highest broadband usage ratio among all German federal states, representing an attractive further growth opportunity. In 2013, Saxony had a broadband Internet penetration of 57%, Brandenburg of 55% and Thuringia of 56%, compared to 61% in Baden-Württemberg, 59% in Bavaria and 57% in North Rhine Westphalia (Source: Initiative D21—Online Atlas 2013). We have built up regional clusters in or around larger cities in the regions where we operate our L3 networks. Within these clusters we can connect the majority of all homes and housing units to our network. Based on a study we conducted (survey of 1,003 randomly selected homes within the reach of our network), we are a leading broadband Internet provider in the areas located within the reach of our network and are winning market share. Our survey indicated that only DTAG has a higher market share. As of November 2013, we had a market share of households with broadband Internet access of 25% and DTAG of 39%. As of August 2014, our market share had increased to 26% while the market share of DTAG decreased to 38%.

We have stable and long-term client relationships which secure stable and predictable revenues from our CATV business as well as additional cross- and up-selling opportunities

Approximately 97% of our unique subscribers are tenants of premises located in MDUs that are owned or administered by housing associations with whom we have entered into contracts for the provision of our basic CATV services to their tenants as well as concession agreements to cross-sell additional services including Internet and telephony via cable. These contracts are mainly bulk contracts under which the housing associations buy CATV access at a fixed price for all premises they administer. These bulk contracts may then be complemented by individual contracts with the tenants for additional Internet, telephony or Premium TV services. The housing association contracts which we have newly concluded since January 2013 have an average initial term of five years or more. Many housing association contracts have evergreen clauses which provide for automatic consecutive extensions for terms of one further year after the initial term, unless terminated. A small number of our housing association contracts cover more than 20,000 homes connected each; these contracts account for approximately 14% of our total homes connected. Many of our housing association customers are long-term customers who have renewed their contracts several times. Our top twenty customers in terms of CATV revenues have, on average, been customers for ten years. These stable and long-term client relationships provide the basis for stable and predictable revenues from our CATV business.

The churn rate is relatively low, given that, in addition to competitive pricing, our geographical proximity to the housing association, our service level and our tailored solutions are important to our customers. Once a stable customer relationship has been established, the contracts will often be renewed without soliciting offers from other operators. We have a dedicated sales force which is in continuous contact with our key customers. Compared to KD and DTAG we sometimes have competitive advantages when bidding for new contracts due to the fact that we are perceived as a smaller, regionally focused and more dedicated operator, which is also willing to address the needs of and provide services to smaller housing associations. In 2013 only approximately 5% of our contracts have been terminated and not renewed.

Our stable and long-term client relationships offer significant growth potential for cross- and up-selling our Internet, telephony and Premium TV services. In areas where our network has been upgraded to two-way transmission, our customers benefit from our additional product offerings and there is increasing demand for higher value Internet and telephony services as well as Premium TV in addition to our basic CATV services.

As a result of delayed investments in the past and a late entry into the Internet business, as of September 30, 2014, we had low levels of Internet penetration (20.1%, in our "own" L3 upgraded homes connected), RGUs per subscriber (1.4) and total blended monthly average Quarterly-Average ARPU (€14.0) compared to other cable operators in Germany and major cable companies in other Western European countries. KD, for example, reported 1.8 RGUs per subscriber and a blended monthly average ARPU of €17.1 for the business year 2013/14, which is still low in the European context (Sources: company reports of KD, Virgin Media, Ziggo). We believe our KPIs provide tangible penetration upside potential and growth opportunities for our business going forward.

We have a proven cable growth strategy and clearly defined investment plans

From 2011 to 2013, we spent €65.5 million (out of €179.2 million of our capital expenditures in this period) on the upgrade of our network and on the build-up of "own" L3 networks to migrate our subscribers from third party signal delivery and to migrate them to our "own" L3 networks. This migration allows us to save on signal delivery costs, thereby reducing our fixed costs per subscriber and increasing our margins. The higher margins make upgrading of homes which receive signals from our own satellite head ends more attractive because upgraded networks allow us to directly market Internet and telephony services to customers. By building up integrated L3/L4 networks, we also control the technical standard of our network. The number of homes receiving signals from third party L3 operators declined from approximately 690,000 to approximately 525,000 between 2011 and September 30, 2014, resulting in 69% of homes being provided with signals from our satellite head ends through our "own" L3/L4 networks. This resulted in cost savings regarding signal delivery fees of approximately €10 million p.a.

The development of our integrated L3/L4 network forms the basis for cross-selling Internet and telephony and up-selling Premium TV services. By increasing Premium TV, Internet and telephony RGUs, we increase the pay-back from building up our "own" L3 networks, and are able to generate substantially more revenues, in addition to achieving significant savings from reduced signal fees as a result of our migration strategy. Growing our business by up-selling Premium TV and cross-selling Internet and telephony products to our basic CATV customer base allows us to generate high incremental returns. This is due to the fact that certain of our costs, such as significant portions related to our network operations, sales and administrative costs, are fixed. In addition, we benefit from incremental economies of scale given that the additional products and services we offer are delivered over a shared asset base. For example, our first migration program was implemented from July 2011 until December 2013 with a total investment sum of €35.0 million, which we used to migrate 170,000 homes and upgrade 68%. The average blended monthly ARPU increased from €9.64 before the migration to a Year-End ARPU of €11.97 approximately 18 months after the migration and a Year-End ARPU of €14.21 approximately 30 months after migration. Internet penetration was 11.2% after approximately one year and 13.0% after approximately two years. The annual savings in signal fees resulting from this program were €6 million and the payback period was approximately four years. The results of the program were recorded in three postcode areas, resulted in an increase in ARPU from €11.49 before the upgrade in one area to a blended a Year-End ARPU of ARPU of €19.52 as of December 31, 2012 and €27.01 as of December 31, 2013 (from €10.73 to €16.77 and €21.38 in the second area and from €8.91 to €13.49 in the third area, in the latter case as of December 31, 2013, only).

Between 2011 and 2013, progress was made with the number of Internet RGUs increasing by approximately 50%, from approximately 115,000 in 2011 to approximately 135,000 in 2012, to approximately 174,000 in 2013 (197,000 as of September 30, 2014) and telephony RGUs increasing by approximately 65%, from approximately 87,000 in 2011 to approximately 146,000 in 2013 (166,000 as of September 30, 2014). We were also able to increase our Internet penetration in our upgraded homes connected from 13.7% as of December 31, 2011 to 18.5% as of December 31, 2013 (20.1% as of September 30, 2014). Our total ratio of RGUs per subscriber was 1.4 (1.4 as of September 30, 2014), and our total blended monthly average Year-End ARPU amounted to €13.4 as of December 31, 2013 (while our Quarterly-Average ARPU amounted to 14.0 as of September 30, 2014) compared to 1.3 and €12.0, respectively, as of December 31, 2011. Notwithstanding the constraints on our investment strategy, our Normalized EBITDA grew from €78.4 million in financial year 2011, to €88.1 million in financial year

2013, and our Normalized EBITDA margin increased from 38.3% in financial year 2011, to 42.7% in financial year 2013.

This proven track record forms the basis for our growth strategy which aims to increase our RGUs per subscriber to 1.7, to achieve a blended monthly ARPU of €17 and to increase the percentage of homes migrated from L3 provider's signal and upgraded to two-way transmission to 70% in the medium term.

We have built a highly competitive integrated and upgraded "own" Level 3/4 network with attractive upside potential

We are progressively transforming ourselves into a fully integrated L3/L4 network operator. This enables us to achieve savings on signal fees and up-sell and cross-sell telephony, Internet and Premium TV services to upgraded homes connected with two-way transmission. As of September 30, 2014, 69% of our homes connected can be reached by our "own" L3 networks (which may include leased lines). 78% of our homes connected have been upgraded to signal delivery at 862 MHz. In addition, approximately 54% of our homes connected were connected to our "own" L3 networks and upgraded to two-way transmission. Approximately 94% of our homes connected to our "own" and upgraded network are upgraded to DOCSIS 3.0. This gives us the ability to consistently deliver broadband speeds of 100 Mbit/s or more, which is at least twice the speed of standard VDSL. Our upgraded cable network offers, according to our estimates, faster broadband speeds than our competitors' offerings of Internet services based on DSL in at least 95% of our footprint. We currently offer combined Internet and telephony products on a flat rate basis with up to 150 Mbit/s download speed, a product bundle which currently only cable operators and providers concentrating on FTTH can offer. Our network is compatible with the recently adopted DOCSIS 3.1 protocol, which will allow download speeds of up to 10 Gbit/s and upload speed of up to 1 Gbit/s. We will introduce DOCSIS 3.1 in our network once cable modem termination system (CMTS, part of our head end equipment) are widely available under attractive commercial conditions. Currently, the only technology available that is able to reach these speeds is FTTH, which has only a very limited coverage (see "*Market and Competitive Environment—German Broadband Internet Market*"). We have a flexible backbone network structure based on leased glass fiber lines. This structure allows a cost efficient "pay as you grow" model. Since we have no rigid backbone structure we are able to operate nationwide and build up L3/L4 networks where attractive opportunities, in particular large housing association contracts, arise. Our network architecture is designed in such way that we can increase bandwidth without disruptions if and when there is such demand. If speed upgrades are required, our current network infrastructure setup facilitates fiber upgrades.

Due to our well-established "own" network, the majority of future capital expenditure can be focused on success-driven projects generating additional revenues rather than on general network capacity upgrades.

We rely on an experienced management team

Our management team has significant experience in the cable-television and telecommunications industries in Germany and other European countries with approximately 70 years of combined cable and TMT experience, and has a proven track record of increasing productivity and reducing costs, making strategic acquisitions and developing and maintaining strong customer relationships. Our Chief Executive Officer held various executive functions within Telenet and Belgacom, including most recently the function of CEO of the mobile operations for Telenet before joining us in 2011. Our Chief Financial Officer, who also joined us in 2011, held various leading positions as controller in national and international companies, and as CFO in a listed diagnostics and medical devices company. Our Chief Commercial Officer, who joined us in 2014, held several executive functions at Unitymedia, Kabel BW and Vodafone in Marketing and Sales. Our Chief Technology Officer has worked in the cable and TMT (technology, media and telecommunications) industry for 24 years, first with Bosch Breitbandnetze and, after its acquisition by Tele Columbus, in various positions in the Group before being appointed to his current position in 2014.

Strategy

Our growth strategy is set up around our three key strategic objectives of achieving an RGU per subscriber of 1.7, increasing the percentage of homes connected to our "own" L3/L4 networks and upgraded to

two-way transmission to 70% and reaching a blended monthly ARPU of €17 in the medium term. We aim to achieve these objectives by pursuing the following strategies:

Increase blended ARPU and number of RGUs through higher penetration of existing basic CATV customer base with Internet, telephony and Premium TV offerings

We aim to raise our total blended monthly average ARPU from a Year-End ARPU of €13.4 as of and for December 31, 2013, to €17 and our RGUs per customer from 1.4 as of December 31, 2013 to 1.7 in the medium term by increasing the penetration of our basic CATV subscriber base with broadband Internet, telephony and Premium TV products. This growth strategy is based on leveraging our upgraded network, our stable basic CATV customer base and high brand awareness in our core regions and on increasing our cross-selling and up-selling efforts. Based on own surveys, the unaided awareness of TeleColumbus as an Internet provider was 44% in March 2014. We intend to focus in particular on marketing Internet and telephony products, both as single products and as bundles which may also comprise our cable television services. Moreover, we plan to introduce additional services and product enhancements, given that ARPU in our Internet and Telephony segment is significantly higher than ARPU in our TV segment. We plan to extend our offering of attractive bundled products for Internet and telephony with differentiated pricing based on download speeds to meet increased customer demand for bundled products. The sale of bundled products has the added benefit of increasing customer loyalty. Our marketing and sales organization will drive the cross- and up-selling of additional products supported by promotional efforts through a mix of distribution channels (online, print, call centers, dedicated sales force). Our growth strategy will enable us to not only grow our business further but also to claim the leadership in the TV markets in our core regions.

Continue to upgrade our network and to increase "own" L3/L4 network infrastructure

As of September 30, 2014 approximately 54% of our homes connected were connected to our "own" L3 networks and upgraded to two-way transmission. Going forward, we have developed three main investment programs: Empire II, Empire III and HFC upgrade. These investment programs, among other factors, will be important for achieving our target of having 70% of our homes connected becoming "own" homes and upgraded in the medium term. We are able to leverage our experience with the successful implementation of our migration program over the past two years to further develop and refine the technical and financial aspects of the new upcoming program. Based on our assumptions for signal fee savings and incremental contribution from increased Internet and telephony penetration and related incremental ARPU, we believe these programs will have payback periods of approximately four years. Even though we have laid out a detailed investment plan, we maintain flexibility as to how we allocate financial resources to reach our medium-term targets. As we implement our strategy, this will allow us to potentially acquire small networks rather than build or lease our own if this proves to be more attractive and efficient. Furthermore, investments in migrated and upgraded homes administered by housing associations will satisfy customers' needs and are therefore likely to decrease churn.

Drive innovation by introducing innovative and comprehensive multimedia services and products

We constantly enhance the product portfolios in our CATV and Internet and Telephony segments and plan to introduce a variety of new services and products over the coming years. These include innovative and comprehensive multimedia and entertainment services and products for the TV market, complementing our offer of a large variety of digital, analog and HD channels. In July 2014, we introduced a newly designed cable gateway combining a cable modem and a Wi-Fi router in one single unit. In the near future, we intend to launch further ancillary services such as Video-on-Demand, Wi-Fi TV services (i.e., indoor streaming of TV contents to mobile devices such as mobile phones and tablets), cloud services (i.e. server-based data storage) and outdoor Wi-Fi for our customers. We also plan to introduce new products such as a newly designed media home gateway and a mobile application giving our customers access to our services from a variety of devices without geographical restrictions (e.g., at work or after work (*via* Wi-Fi) or anywhere else (*via* mobile broadband Internet)). In November 2014 we started our triple play offerings, comprising broadband Internet, telephony and cable television (CATV and Premium TV) services. In the medium to long term we also intend to introduce mobile telephony bundles (in order to offer bundles including TV, Internet, telephony and mobile services). We believe that as a result of these efforts we will be able to further differentiate ourselves from other network operators providing television and telecommunication services, which, in turn, will allow us to attract new subscribers and increase our ARPU through our cross-/up-selling and bundling activities.

Strive for operational excellence through high quality of our services and a lean organization with customer focus

We monitor our customers' perception of our service quality on an ongoing basis and aim to continuously increase our level of customer satisfaction. Given that in recent years we have succeeded in increasing our availability while at the same time reducing our contact costs, we plan to shift our focus to customer retention rates, quality assurance and, in particular, the pursuit of our cross-/up-selling strategy through customer service. One of our objectives is to maintain a telephony service level of "70/20", which means that at least 70% of calls received in our customer care centers are answered within 20 seconds. At the beginning of 2014, we initiated the establishment of a quality contact center at our headquarters which is operated through an external specialist. The primary objective of this quality contact center is to provide positive impetus to the other partners in a benchmarking process through excellent productivity, quality and sales results. The fact that the quality contact center is located on site allows us to test new ideas easily, receive immediate feedback and constantly optimize our customer care process. We believe that the quality contact center will be a key success factor, because it sets the standards in quality, sales quotas and customer retention rates.

Play an active role in the ongoing consolidation of the L4 network operators

The L4 network market has historically been very fragmented. Many small local companies, often electrician shops, built up the in-house L4 networks in their neighborhoods. Over the last ten years this market has gone through a consolidation process, in particular driven by the upgrade of cable networks, which small local companies were not able to finance. The five major L4 network operators are currently Vodafone/KD, Unitymedia/KBW, PrimaCom, Pepcom and the Group. PrimaCom and Pepcom are smaller than we are and have limited financial resources. In addition to the five major L4 network operators, there are still many smaller L4 network operators, including city carriers and housing associations which operate their own cable networks. As a listed company we expect to have the ability to tap greater financial resources and to become a more attractive partner for these smaller operators. As our networks structure allows a flexible, nationwide expansion we will look at attractive acquisition opportunities to expand our existing clusters or to build-up new clusters, if an opportunity arises which is commercially attractive. The targets may be companies or networks with subscriber contracts. We have recently acquired the remaining shares in BMB GmbH & Co. KG as well as the shares in BIG Medienversorgung GmbH (see "*Material Contracts—Material Acquisitions, Divestures and Joint Ventures*"). With selective acquisitions we intend to further improve our EBITDA margins by leveraging our fixed costs.

Products and Services

Overview

Under our "TV" and "Internet and Telephony" segments we offer the full spectrum of cable products comprising analog and digital TV and radio, HDTV and Premium TV as well as broadband Internet and fixed-line telephony. Products and services of our "TV" segment are marketed under the brand names "Kabel TV" and "KabelTV HD", "Plus HD", "Extra HD", "Lifestyle HD" and "International TV", which differ in the amount of analog, digital and HD channels offered as well as in the monthly subscription fee. Our broadband Internet access, telephony and cable television services are offered either on a stand-alone basis or as a bundled package.

In addition, we offer customer premises equipment (CPE) such as basic receivers, hard disc receivers and CI plus modules and, since July 2014, our newly designed cable gateway. In the future, we intend to launch further ancillary services such as Video-on-Demand, Wi-Fi TV services, cloud services (i.e. server-based data storage) and outdoor Wi-Fi.

We are focused on cross-selling our products and providing our subscribers not only with basic CATV packages but also with our premium products and services, such as our Premium TV packages ("Extra HD", "Lifestyle HD" and "International TV"), as well as our Internet and telephony offerings which generate significantly higher ARPU than our basic CATV products. We believe that providing these additional services, both individually and as bundled products, will be a key driver of our revenues and ARPU growth and will strengthen customer loyalty.

Business Model

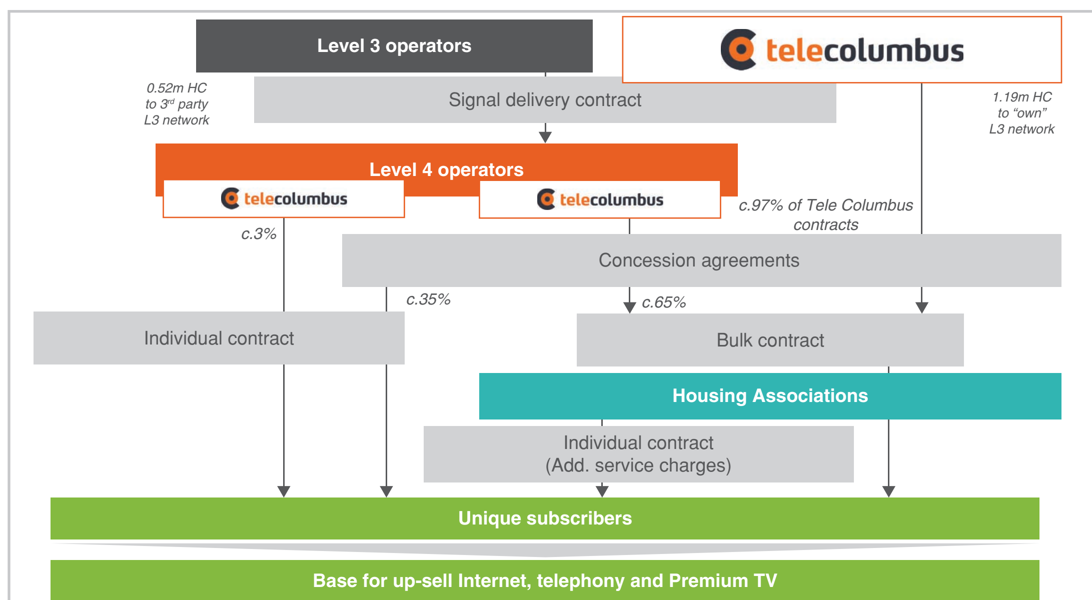
We provide our products and services mainly to subscribers who are tenants in premises of housing associations (approximately 97% of our CATV subscriber base). Under so-called "concession agreements" (*Gestattungsverträge*), we install and operate cable networks on the housing associations' premises and provide cable services within these premises as a framework agreement. The housing association contracts which we have newly concluded since January 2013 have an average initial term of five years or more. Many contracts have an evergreen clause and provide for consecutive renewals for terms of one further year after the initial term, unless terminated.

In the case of bulk contracts the housing associations pay a "bulk" amount to us for the provision of our services to the individual premises and subsequently collect the cable fees as part of the operating costs according to the applicable rental law regulations (*Betriebskostenverordnung*) from the tenants (so-called centralized billing—*Sammelinkasso*). We further offer additional services, such as HDTV, Premium TV and Internet and telephony services, to the individual tenants within these premises on top of the basic CATV services provided under the bulk contract. To the extent these subscribers then actually decide to use our additional services, we enter into direct contractual relationships and charge the additional subscription fees directly.

In the case of individual contracts in combination with a concession agreement with a housing association, housing associations do not enter into bulk contracts with us, but rather enter into concession agreements with us, which allow for the provision of our cable services to their tenants. To the extent the tenants then actually decide to use our services, we enter into direct contractual relationships with them. Under these individual contracts (*Einzelnutzervertrag*), we provide basic CATV as well as additional services to the tenants, which we charge in advance directly to them on a monthly basis.

In contrast, only 3% of our unique subscribers reside in premises that are not owned or administered by housing associations, but are individual family homes. We also enter into individual contracts (*Einzelnutzervertrag*) with these subscribers. Approximately 65% of our CATV subscribers (as of September 30, 2014) receive our signal based on bulk arrangements we have with housing associations and other landlords and approximately 35% based on individual contracts.

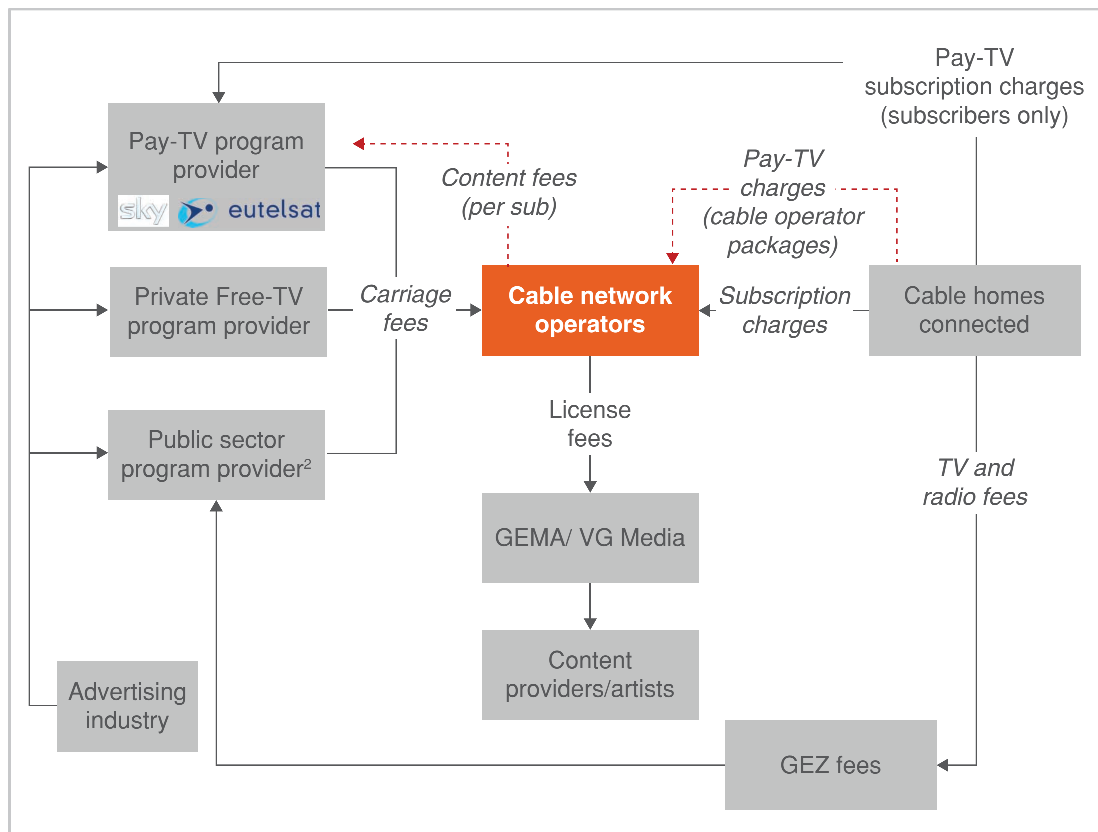
The structure of our contractual relationship regarding our cable business can be illustrated as follows:



To provide our basic CATV and Premium TV products and services, we receive signals from either the satellite network operator Eutelsat (to the extent we operate as an integrated L3/L4 network operator) or from other L3 network operators, such as Vodafone/KD and Unitymedia/KBW (to the extent we operate as L4-focused network operator). In addition, we have entered into feed-in agreements with certain broadcasters, such as RTL group (RTL), ProSiebenSat.1 group (P7S1) and pay-TV broadcaster Sky Deutschland (Sky) on the analog and digital transmission of their program signals. Under these feed-in agreements, we are either required to pay compensation per subscriber (CPS) (as in the HD transmission model used by the large private broadcasting groups) or we receive carriage fees for the feed-in of the

broadcasters' channels (most importantly from Sky and several home shopping as well as other channels). In addition to a feed-in agreement, our contractual relationship with Sky also includes a cooperation under which we market Sky's pay-TV packages on a commission basis. This means that new Sky subscribers acquired by us under the terms of this cooperation do not contribute to our subscriber numbers or to our RGUs. Instead, we receive a commission from Sky and a compensation for the feed-in of Sky's channels based on the number of Sky subscribers being provided with Sky's services through our network. We also carry the public broadcasters (ARD, ZDF, their joint channels ARTE and 3sat, and the regional ARD channels) on our cable networks. To acquire the retransmission rights for the channels we carry we pay remuneration to the copyright collecting societies GEMA and VG Media. Revenue streams in German TV market can be illustrated as follows:

Revenue streams in the German CaTV market[(1)]



Source: Company information.

(1) Black arrow: Current revenue streams; red dotted arrow: additional revenue streams if the cable network operators offer their own pay TV bouquets.

(2) Tele Columbus does not receive fees from public broadcasters.

Products of our "TV" segment

Our "TV" segment offerings consist of basic CATV and Premium TV products and services together comprising digital television channels, digital radio channels and analog television channels as well as certain features related thereto such as offerings to our customers of set-top boxes with personal video recorder ("**PVR**") and time shift function.

Basic CATV Offerings

Our basic CATV services comprise all activities and services linked to the subscriber's physical access to our cable network as well as access to our digital, analog and HD programs. Basic CATV services have historically been the primary basis for all premium services we offer, including Premium TV and Sky packages.

Under our digital basic CATV services, we provide access to the digital and HD free-to-air programs offered by the public broadcasters and most of the private broadcasters in Germany and numerous international channels, totaling up to approximately 100 free-to-air digital TV channels and up to approximately 35 HD channels. Depending on the number of channels subscribed for by our customers, our services are offered in connection with bulk contracts under the brand names "KabelTV" with approximately 65 digital TV channels as well as approximately 16 public service HD channels and "Plus HD" with approximately 21 additional private HD channels, including RTL HD, Pro7 HD, Sat.1 HD and Kabel 1 HD, and in connection with individual contracts under the brand name "KabelTV HD" which comprises all channels included in both the "KabelTV" package and the "Plus HD" package.

The reception of digital TV signals usually requires a set-top box or an integrated digital TV (IDTV) set. In case of encryption of the digital TV signal the set-top box or IDTV set, in combination with a CI+ module, decrypts the signal supported by a smartcard. Set-top boxes (including set-top boxes with PVR and time shift function) as well as smartcards and Cl+ modules are provided by us, depending on the services subscribed for, either for free or for sale or lease.

Since our digital TV programming is broadcast in parallel to analog signals, we convert digital signals back to analog for the benefit of our analog customers who want to continue this form of reception. Analog signals can be received without requiring any additional devices and comprise up to approximately 40 analog television channels.

Premium TV Offerings

Premium TV packages, which are offered to our direct basic CATV customers, are offered under the brand names "Extra HD", "Lifestyle HD" and "International TV". With our Premium TV package "Extra HD" we currently offer 30 digital premium TV channels including 10 channels in HD quality. Our Premium TV package "Lifestyle HD" comprises 11 digital premium TV channels including 6 channels in HD quality. For our customers who are interested in international TV channels, we offer our Premium TV package "International TV" which includes packages for eight foreign languages. Moreover, we offer bundled packages which include Sky transmission as well as fixed-line Internet and telephony services. Sky services are simulcrypted into our network, so that our customers can use Sky services without any additional hardware.

Subscription to one of our basic CATV offerings is a precondition for our Premium TV offerings. The reception of encrypted digital TV signals requires a set-top box or IDTV set in combination with a CI+ module and a smart card, which are provided by us free of charge.

Products of our Internet and Telephony Segment

In our Internet and Telephony segment, we offer fixed-line broadband Internet access and telephony services on a monthly subscription basis to those homes connected to our upgraded network enabling two-way transmission.

We offer stand-alone Internet and stand-alone telephony products. However, our customers are increasingly subscribing for bundled products incorporating both broadband Internet and telephony services. Since November 2014 our bundled products also include our cable television services. In the financial year ended December 31, 2013, 78% of our new Internet and telephony customers subscribed for bundled products comprising broadband Internet and telephony services. The majority of our Internet and telephony subscribers also receive basic CATV services from us.

Internet

We offer four different Internet flat rate packages to our customers with download speeds of up to 16 Mbit/s, 50 Mbit/s, 100 Mbit/s and 150 Mbit/s, respectively, and corresponding upload speed from up to 1 Mbit/s to up to 5 Mbit/s for the product with the highest speed. Our marketing efforts focus on selling products with 50 Mbit/s as the base product. All our Internet flat rate packages include the use of up to five mailboxes with storage space of 500 MB each; they all support POP3, SMTP, IMAP and allow our customers to send e-mails with a size of up to 5 MB per e-mail. In addition, any new customers get a free of charge Internet security package within the first three months after subscription.

Since July 1, 2014, we have been offering a new state-of-the-art cable gateway with Wi-Fi, Gigabit transfer speed, multimedia- and data hub to our customers on a monthly subscription basis. Customers using this

new cable gateway no longer require an additional Wi-Fi router. Since the launch of this offering, more than 50% of our new customers have decided to subscribe for this new cable gateway.

Fixed-Line Telephony

We offer a fixed-line telephony package to our customers which includes a flat rate for calls to other German landlines, the option to make two different calls simultaneously via separate lines as well as a network-based answering machine. We further offer combined Internet and telephony packages as well as combined Internet, telephony and cable television packages.

Network

Network Levels and Size

The broadband cable network in Germany is divided into four network levels. Network Levels 1 and 2 transport signals from broadcasters to regional distribution networks. Network Level 3 (L3) reaches to the transfer point outside of the subscriber's home. Network Level 4 (L4) is the part of the network from the transfer point to the wall outlet in the subscriber‘s home. Initially, our network consisted mainly of in-house and other on-premises L4 networks.

In some cases, L4 networks are connected to already existing integrated L3/L4 networks. In cases where regional network providers supply a signal to us, the interconnection of L4 networks through L3 results in discounted signal delivery fees to be paid to the regional network provider. Third party L3 TV signal delivery may be replaced by TV signal supply from our own satellite head-end to save further signal delivery costs. Depending on the upgrade status of the network, the integrated L3/L4 network may carry products such as digital TV. If L3/L4 networks reach a certain size, it may be economically and strategically advantageous to also connect them with built or rented IP-connections, which, at the same time, enables us to provide end customers with our Internet and telephony products.

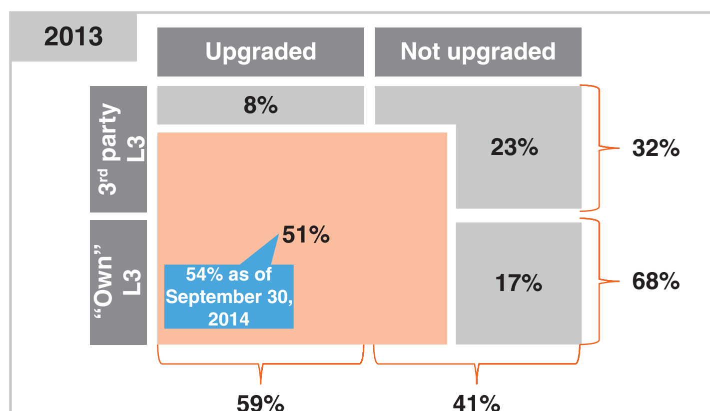
We are progressively migrating L4 networks that were supplied with third party L3 signals on the basis of recurring signal delivery agreements from the third party L3 providers' networks and supply them with TV and radio signals from our own satellite head ends. In 2010 we launched a migration program, consisting mainly of a project referred to as "Empire I" which was the most important driver in reducing the percentage of homes connected supplied by third party L3 signals from approximately 690,000 in 2011 to approximately 525,000 as of September 30, 2014, resulting in 69% of homes being provided with signals from our satellite headends through our "own" L3/L4 networks. This allowed us to extend combinations of smaller L4 networks into larger integrated L3/L4 networks in certain regions, resulting in higher reliability and lower maintenance requirements, since an integrated monitoring and operation is possible and the L3/L4 interface is abolished. By building integrated L3/4 networks we save signal costs, control the technical standards and specifications of these networks and we gain operational flexibility to upgrade our network as we see fit. Our network is fully invested and highly flexible. Most of our capital expenditures can therefore be success-based. Integrated and upgraded L3/4 networks also form the basis for cross-selling our broadband Internet and fixed-line phone services which, in turn, are important growth drivers for our future business. In particular, the current architecture was developed to guarantee seamless customer experience and avoid future disruptions due to the increase in demand for bandwidth speed.

We operate our L3/L4 and L4 networks predominantly in Eastern Germany (Berlin, Brandenburg, Saxony Anhalt, Saxony, Thuringia together, our core regions) as well as in selected areas in Western Germany, mainly in North Rhine-Westphalia and Hesse. We have built up regional clusters in which almost all homes and housing units could be connected to our network. Our key regional clusters with multimedia networks are in the cities Berlin, Dresden, Potsdam, Zwickau, Chemnitz, Erfurt and Jena.

Network Structure

We own and operate L4 networks that are served by the signal from our own hybrid fiber/coaxial cable networks. In August 2010, we started to focus on migrating certain networks and subscribers from third-party L3 networks and migrating these subscribers to our own independent networks as described above. As of September 30, 2014, 69% of our subscribers were connected to our "own" integrated L3/L4 network (which may include leased lines). To date, we regularly upgrade our networks to higher standards. As of December 31, 2013, 51% (54% as of September 30, 2014) of our total homes connected were connected to our "own" L3 networks and upgraded to two-way transmission. As of December 31, 2013, the status of

migrating third party L3 networks and migrating them into our own integrated L3/L4 network as well as upgrading of our network can be illustrated as follows:



L3 network. We provide our L3 networks with TV signals by use of satellite head ends. Regional satellite head ends are connected to interactive multimedia networks. The infrastructure of these hybrid fiber coaxial networks (HFC networks) consists of fiber line, fiber nodes and coaxial cable. Depending on demand, we may build fiber to the building (FTTB) networks by using optical splitters and micro nodes.

We provide broadband Internet connections through our backbone connecting the networks with redundant computing centers. The backbone connection is composed of rented dark fiber lines or leased managed bandwidth. Cogent, Vodafone and HL Komm provide us with geo-redundant connections and IP transit to our two central network related data centers.

This cooperation with carriers and use of hybrid networks results in low initial investment costs since leased line bandwidth prices are usage based. Managed bandwidth contracts typically provide for a limited initial duration (often 36 months). If demand increases sufficiently, leased line bandwidth may be replaced by dark fiber or own infrastructure. Building HFC networks from existing infrastructure saves time compared to newly built networks. In addition, we maintain the flexibility to easily upgrade the networks to the latest standards (also beyond DOCSIS).

L4 network. Through our L4 network we distribute signals from the respective L3 point of interconnection to single housing units or homes. These networks include in-house cabling, in-house taps, house amplifiers and sockets in the respective apartments. To get access to the landlords' premises, we conclude concession agreements in order to deliver our signals through their L4 network. Some of these agreements allow or require us to carry out certain network upgrades. At the end of the concession contract, the network may be our property or pass into the landlord's property. Currently approximately 75% of our gateways have already been upgraded to be 800 Mbps.

CPE. We also provide customer premises equipment (CPE) such as receivers, hard disc receivers and CI plus modules that can be directly inserted into slot equipped TV sets. CPE and modules are equipped with decryption devices for our conditional access (CA) system, which is predominantly NDS technology (adapted for the requirements for each of Sky and Eutelsat). Our customers can use the CPE we offer (for purchase or rent) to receive and decrypt our private HD and basic pay-TV offerings as well as Sky and Eutelsat/Kabelkiosk foreign language and pay-TV packages. The signals for these offerings are transmitted in simulcrypt.

Network Capacity

With respect to broadband Internet access services, we believe we are currently offering market leading downstream speeds of up to 150 Mbit/s in the markets we serve.

As of September 30, 2014, out of our 1.7 million homes connected, 1.19 million or 69% were connected to our "own" L3 network (which may include leased lines). The majority of our homes connected, i.e. 1.4 million or more than 80%, were upgraded to 862 MHz capacity. 54% of our homes connected were connected to our "own" L3 network and fully upgraded for two-way transmission. These upgrades enable us to deliver Internet and phone services. The upgrade technology chosen required the exchange of all amplifiers in our distribution network with two-way amplifiers and an occasional segmentation of the upgraded networks whereby one network segment and amplifier cascade is split into two.

For the carrier side, we upgrade bandwidth and capacity as necessary as described above. In this way, we can react on customer numbers and demand including by increasing bandwidth from 100 Mbit/s to a multiple of 10 Gbit/s per head end. Our network contains more than 2,000 fiber nodes averaging 450 homes connected per node and 2,300 micro nodes (averaging 30 homes connected per micro node). We plan to upgrade additional homes and we may continue with further upgrades on a selective basis wherever the network density and level of direct customer relationships warrant the investment. Therefore, the majority of our capital expenditures will continue to be success-based and related to RGU and usage growth.

In any segment of our network, a certain part of the available physical spectrum capacity is dedicated to Internet and phone services, whereas the remaining network capacity is used for analog and digital CATV and Premium TV services (including our HD products) as well as FM radio. As our customer base and the traffic demand of our customers grow over time, we continuously create additional network capacity for interactive services through network segmentation. Network segmentation allows us to split one network segment into two segments (node split), which doubles the capacity available for our Internet and phone business services. Network segmentation is an on-going, demand-driven process to adjust network capacity to the bandwidth demand of our customer base.

In order to further expand our product offerings and network capacity, we plan to intensify our network migration and upgrade initiatives and increase the share of homes migrated and upgraded to two-way transmission to 70%. The planned measures are, in particular, targeted at increasing the Company's cross-selling penetration potential and increase blended monthly ARPU to €17 and RGUs to 1.7.

Operations

Marketing and Sales

We conduct our marketing and sales activities through a variety of sales channels that are partly owned by us and partly operated by external partners. In business sales, we have key account managers who handle housing associations managing more than 250 households. Smaller housing association customers are managed through specialized sales agencies. In consumer sales, we pursue a multi-channel sales approach, comprising door-to-door selling, shops, promotion, retail, in-/outbound telephony and online sales. Other marketing channels are direct mail, house drops as well as postcode drops. Further, we advertise in media such as local TV, radio, print, banners and posters.

As part of our consumer sales channel we operate 38 Tele Columbus shops, located throughout our footprint, i.e. Berlin, Brandenburg, Saxony-Anhalt, Saxony and Thuringia. Tele Columbus shops are operated under a pure franchise model and are commission-based. We are further present in retail markets and outlets, such as EP Partners, MediaMarkt and Saturn totaling to approximately 170 retail partners and 50 MediaMarkt/Saturn partnerships. All of our partnerships with large retail chains operate on a commission basis. We also have an external inbound and outbound telephony sales team with 25 agents and a dedicated field agents team with approximately 90 self-employed agents to drive consumer sales. Our sales and marketing approach is complemented by our online presence based on our new Tele Columbus website.

Our key marketing and sales objectives are to increase brand awareness through higher investments in the brand and to optimize selling efforts through a balanced mix of sales channels. While we aim to maintain our telephony and online-sales channels, we intend to increase field and retail sales as well as promotion activities. We plan to specifically focus on sales of bundled services, such as Internet and telephony and increase cross-selling of these services to our existing CATV customer base or to sell triple play products to new customers.

Market research indicates that awareness for our "Tele Columbus" brand has significantly increased. From January 2009 until January 2014, the brand recognition of our "Tele Columbus" brand increased from 66% to 85% in terms of aided awareness and from 37% to 62% in terms of unaided awareness, according to our own research. Also, awareness for "Tele Columbus" as Internet provider has increased to 44% as of March 2014.

Customer Care

Currently, approximately 230 representatives are dedicated to customer management processes including technical attention, claims management and customer retention. Customer care is available to our customers seven days a week between 8 am and 10 pm to handle all commercial and technical matters by

phone, email and regular mail. We have different geographical phone numbers at which our customers can reach our customer care service teams. Through the use of modern technologies like computer telephony integration ("**CTI**"), customers and their data are forwarded directly to the correct customer consultant in the service or technical team. In 2014, we achieved availability on call of 86% (compared to 78% in 2013) and a service level of calls answered within 20 seconds of 51%. A customer satisfaction survey conducted in 2014 showed a high level of customer satisfaction with our telephony services, as 85% of customers gave top two marks (extraordinary and very good) regarding friendliness, 83% regarding intelligibility, 81% regarding professional expertise and 88% regarding the question whether their problem was fixed.

The majority of our customer services are outsourced to third parties and we constantly compare the quality and availability of our external customer care centers to our in-house customer care centers to further improve our customer care service. Further, working with several partners allows us to mitigate the impact of a complete outage in one of our customer care centers. At the beginning of 2014, we initiated the establishment of a quality contact center at the headquarters of Tele Columbus which is operated through an external specialist. The primary objective of this quality contact center is to provide positive impetus to the other partners in a benchmarking process through excellent productivity, quality and sales results. The fact that the quality contact center is on site allows us to test new ideas easily, receive immediate feedback and constantly optimize our customer care process.

Between the conflicting variables of availability, talk-time, quality, sales results and costs, we prioritized the increase of availability and at the same time the reduction of contact costs between 2011 and 2012. We succeeded in both. The contact costs were reduced by approximately 25% and have been kept at a stable level since then. On this basis, we now focus on customer retention rates, quality and the cross-sale of additional Premium TV, Internet and telephony products to our basic CATV customer base, the latter of which, in particular, we believe offers significant growth potential for our business. In this regard, the quality contact center which is located at our headquarters is a key success factor, because it sets the standards in quality, sales quotas and customer retention rates.

Technical Operations

We have an in-house core technical operations team that is focused on network planning and controls network building and maintenance carried out by third party service providers. We have outsourced all technical maintenance services to external service providers, providing for fault clearance (*Entstörung*), check-ups and maintenance of cable networks, technical devices and facilities. These services are offered for both directions in distribution networks, downstream and upstream, electrical and optical components, technical operation of head ends, operation/service of end customer devices and, subject to individual agreement, repair of head ends. This enables us to complete in-house network upgrades in a flexible way, reacting on demand by using the required amount of external resources.

Billing

As regards our B2B customers, approximately 25% pay on a monthly basis, approximately 30% on a quarterly basis, approximately 10% on a half-year basis and approximately 30% on a yearly basis. As regards our B2C customers, approximately 75% pay on a monthly basis, approximately 20% on a quarterly basis, approximately 2% on a half-year basis and approximately 3% on a yearly basis. This creates peaks in billing and cash flows in January and July. In case of late- or non-paying customers (including housing associations, landlords as well as tenants and other individual subscribers), we respond with an escalating series of measures to ensure bill collection while ideally keeping the customer as a paying customer. This includes reminders and dunning letters (which are customized in case of housing associations and landlords), outbound calls and, in case this does not help, the suspension of service. Ultimately, we terminate contracts with non-paying customers and hand the accounts over to collection agencies.

Intellectual Property

Despite the importance of protecting our technological innovations as well as our brand name by means of intellectual property rights, we are not reliant on any major patents or licenses.

As of September 30, 2014 we had seven trademarks registered, including the Tele Columbus word and figurative trademarks and have registered over 140 Internet domains, including "www.telecolumbus.de", "www.telecolumbus.com" and "telecolumbus.net" as well as the mobile version "m.telecolumbus.de" and various subdomains, such as "wohnungsunternehmen.telecolumbus.de", "unternehmen.telecolumbus.de", "webmailer.telecolumbus.net" and "service.telecolumbus.net".

Under the German Act on Copyright and Related Rights (*Gesetz über Urheberrecht und verwandte Schutzrechte, UrhG*) the operators of cable networks are required to pay royalties for the retransmission of radio and television programs that include literary, scientific or artistic work protected by copyright law. Claims for these royalties can be asserted exclusively by the German copyright collecting societies (*Verwertungsgesellschaften*) and not by the authors of such protected intellectual property themselves. As an exception, however, broadcasters have the choice to assert their rights individually themselves or via a copyright collecting society.

According to applicable copyright law, we have to pay copyright royalties for the cable retransmission of TV channels. The retransmission rights of the numerous rights holders (i.e. broadcasters, productions companies, authors, etc.) are mainly administered by the collecting societies VG Media and GEMA. We therefore entered into agreements with both VG Media and GEMA which stipulate the payment of certain licensing fees for the retransmission of TV channels through our cable networks. For further details see "*Material Contracts—Other Material Contracts*".

Manufacturers of devices or storage media used for reproduction of works protected by copyright law are required to pay royalties for possible future reproductions under the German Act on Copyright and Related Rights (*Gesetz über Urheberrecht und verwandte Schutzrechte, UrhG*). Because of their recording function, DVRs are devices in accordance with this definition. Under Sections 54 et seq. UrhG, importers of these devices are jointly liable for the royalties to be paid by the manufacturers. These royalties are collected by the ZPÜ (*Zentralstelle für private Überspielungsrechte*), a cooperation of the German copyright collecting societies. Insofar as we qualify as an importer of the DVRs under the relevant provisions, we are subject to this joint liability.

Research and Development

We have not undertaken any significant research or development other than work required to introduce our network based products and build the network over the past three financial years. The related costs are taken into account in the various operational and capital expense items of our income statement.

Real Estate and Leases

The majority of our sites are rented under operating or financial lease agreements. Only a small number of the sites are owned by the Group companies. The following table provides an overview of the major real estate holdings and leases of the Group:

Site	Size	Ownership/Lease	Primary Use
Schwabmünchen (Augsburg)	1,599 sqm	ownership	Building and open space belonging to utility facilities
Schönau (Chemnitz)	5,331 sqm	ownership	Building and storage space (leased)
Gablenz (Chemnitz)	3,658 sqm	ownership	Building and rental space (leased)
Berlin	395 sqm	lease	Space for trade, storage and technical equipment, headends
Berlin	5,891 sqm	lease	Office space
Dresden	1,027 sqm	lease	Storage space
Erkrath	1,113 sqm	lease	Office and storage space
Hannover	5,089 sqm	lease	Office space
Jena	1,181 sqm	lease	Office and storage space
Köthen(1)	421 sqm	lease	Office and storage space
Zwickau	418 sqm	lease	Shop and head end

(1) Terminated with effect as of December 31, 2014.

Material encumbrances on real estate assets owned by the Group comprise our premises in Schwabmünchen (Augsburg), Schönau and Gablenz (both Chemnitz), which are encumbered with shared land charges (*Grundschulden in Mithaft*) in the combined amount of €12,271,005.15 in favor of ING Bank N.V. (Amsterdam, Netherlands).

Employees

As of November 30, 2014, the Group employed 486 employees (full-time equivalents, FTE, including trainees, apprentices, short-term employees (*Aushilfen*) as well as interns (which are both in general counted as one tenth FTE) and excluding temporary agency employees (*Leiharbeitnehmer*) and freelancers). Between November 30, 2014 and the date of the Prospectus, there have been no significant changes in the number of FTEs.

The following table shows the number of FTEs of the Company as of September 30, 2014 as well as December 31, 2013, 2012 and 2011, broken down by functions:

FTEs by functions	As of September 30, 2014	As of December 31, 2013	2012	2011
	(unaudited)	(audited)		
Network and Infrastructure	71	63	66	67
Call Center and Technical Services Centers	67	67	62	68
Sales and Marketing	93	133	132	136
Overhead	145	95	107	119
Total FTEs	**376**	**357**	**368**	**390**

The Company's employees are allocated to five locations in Germany: Berlin, Hanover, Dresden, Erkrath and Jena. The Company has four works councils (*Betriebsräte*): works council in Berlin with seven members (Berlin Works Council), works council in Hanover with seven members (Hanover Works Council), works council in Dresden/Jena with three members (Region South-East Works Council) and a works council in Erkrath with one member (Erkrath Works Council). Our joint venture company MDCC Magdeburg-City-Com GmbH has a works council in Magdeburg with five members. Furthermore, we have a joint works council (*Gesamtbetriebsrat*) consisting of six members who are also part of the regional works councils and an economic committee (*Wirtschaftsausschuss*).

In general, the cooperation between our management and employee representatives is very constructive. There are shop agreements with respect to the usual matters requiring employee participation; for example, agreements on the introduction of IT systems, on deferred compensation, on the introduction of flexible working hours and on performance-related remuneration components. Balances of interest or social plans which potentially could complicate a restructuring do not exist at our Company.

The Company has concluded company collective bargaining agreements with the United Services Union (*Vereinte Dienstleistungsgewerkschaft—ver.di*). In this respect, four collective bargaining agreements are currently in effect: The framework collective agreement dated May 5, 2014, the collective agreement on remuneration updated on May 16, 2013, the framework collective agreement on pay grades and the collective agreement on special provisions, which came into effect as of September 1, 2011. Our collective agreement on remuneration has been terminated by ver.di with effect as of December 31, 2014 and is currently being renegotiated. No other affiliate company of the Group is bound by collective bargaining agreements.

The standard employment agreements of our Company contain reference clauses (*Verweisungsklauseln*), so that the collective bargaining agreements are also applicable to the majority of employees who are not members of a union. Furthermore, the employees of our Company had options for the so-called block model of part-time employment for people approaching retirement until December 31, 2009, pursuant to the German rules on Early Retirement (*Altersteilzeit*). The individual contracts with employees based on early retirement end automatically at the latest on December 31, 2015. As of December 31, 2013, there were contracts of guarantee via Commerzbank in the amount of €0.25 million as security for the respective credit balance.

In the past (especially when the respective employees were employed with Siemens or Bosch), pension commitments in the aggregate amount of approximately €8.39 million have been granted to 34 active and 121 inactive employees.

Material Legal Disputes and Administrative Proceedings

Companies of the Group are occasionally involved in legal disputes and administrative proceedings within the scope of their business activities and this will likely be the case in the future. It is impossible to determine or predict the outcome of cases pending or threatened. We believe that other than the proceedings described below, during a period covering the previous twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) have or have had in the recent past significant effects on our Company's and the Group's financial position or profitability. We are not aware of any circumstances that could lead to state interventions, court or arbitration proceedings with significant effects on our Company's and the Group's financial position or profitability.

Legal disputes and administrative proceedings in which companies of the Group have been involved during the past twelve months particularly include the following:

Disputes with Credit Suisse and PrimaCom on contractual Building Obligations regarding leased Property at Ernst-Reuter-Platz

With regard to our former headquarters at Ernst-Reuter-Platz, Berlin, the lessor, i.e. Credit Suisse, and the lessee, i.e. PrimaCom and Tele Columbus GmbH as sub-lessee of the premises at Ernst-Reuter-Platz, Berlin are in dispute on contractual building obligations at such premises with two claims pending. On April 3, 2014, Credit Suisse initiated proceedings against Tele Columbus GmbH with a value of matter in dispute of €817,788 before the Regional Court of Berlin. A hearing in this case was held on December 5, 2014. Additionally, on February 19, 2014, PrimaCom initiated proceedings against Tele Columbus GmbH with a value of matter in dispute of €700,000 before the Regional Court of Berlin. The claim has been dismissed by the court. PrimaCom can, however, appeal the dismissal.

Dispute with Rovi Group on Infringement of Patents

Tele Columbus Multimedia GmbH is party to various proceedings before the Regional Court of Düsseldorf involving Starsight Telecast, Inc. and United Video Properties, Inc. (entities belonging to the Rovi group) as well as Gemstar Development Corporation. In these proceedings, the holders of certain patents concerning electronic program guide related technology claim that we are infringing various patents by distributing a certain receiver (Set Top Box). As such, the claimants, inter alia, demand that the distribution of the receiver shall be stopped. Tele Columbus Multimedia GmbH in turn brought nullification actions and objected to the underlying patents in dispute. The current status of the proceedings is as follows: Two proceedings have been terminated after the plaintiff withdrew since the patents in question were revoked or declared void and only cost reimbursement proceedings are outstanding. Three proceedings have been stayed with respect to the nullity proceedings. In addition there are settlement negotiations between the parties as a result of which also one of the nullity proceedings has been stayed. The patents subject to the stayed proceedings expire in 2011 (insofar the proceedings relate to potential damage claims), 2015 and 2019. The other two patents are not in force any more. The court determined the value in dispute (for the purpose of an assessment of court fees) to be approximately €1,000,000.

Disputes with HOWOGE and DTAG on contractual Obligations regarding the Ownership of a L4 Network

We were party to a concession agreement with HOWOGE, a housing association in Berlin, which has expired on September 30, 2014. HOWOGE decided after a public tender in 2013 that, starting from October 1, 2014, the housing units in question will be served by DTAG.

On June 26, 2014, we applied to the Regional Court of Berlin for two interim injunctions against HOWOGE and DTAG, respectively. We also filed an action for annulment of HOWOGE's decision to contract with one of our competitors based on public procurement law. The injunctions relate to approximately 26,800 of HOWOGE's units and are based on a dispute over the ownership of the L4 network after expiration of our contract with HOWOGE. In our view, we sold only a part of the network to HOWOGE which did not include the part of the network in the public ground. However, DTAG as the new provider in the property of HOWOGE wanted to rent the entire network including the part of the

network in the public ground. We obtained the requested injunctions in both proceedings on August 8, 2014, and on September 5, 2014, respectively. Subsequently on September 12, 2014, we initiated proceedings in the principal action before the Procurement Chamber (*Vergabekammer*) of Berlin claiming a review of the procedure regarding the award of the network and the repetition of the award procedure. In their statement of defence, HOWOGE requested the claim to be dismissed. The Procurement Chamber decided on November 14, 2014 that it does not have competence to hear the case. We plan to appeal this decision before the Appellate Court of Berlin (*Kammergericht*).

Claims from Commercial Agents

On October 2, 2014, in letters by their attorneys, KVG Vertriebs- und Service GmbH and KVG Kabelfernsehen-Vermittlungs- und Vertriebsgesellschaft mbH raised claims for compensation as former commercial agents in an amount of approximately €581,000 and approximately €1.7 million, respectively, against the Company.

Insurance

Management believes that the Group has adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly verified and adjusted when necessary. However, it cannot be ruled out that the Group may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in the insurance contracts. Furthermore, it cannot be guaranteed that the Group will be able to maintain adequate insurance coverage at appropriate premiums in the future.

MATERIAL CONTRACTS

Financing Agreements

Senior Facility Agreement and Mezzanine Facility Agreement

Overview

The current financing relations of the Company comprise the SFA and the MFA. The SFA and the MFA will both be fully repaid upon completion of the offering using the proceeds of the offering (see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*") and funds provided under the IPO Financing Agreement (described below).

Restructuring of Financing Relations

On October 31, 2006, Tele Columbus GmbH (TC GmbH), among others, and ING Bank N.V. (as mandated lead arranger, underwriter, bookrunner, agent (as agent in the meantime replaced by Deutsche Bank Aktiengesellschaft, London Branch) and security agent), entered into a senior facilities agreement (the SFA) which has subsequently been amended and/or restated several times, most recently in August, 2014. Also on October 31, 2006, TC GmbH, among others, and ING Bank N.V. (as mandated lead arranger, underwriter, bookrunner and agent (as agent in the meantime replaced by The Bank of New York Mellon, London)), entered into a mezzanine facility agreement (the MFA) which has subsequently been amended and/or restated several times, most recently in August 2014.

Following a restructuring by way of an English law scheme of arrangement (2011 Scheme), the main obligations under the SFA and MFA comprised Tranche A liabilities (owed to third parties outside the then existing Tele Columbus group) and Tranche B liabilities (ultimately transferred from the previous lenders to TC Management in exchange against tracking preferred equity certificates in Tele Columbus Holdings SA). The maturity of the facilities, which were due in 2014 and 2015, was amended and extended by way of another English law scheme of arrangement (2013 Scheme).

In the course of the Spin-Off (see also "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Events in the Periods under Review—Equity and Financial Restructuring"; "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Preparation of the Combined Financial Statements—Structure of TC Group*"; and "*General Information on Tele Columbus AG and the TC Group—Structure of the TC Group*") of certain assets and liabilities of TC GmbH to the Company, the unsustainable Tranche B liabilities remained with TC GmbH. The Tranche A liabilities under the SFA and MFA were assigned to the Company. TC Management waived any claims it might have under the Tranche B liabilities against the Company by a waiver agreement dated August 11, 2014.

Current Liabilities under SFA/MFA

As of October 31, 2014, our liabilities under the SFA and MFA constitute of the following drawn loan facilities in a total amount of €628,184,971 (including outstanding interests):

- a Senior Tranche A facility of €539,497,087;
- a Second Lien Tranche A facility of €37,306,540;
- a Mezzanine Tranche A facility of €35,326,373;
- a Super Senior Term Tranche 2 facility of €16,022,582; and
- a Super Senior Revolving Facility of €32,389.

Interest Rates

The loans under the SFA and MFA bear cash pay interest at rates per annum determined to be the sum of (i) EURIBOR for that loan for that interest period; (ii) the applicable margin; and (iii) the mandatory cost (if applicable). The applicable margins are as follows:

- Senior Tranche A: 7.70% p.a. (PIK);
- Second Lien Tranche A: 5.0% p.a. (PIK);

- Mezzanine Tranche A: 5.0% p.a. (PIK);
- Super Senior Term Tranche 2 facility: 5.0% p.a. (cash);
- Super Senior Revolving Facility: 5.0% p.a. (cash).

Security Interests

We have granted security over substantially all our assets (subject to customary limitations and agreed security principles) to secure all the facilities under the SFA and MFA.

IPO Financing Agreement

On January 2, 2015 the Company and certain of its subsidiaries entered into a €500,000,000 Term Loan and Revolving Credit Facilities Agreement (the IPO Financing Agreement) arranged by BNP Paribas Fortis S.A./N.V., J.P. Morgan Limited and Goldman Sachs Bank USA under which the Company and certain of its subsidiaries are granted financing (subject to satisfaction of certain conditions precedents customary for a financing of this type) for the time after the offering has occurred, provided the offering is completed by February 15, 2015.

The Facilities

The IPO Financing Agreement includes three facilities consisting of a term loan facility in the amount of €375,000,000 (Facility A) for the purpose of refinancing any outstanding obligations of the Group under the SFA and the MFA and thereafter for general corporate purposes, another €75,000,000 term loan facility for capital expenditure purposes (Facility B) and a €50,000,000 revolving credit facility for general corporate and working capital purposes (Revolving Facility). Facility A has a term of six years and each of Facility B and the Revolving Facility has a term of five years, subject to an option of the Company to extend the term of the Revolving Facility by one year on either the first or second anniversary of the IPO Financing Agreement. The interest rate payable on the loans is calculated on the basis of EURIBOR plus the applicable margin. The initial margin payable on drawings is 4.25% p.a. (subject to a potential increase during primary syndication under a customary market flex provision, i.e. a provision which grants the underwriting banks the right to require the Company to agree to an increase of the margin and fee levels in order to achieve a successful syndication of Facility A) under Facility A and 3.75% p.a. under Facility B and the Revolving Facility subject to, in each case, quarterly adjustments in accordance with a leverage-dependent margin ratchet beginning one year after the date of the IPO Financing Agreement. In addition to interest, certain fees are payable, including an underwriting fee, original discount fees and a commitment fee. The commitment fee is calculated at the rate of 35% of the applicable margin and is payable on the undrawn and uncancelled amount of Facility B and the Revolving Facility. No commitment fee is payable on the commitments under Facility A.

The initial utilization of the IPO Financing Agreement is subject to the preceding specified conditions including the provision of evidence that (i) all existing financial indebtedness owed by the Company and its subsidiaries under the SFA and the MFA have been and will be prepaid by the proceeds from the offering and the IPO Financing Agreement, and (ii) that the offering has occurred or will occur concurrently with the first utilization with minimum gross proceeds from the primary offering of €300,000,000.

Guarantees and Security

The obligations arising under the IPO Financing Agreement are guaranteed by the Company and certain of its subsidiaries and are secured by pledges over the shares of certain subsidiaries of the Company which qualify as material subsidiaries pursuant to, or are guarantors under, the IPO Financing Agreement. No other asset security interests have been granted to secure the obligations under the IPO Financing Agreement.

Terms

The IPO Financing Agreement contains customary representations, covenants, undertakings and events of defaults for a financing of this type and a borrower of this credit standing.

Financial Covenants

In particular, the Company is obliged to ensure that certain financial covenants are complied with throughout the lifetime of the facilities. These financial covenants include a leverage testing pursuant to which the ratio of the consolidated total net debt borrowing to adjusted consolidated EBITDA of the Group must not exceed certain maximum ratios set out in the IPO Financing Agreement (starting with a maximum ratio of 5.5 until the end of the calendar year 2015, moving to a maximum ratio of 5.0 until the end of the calendar year 2016 and ending with a maximum ratio of 4.5 for the time thereafter; however, the aforementioned maximum ratios for the years 2015 and 2016, upon request of BNP Paribas Fortis S.A./N.V. and J.P. Morgan Limited as arrangers of the facilities, will be reduced by up to 0.5 to 5.0 and 4.5, respectively, if required for the purposes of primary syndication). In addition, the Company is required to maintain a certain minimum level of interest cover tested by comparing the amount of consolidated EBITDA of the Group in the preceding twelve months with the aggregate amount of the net interest expenses of the Group during such period. The minimum interest cover level to be maintained is a level of 4.0.

Both, the leverage covenant and the interest cover covenant, are tested on a quarterly basis and for the first time on June 30, 2015. In case the Company breaches a financial covenant, the lenders under the IPO Financing Agreement are entitled, amongst other things, to terminate the agreement and to demand repayment of all outstanding amounts.

General Undertakings

In addition to the financial covenants, the IPO Financing Agreement contains a negative pledge clause limiting the Group's ability to provide security interests over their assets to third parties, as well as various other restrictions such as, for example, limitations regarding the incurrence of further financial indebtedness, disposals, the granting of loans and guarantees and the completion of mergers and acquisitions, subject, in each case, to certain exceptions and qualifications required in order to enable the members of the Group to continue to operate their business in the ordinary course.

The Company has further undertaken, under the IPO Financing Agreement, not to make or pay any dividends or other distributions to its shareholders or to redeem, repurchase or otherwise repay any of its share capital as long as its leverage ratio (i.e. the ratio of total net debt to Normalized EBITDA, taking into account, on a pro forma basis, the relevant dividend distribution, redemption or repayment) exceeds the value of 4.0:1.0 or an event of default is outstanding. However, dividends or distributions resolved upon may still be made within 30 days if an event of default has occurred after the relevant resolution has been passed.

Mandatory Prepayments

Certain disposals of assets by members of the Group are permitted under the terms of the IPO Financing Agreement without requiring a mandatory prepayment of the facilities. However, certain disposals exceeding certain threshold amounts result in an obligation to repay the loans provided under the facilities in an amount equal to the net proceeds generated from the relevant disposals, unless such proceeds are re-used for capital expenditure purposes (including for permitted acquisitions) within set time limits. Mandatory prepayments and cancellations are applied against Facility A and Facility B first and thereafter against the Revolving Facility.

Termination upon Event of Default or Mandatory Repayment upon Change of Control

In the event of a breach of any of the obligations, covenants and restrictions under the IPO Financing Agreement, in case of misrepresentation or in certain other circumstances such as the breach of a contractual obligation, the lenders (after expiry of any applicable grace periods) are entitled to, amongst other things, terminate the agreement and to demand repayment of all outstanding loans and other amounts thereunder. In addition, it constitutes an event of default, entitling the lenders to terminate and demand repayment of the loans, if an event of default (however described) has occurred under any other financing agreement(s) of the Group, unless the amount of financial indebtedness outstanding under any such financing agreement(s) in aggregate does not exceed €20,000,000. Further events of defaults included in the IPO Financing Agreement consist of events customary for a financing of this kind, such as insolvency of, or cessation of business by, certain Group members.

An individual termination right of the lenders under IPO Financing Agreement to request repayment also ensues in the event of a change of control. A change of control occurs if a person or a group of person acting in concert acquire (directly or indirectly) more than 50 per cent of the shares or the voting rights in the Company or obtain the power to appoint or remove the majority of the members of the supervisory board (*Aufsichtsrat*) of the Company who are elected by the shareholders. However, the acquisition of control over the Company by the current shareholders of Tele Columbus Holdings SA in the course of the offering (by way of an acquisition of shares in the preferential allocation, see "*The Offering—Allotment Criteria*") does not constitute a change of control for the purposes of the IPO Financing Agreement so that a termination right of the lenders will not be triggered thereby.

Bilateral Lines

Certain minority interests held by the Group are not included in our SFA and MFA financing but are borrowers under other loans in the aggregate outstanding amount of €12.5 million as of October 31, 2014. The loans have been granted by Sparkasse Gelsenkirchen, Unicredit and others, Stadtsparkasse Magdeburg, and Volksbank Magdeburg.

Material Acquisitions, Divestures and Joint Ventures

Acquisition of BIG Medienversorgung GmbH

On August 27, 2014, the Company purchased and acquired 100% of the shares in BIG Medienversorgung GmbH, Mönchengladbach, Germany, ("**BIG**") from BIG's former shareholders, Mrs. Besting, Mr. Besting, Mr. Jäger, Mr. Klausmeier and Mrs. Rameckers for a fixed consideration of €11.0 million on a debt- and cash-free basis (plus a variable component, calculated on the basis of an amount of €14.0 million, which may be increased or decreased depending on the valuation of BIG at the end of 2017). BIG had approximately 12,700 connected households in North Rhine-Westphalia, Baden-Württemberg and Berlin (in September 2014) and revenues of approximately €2.0 million in 2013. The Company also acquired (indirectly) the shares in Medienwerkstatt GmbH in the same transaction. The purchase price was funded from free cash flow.

Divestment of Interest in ImmoMediaNet

Through its subsidiary, NeBeG Media Netzbetreiber-Pool GmbH (NeBeG), Tele Columbus GmbH held a 50% interest in ImmoMediaNet. The other partner was WoWi Media GmbH & Co. KG (WoWi Media). On June 28, 2013, NeBeG and WoWiMedia entered into a severance agreement, pursuant to which NeBeG withdrew as limited partner from ImmoMedaNet and transferred its interest in the general Partner to WoWiMedia in exchange for a severance payment of €27 million. The withdrawal became effective as of June 30, 2013.

Attempted Take-Over by KD

On May 21, 2012, Kabel Deutschland Holding AG (KD) entered into a sale and purchase agreement with TC Management and TC GmbH.

Under the agreement, TC GmbH was obliged to transfer its entire business including all assets, liabilities, contracts and participations, however excluding any financial debt and shareholder loans granted by TC Management, to a new wholly-owned subsidiary which KD then were to acquire upon closing of the transaction (KD Acquisition). As consideration, KD was obliged to pay to TC GmbH an amount equal to the debt owed by TC GmbH and its subsidiaries under the then-existing super senior, senior and mezzanine facilities including any accrued and capitalized interest which amounted to €597.8 million as of December 31, 2011 plus an equity purchase price in the amount of €5.0 million. The accrued interest as of March 31, 2012 amounted to €7.4 million.

The KD Acquisition was subject to clearance by the FCO. The FCO was only willing to grant approval subject to conditions which KD was not willing to accept. Consequently, KD withdrew the clearance application and the KD Acquisition was not closed.

BMB Consortium Agreement

On July 23, 2002, Marienfeld Multimedia GmbH ("**MMM**"), Bosch Breitbandnetze GmbH ("**Bosch BN**", at that time named Bosch Telecom GmbH; the legal predecessor of Tele Columbus Multimedia GmbH),

THS Treuhandstelle für Bergmannswohnstätten im rheinisch-westfälischen Steinkohlenbezirk GmbH ("**THS**") and Robert Bosch GmbH entered into an agreement (the "**BMB Consortium Agreement**") according to which, MMM and Bosch BN established BMB GmbH & Co. KG (the "**BMB JV**") and its general partner BMB Geschäftsführung GmbH (the "**BMB GP**") as joint venture companies. In August 2012, Tele Columbus Multimedia GmbH held a partnership interest of 50.5% in the share capital of the BMB JV and an interest of 52.0% in the share capital of the BMB GP. MMM held a partnership interest of 49.5% in the share capital of the BMB JV and an interest of 48.0% in the share capital of the BMB GP. The object of the BMB JV's business is the establishment, implementation and the acquisition of broad band cable network systems within certain postal code areas in North-Rhine Westphalia (the "**BMB JV Area**"). The parties contributed to the BMB JV any existing agreements between the BMB JV partners and housing associations within the BMB JV Area.

On September 11, 2014, Tele Columbus Multimedia GmbH purchased and acquired the remaining shares in the joint venture company BMB GmbH & Co. KG and BMB GP from MMM. The aggregate purchase price amounted to €21.6 million (consisting of a net purchase price of €19.9 million and a future investment obligation of €1.7 million) and was funded from free cash flow. The BMB Consortium Agreement has been terminated with effect as of September 12, 2014.

Joint Ventures Agreements of Tele Columbus Multimedia GmbH

Tele Columbus Multimedia GmbH is party to two joint ventures. It holds a 51% share in the share capital of MDCC Magdeburg-City-Com GmbH. The joint venture partner is Städtische Werke Magdeburg GmbH and the joint venture company operates telecommunications infrastructure in the area of Magdeburg, where it has 76,000 homes connected, which are all two-way upgraded. It has penetration rates of 78% for TV, 36% for internet and/or telephony and 33% for digital services. MDCC Magdeburg-City-Com GmbH achieved a total operating performance of €24.4 million in 2013 and a Normalized EBITDA of €10.8 million (i.e. a 44% margin). Its net debt (without finance leases) amounted to €3.5 million as of June 30, 2014.

Tele Columbus Multimedia GmbH further holds a 51% share in the share capital of BBCom Berlin.Brandenburgische Communikationsgesellschaft mbH. The joint venture partners are WBM Wohnungsbaugesellschaft Berlin-Mitte mbH (holding a 25% interest), WBF Wohnungsbaugesellschaft Friedrichshain mbH and Berliner Wohn- und Geschäftshaus GmbH BEWORGE (each holding a 12% interest in the share capital). The joint venture company's business objective is the management of multimedia and subscriber-based communication services. BBCom Berlin.Brandenburgische Communikationsgesellschaft mbH achieved a total operating performance of €1.6 million in 2013 and a Normalized EBITDA of €0.5 million (i.e. a 29% margin). Its net debt amounted to minus €0.5 million as of June 30, 2014.

Other Material Contracts

Agreements with Satellite Network Operator Eutelsat S.A. and with Eutelsat Visavision GmbH (now part of M7 Group)

Eutelsat S.A. provides us with technical services, in particular the technical television platform.

Eutelsat Visavision GmbH provides us with pay-TV products from the Kabelkiosk product on a wholesale basis. Eutelsat Visvision GmbH has been taken over recently by the European pay-TV platform provider M7 group. We transmit the Kabelkiosk signal and market the respective channels on our own account to our customers. This applies to several foreign-language pay-TV packages and various German basic pay-TV packages. Customer services and smartcards are provided by the Group.

Eutelsat S.A. serves as a technical service provider for the Group that maintains the necessary digital platform for the encryption, multiplexing and uplinking of the TV signals and provides TV platform services, including for encrypted HD signals and for the free-TV signals that we transmit in unencrypted form. We have licensed encryption technology (e.g. from NDS Technologies France S.A.S.) which we sublicense to our platform providers. We feed the platform signal into our network and market the respective digital products to our end customers. We also handle the provision of decoder boxes and smartcards.

According to the wording of the agreement with the Eutelsat group we originally concluded in 2009 (as amended, including in 2012), we have an obligation to pay minimum guarantees to Eutelsat

Visavision GmbH (now part of M7 group). The minimum guarantees are calculated based on numbers of subscribers we did not attain in the past and do not expect to have in the future. We have therefore accrued for payments to be made over the term of the contract that we do not expect to cover by subscriber fees. The minimum guarantees were reduced in 2012, but were still higher than subscriber fees obtained from selling the TV products provided through the Eutelsat platform. From July 1, 2013 we stopped paying a part of the minimum guarantee amount because we were of the view that the minimum guarantee payment obligations as agreed were no longer compatible with applicable laws. The amount in dispute was paid into escrow. We then started negotiations to amend the terms of this agreement for the future and settle the disputes regarding the past. On January 8, 2015, we reached a commercial understanding with M7 according to which the original agreement should be extended until December 31, 2023. In consideration, the minimum guarantee payment would be reduced to €4.5 million per annum beginning on January 1, 2015. This would be a reduction of approximately €1.5 million compared to the minimum guarantee amount annually payable starting from January 1, 2015 under the existing agreement. The new minimum guarantee would be subject to review and potential adjustment if our subscribers for HD TV products were higher than currently assumed, for the first time on June 30, 2018. Until then this payment would be fixed, unless the fees based on the actual number of subscribers are higher than the minimum amount. In consideration, we would make all outstanding payments for the periods until December 31, 2014 on the basis of the original agreement as amended. The amendment and extension agreement has not yet been finalized and executed. We are confident that the signing of this agreement will occur in the weeks following the date of the Prospectus.

Signal Delivery Contracts

We are increasingly acting as an integrated L3/L4 cable network operator and operate our own satellite headends. However, we still require signal deliveries from third party cable network operators and agree on signal delivery contracts with third party L3 network operators, in particular Unitymedia (regarding NRW and Hesse) and Vodafone/KD (regarding other areas). Apart from the mere delivery of broadcasting signals, the agreements with both Vodafone/KD and Unitymedia also provide for the marketing of additional digital services (i.e. digital free TV, pay-TV, (near) VoD) as well as multimedia services (telephony and Internet) to the homes connected to our L4 networks. Vodafone/KD and Unitymedia are allowed to market these services in their own names and on their own account. For carrying Vodafone/KD's and Unitymedia's services on our network, we receive a monetary compensation. Under the contract with Unitymedia, we may not be able to migrate certain networks until 2017.

Agreements with VG Media and GEMA

Under applicable copyright law, the Group is required to pay copyright royalties for the cable retransmission of TV channels. The retransmission rights of the numerous rights holders (i.e. broadcasters, productions companies, authors, etc.) are mainly administered by the collecting societies VG Media and GEMA. We therefore entered into various agreements with both VG Media and GEMA, both valid at least through December 31, 2015, which stipulate the payment of remuneration for the retransmission of certain channels in our cable networks.

REGULATION

German law and regulation distinguishes between telecommunications and media laws. In general, telecommunications law applies to the establishment and operation of technical infrastructures for communication, whereas media laws apply to the content of such communication. We are subject to both of these types of law. Additionally, we are also subject to antitrust regulation, zoning laws, data protection law and regulations for public companies listed on regulated markets in Germany, and certain environmental laws and regulations.

Telecommunications Regulation

Telecommunications services and the operation of telecommunications networks are subject to the regulatory regime of the German Telecommunications Act (*Telekommunikationsgesetz*), as revised in 2012 and amended most recently on July 25, 2014 (the "**Telecommunications Act**"), and certain regulations, ordinances and regulatory orders based on the Telecommunications Act. The Telecommunications Act implements the European Regulatory Framework for Electronic Communications Networks and Services (the "**Framework**") that consists of, amongst others, the Framework Directive (2002/21/EC), the Authorization Directive (2002/20/EC), the Access Directive (2002/19/EC), the Universal Service Directive (2002/22/EC) and the Directive on Privacy and Electronic Communications (2002/58/EC) and certain amendments from 2009 (Directive 2009/140/EC). The goals of the 2009 Framework reform were, in particular:

- to take due account of geographic areas within Member States when markets are defined by national regulators;
- to progressively reduce ex-ante sector specific rules and, ultimately, for electronic communications to be governed by competition law only;
- to give appropriate incentives for investment in new high-speed networks;
- to mandate national regulators to impose the shared use of access facilities such as in-house cabling, ducts and other feasible facilities on public and private ground by way of symmetrical access obligations for owners and/or operators; and
- to strengthen consumer's rights, consumer protection and to improve the level of security of electronic communications.

By implementing the objectives of the European Framework, the Telecommunications Act provides a number of provisions that may affect our business. This includes, but is not limited to, the following changes:

- the discretionary power of the Federal Network Agency (FNA) to impose access and tariff obligations in relation to the shared use of in-house cable ducts and wiring (up to the distribution point outside the building) on the holders of rights of way or the owners of such facilities irrespective of their significant market power (SMP), where this is justified because the duplication of such infrastructure would be economically inefficient or physically impracticable. In addition, a network provider who has concluded a concession agreement can be subject to an obligation to grant joint use of the in-house infrastructure to another provider under certain circumstances at the cost of an efficient provision of such services. These regimes may affect our and other cable operators' coaxial L4 in-house networks;
- the authorization to introduce certain net neutrality rules for operators of telecommunication networks as well as transparency and minimum quality requirements for network operators and providers of public telecommunication; and
- consumer protection and information requirements for our customers which may affect our product policy and contractual arrangements, in particular, maximum contract duration, extraordinary termination rights, rules to enable switching from one provider to another and quality of service regulations.

Earlier proposals, such as the extension of universal service obligations to broadband access with a mandatory contribution scheme, have not been included in the 2012 revision of the Telecommunications Act, but remain a possible subject of future legislation.

The Telecommunications Act contains, inter alia, provisions regarding: (i) the establishment and powers of the FNA; (ii) the market definition and analysis procedure as well as the related consultation and

notification requirements; (iii) network access obligations, (iv) wholesale and retail tariff regulation, (iv) the sector specific supervision of abusive behavior of operators with SMP, (v) consumer protection; (vi) the allocation of frequencies; and (vii) the granting of rights of way.

In principle, access and tariff regulation applies to telecommunications network operators and telecommunications service providers with SMP in their respective markets only. However, under certain conditions, the FNA may impose obligations on operators with control over end-user access even if those operators do not have SMP status (for instance with regard to interconnection obligations, see also above regarding in-house ducts and wiring).

The current German federal government's broadband Internet access strategy aims for full geographical coverage of Germany, with high speed Internet access at speeds of at least 50 Mbit/s, no later than 2018, while the EU Commission's Digital Agenda aims for 100 Mbit/s for 50 percent of the households. These are ambitious goals that require significant resources in new networks, including fiber networks. It is yet uncertain how these investments can be funded, in particular for less populated areas. At present, the German federal government and the EU Commission intend to use a mix of "light touch" interventions, such as increased subsidies, cooperation between network operators, use of existing regulatory instruments such as access regulation and increased return on investment for regulated infrastructure in case of regulated rates. The current Guidelines of the EU Commission on State Aid allow direct and indirect subsidies for traditional broadband internet access, NGA access (up to 100 Mbit/s) and ultra-high-bandwidth access (exceeding 100 Mbit/s) in all areas where there is no or only one existing network that offers such access, in each case subject to certain conditions. NGA access is defined as comprising high performance modernized cable access, FTTX-access networks and certain high performance wireless access networks. Political demands for the use of universal service obligations to fund network extension may remain on the political agenda.

Based on the broadband Internet strategy, the German federal government has also initiated the Next Generation Access Forum which we participate in. The forum works on non-binding principles of the technical and operational aspects of access to future networks and other next generation networks. This forum produced a service description for access to network Level 2 cable networks (via bitstream access), including technical specifications for such access in October 2013 and a model agreement for such access in October 2012. We are currently not aware that any agreement of this type has been concluded. Such an agreement may be concluded in the future, however, and could lead to additional regulatory pressures on broadband cable networks to enforce such access.

In addition to the Telecommunications Act, the Act on Radio Equipment and Telecommunications Terminal Equipment (*Gesetz über Funkanlagen und Telekommunikationsendeinrichtungen*) of January 31, 2001, as amended, and the Act on Electromagnetic Compatibility of Equipment (*Gesetz über elektromagnetische Verträglichkeit von Betriebsmitteln or "**EMVG**")*) of February 26, 2008, as amended, contain provisions applicable to the operation of telecommunications networks and equipment. In particular, telecommunications equipment must satisfy health and safety requirements and conform to certain technical standards. The Ordinance on the Protection of Security Related Radio Services *(Verordnung zum Schutz von öffentlichen Telekommunikationsnetzen und Sende- und Empfangsfunkanlagen, die in definierten Frequenzbereichen zu Sicherheitszwecken betrieben werden* (*Sicherheitsfunk-Schutzverordnung or "**SchuTSEV**"*) dated May 13, 2009, as amended, issued by the Federal Government under the EMVG, imposes obligations on cable network operators to minimize interferences with radio, in particular aircraft radio communication services. The FNA conducts measurements on a regular basis to ensure that limiting values are not exceeded in these channels. If the electromagnetic radiations are too high and we do not reduce their level after a reasonable cure period, we may be forced to switch them off. This may also occur on other security-related radio frequencies in the higher spectrum. We may also be forced to invest in our networks, in particular in-house network, to increase resilience, and there may be a need to exchange the customer's CPE for more modern models with higher resistance against interferences.

Certain additional reforms at the EU level will be effective from 2016. The Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks aims to facilitate the roll-out of high-speed electronic communications network primarily by promoting the joint use of existing physical infrastructure and by enabling a more efficient deployment of new physical infrastructure

so that such networks can be rolled out at a lower cost. To achieve this goal the directive includes the following provisions:

- Every network operator has the right to offer telecoms operators access to its infrastructure for the purpose of broadband installation.
- Telecoms operators have the right to obtain, upon request, the minimum information concerning the existing physical infrastructure, such as location, type and current route of the infrastructure and a contact point.
- Network operators have the right to negotiate agreements concerning the coordination of civil works with telecoms operators for the purpose of broadband deployment.
- All new buildings for which applications for building permission have been submitted after December 31, 2016 must be high-speed ready, i.e. Internet access at speeds of at least 30 Mbit/s.

As the directive only establishes minimum requirements, member states may maintain or introduce additional measures to facilitate rollout and coordination. Member states must adopt national provisions to comply with the new directive by January 1, 2016, and apply the new measures from July 1, 2016. Some of the instruments introduced by the directive have already been implemented into national German law by the amendment of the Telecommunications Act on May 10, 2012. The EU commission adopted a proposal for a legislative package changing several of the above described directives and additional regulations on September 11, 2013 ("Connected Continent", (COM(2013)0627—C7-0267/2013—2013/0309(COD))). The parliament proposed substantive changes (report dated 20 March 2014 (A7-0190/2014)) and BEREC commented repeatedly on the proposal and proposed amendments (last comments dated May 17, 2014, BoR (14) 50). The topics under discussion that are relevant to our business include the following:

- so called "net neutrality" measures that include requirements and limitations for Internet providers that wish to provide a certain quality of service to content providers willing to pay for this type of service (e.g. for TV distribution over Internet protocol);
- coordination of frequency spectrum allocation aimed at encouraging additional investments extension in wireless broadband access, and the emergence of EU wide mobile network operators with integrated networks, as well as abolishing "premium" fees for roaming in third party mobile networks at the latest until 2016;
- certain consumer protection measures, such as additional requirements for the drafting of general terms and conditions: ("plain language"), additional information obligations and rules for provider or contract switching and consumer contract duration;
- (contested measure the adoption of which we consider likely:) the introduction and harmonization of certain standardized fixed-line access products including access to NGA-networks, including access via virtual unbundling, bitstream access and with or without price regulation.

The Regulatory Body. The FNA is responsible for the regulation of the German telecommunications market. It has various powers in respect of the enforcement of telecommunications laws and regulations. Decisions of the FNA may be challenged before the competent administrative courts.

Notification Requirements. The operation of telecommunications networks and the provision of telecommunications services do not require any licenses from any regulatory body. However, commercial operators of public telecommunications networks and commercial providers of telecommunications services for the general public must notify the FNA of the commencement, any modification and the termination of their business activities.

Access Obligations. Based on a consulted and notified market definition and analysis, the FNA may impose on operators of public telecommunications networks with SMP the obligation to grant other operators or service providers access to their services and/or to their networks. In particular, the FNA may impose the obligation to grant wholesale access for certain telecommunications services on an unbundled basis. For this purpose, the operator must offer access to its network in a manner that allows the other party not to purchase any services that it does not require. Under certain conditions, the FNA may also impose access obligations if the operators do not have SMP but control for instance the end-user access or in-house cable ducts or wiring (see above).

Among other things, the FNA is authorized to impose on operators the obligation (i) to grant access to certain network components and certain facilities as designated by the FNA, and (ii) to offer the re-sale of their telecommunications services on a wholesale basis. The FNA has discretion to determine whether access must be granted or re-sale must be offered. So far, we are not subject to any such regulation regarding our broadband Internet access service and our related infrastructure.

Regardless of whether or not an operator of a public telecommunications network has SMP, it is obliged to offer any other operator upon its request the interconnection of both parties' networks provided that the interconnection is technically feasible. We are subject to such obligation in respect of those parts of our networks that have two-way transmission capability, in particular voice call termination. Alternative phone service providers generally enter into an interconnection agreement with DTAG in order to allow their fixed-line phone customers to call subscribers of other fixed and mobile telecommunications networks and to be called by third parties. The fees DTAG charges for some of its interconnection services are subject to an ex-ante approval requirement by the FNA.

Granting of Rights of Way. Operators of public telecommunications networks that wish to use public streets, squares, bridges and public waters for the laying and operating of telecommunications lines have to apply to the FNA for the granting of respective rights of way. In particular, the FNA must determine whether the applicant has demonstrated sufficient professional expertise, reliability and financial capability to operate telecommunications lines. On September 13, 2011, we were newly granted by the FNA all necessary rights of way throughout Germany. For the construction of new lines, we need the consent of the relevant bearer of the public easement (*Träger der Wegebaulast*) of the respective public streets, squares, bridges and public waters.

Tariff Regulation for Telecommunications Services. Under the Telecommunications Act, an operator of a public telecommunications network or a provider of telecommunication services for end-users with SMP may become subject to *ex ante* or *ex post* regulation of the FNA with regard to its tariffs for imposed wholesale access services or retail prices. If an *ex ante* tariff approval requirement applies the FNA standards refer in principle to the cost of efficient service provisioning (*Kosten der effizienten Leistungsbereitstellung* or "LRIC") or other justified standards under the specific circumstances. In case of an ex post regulation, SMP operators and service providers, but also non SMP operators who have to grant interconnection access, are generally prohibited to apply abusive or discriminatory pricing standards.

Abusive Behavior. In addition to prohibiting the charging of abusive fees, the Telecommunications Act provides for a general prohibition of abusive behavior, in particular discriminatory or restrictive practices of operators of public telecommunications networks or providers of telecommunication services with SMP.

The FNA may prohibit such abusive behavior and declare particular agreements void. The regulator may confiscate profits generated from abusive behavior if certain conditions are met. The regulator also has the authority to sanction violations of its orders with administrative fines. To date, the FNA has not applied any of these powers against us.

Allocation of Frequencies and Avoidance of Harmful Interferences. The future use of radio frequencies may cause interferences in cable networks, including ours. Under the former frequency regime, the spectrum allocation and usage within coaxial and other landline cable was, in principle, subject to the regulatory supervision of the FNA. Under the 2012 revision of the Telecommunications Act, it was clarified in accordance with European law that any frequency usage in cable generally falls outside the scope of the Telecommunications Act. This might potentially weaken the position of cable operators in future frequency planning and allocation decisions by the competent authorities, despite the explicit reasoning of the Federal Government in the legislative procedure that this amendment would not change the position of the cable operators. However, an indirect protection for cable networks has been established with regard to frequency allocation through a general regulatory principle which stipulates that, irrespective of the mode of transmission, "concerns of broadcasting" (*Belange des Rundfunk*) have to be considered in future frequency allocations, and includes a new procedural provision ensuring, inter alia, involvement of the state media authorities. See above "*Telecommunications Regulation*" regarding our ongoing obligations and supervisory measures of the FNA under the Act on Electromagnetic Compatibility of Equipment (*EMVG*) and the Ordinance on the Protection of Security Related Radio Services (*SchuTSEV*).

The re-allocation by the FNA in a frequency auction planned for 2015 (digital dividend II) of certain frequencies previously devoted to broadcasting to mobile network operators could adversely affect our business as it may limit our ability to use the same frequencies in our networks or require us to invest in network or CPE upgrades.

Fixed-Line Phone and Internet Access Regulation, Interconnection, Call Termination. With respect to the commercial provision of (narrowband) phone services to end-customers based on a self-operated fixed-line telecommunications network, the aforementioned provisions of the Telecommunications Act also apply as regards notification, granting of rights of way, allocation of frequencies, access obligations, regulation of fees and abusive behavior. In particular, if we are deemed either to have SMP in the relevant market or to control end-user access, the FNA may impose access obligations on us, order the interconnection of end-customers and regulate the fees charged to end-customers.

Consumer Protection. Pursuant to the Telecommunications Act, we are obliged to comply with various provisions for the special protection of end-users (customers) regarding, among other things, (i) the formation of agreements, (ii) the subject matter and the termination of contracts and certain rights and obligations of the contracting parties and of third parties engaged in telecommunications traffic, (iii) quality of service, (iv) details of delivery periods, (v) the operator's liability vis-à-vis the end-users, (vi) the way in which reference is made to standard terms and conditions and fees, (vii) requirements deriving from the Universal Service Directive, (viii) entries in directories and directory enquiry service databases, (ix) the blocking of the subscriber's line, (x) itemized bills, (xi) out-of-court dispute resolution procedures for customers and (xii) declaration from property owners. The protection of end-users will be further strengthened by the above-mentioned reform of the Framework.

The former Telecommunications Act and other federal acts (as previously amended in 2009) already addressed a range of consumer protection issues. The laws were intended, among other things, to facilitate the termination of agreements and enforcement of legal remedies by end-users, and to provide for stricter rules for operator customer acquisition practices, especially with regard to unwanted phone marketing, known as "cold calling". Within the EU, the Directive on Privacy and Electronic Communications (2002/58/EC) and within Germany, the UWG (*Gesetz gegen den unlauteren Wettbewerb*) and the Telecommunications Act, made it unlawful to approach prospective subscribers for direct marketing purposes via a phone without the express prior consent of the subscriber. The competent authorities were authorized to charge fines in case of violations. A further strengthening of consumer rights entered into force with the amendments of the Telecommunications Act in May 2012. The revised legislation introduces a number of additional consumer protection obligations. These include, inter alia, new information, billing and transparency principles vis-à-vis end customers, certain service lines to be offered free-of-charge, certain product offering obligations (e.g. a product with a maximum duration of 12 months), and rules governing the conditions of a change of provider at the request of the customer.

Number Portability. Each public phone network operator is obliged to enable its customers to retain their phone number, in the case of geographic numbers, at a specific location, and to allow for number portability. Detailed number portability obligations and requirements of the network operators have been implemented into the revised Telecommunications Act in May 2012.

Numbering Issues. The FNA is the competent authority for the administration of numbering issues. It is responsible for structuring and configuring the national number space in Germany. The FNA also allocates (phone) numbers to telecommunications network operators, telecommunications service providers and end-users. When we are allocated numbers (for example, local numbers for end-customers or a technical number in order to implement number portability), we are obliged to comply with certain conditions (for example, with regard to the transfer of numbers), as set out in the respective number allocation rules issued by the FNA. Furthermore, we must observe certain statutory provisions with regard to premium-rate numbers. The FNA is authorized to impose fines of up to €100,000 in order to enforce its regulations on numbering.

Privacy of Telecommunications—Data Protection and Public Safety. Each provider of telecommunications services is obliged to maintain telecommunications privacy. This means that the content and detailed circumstances of telecommunications, in particular with regard to whether or not a person is or was engaged in a telecommunications activity, must not be disclosed to third parties.

In addition, each operator is obliged to protect the personal data of telecommunications subscribers and users in connection with the collection and use of such data. The relevant sections of the Telecommunications Act provide for the collection and use of personal data.

Furthermore, any person offering publicly available phone services is obliged to provide all users with free access to emergency services by using the European-wide emergency call number "112" and any additional national emergency call numbers.

Each provider of telecommunication services is obliged to make appropriate technical arrangements or take other measures in order to protect the privacy of telecommunications and personal data and telecommunications and data processing systems against (i) unauthorized access, (ii) any faults which would result in considerable harm to telecommunications networks and (iii) external attacks and the effects of natural disasters. In addition, it is obliged to nominate a security commissioner (*Sicherheitsbeauftragten*) and to utilize a security concept (*Sicherheitskonzept*) setting out (i) which telecommunications systems are to be used and which publicly available telecommunications services are provided, (ii) any potential hazards and (iii) which technical arrangements or other safeguards have been made or put in place or are planned.

Pursuant to the Telecommunications Act, providers of public telecommunication services are obliged to notify unlawful transfer or leakage of inventory and call data to the FNA, the Federal Commissioner for Data Protection (*Bundesbeauftragter für den Datenschutz und die Informationsfreiheit*) and to the individuals affected by such transfer or leakage.

Interception and Information Requests from Law Enforcement Authorities. Each operator of a telecommunications system on which publicly available telecommunications services are provided has to provide, at its own expense, technical facilities for telecommunications interception by law enforcement authorities. The administrative and procedural details of the telecommunications interception are specified in the revised Telecommunications Interception Regulation (*Telekommunikations-Überwachungsverordnung—TKÜV*), whereas the technical details (for example, relating to transmission protocols) are specified in the "Technical Guideline: Requirements for the Implementing of Statutory Telecommunications Monitoring Operations" (*Technische Richtlinie zur Beschreibung der Anforderungen an die Umsetzung gesetzlicher Maßnahmen zur Überwachung der Telekommunikation*). The FNA regularly updates the technical guideline in order to reflect developments in technology, such as the use of e-mail and VoIP.

Each operator of a telecommunications network or provider of telecommunications services was previously obliged to retain certain data for a certain period of time with regard to the telecommunications traffic across its network in order to comply with statutory provisions related to law enforcement. On March 2, 2010, the Federal Constitutional Court declared the former German statutory legal basis for such data retention unconstitutional and void. Therefore, at present no data obligation applies to our business until new statutory rules have been enacted. Following a European Court of Justice ruling in 2014, which declared the Directive in violation of fundamental rights, the future of the legal framework on data retention is now still in discussion on the European and German level. The resulting legislation may cause additional burdens on the Group.

Internet Access. With respect to the commercial provision of internet access services to end-customers based on a self-operated fixed-line telecommunications network, the provisions of the Telecommunications Act apply as described above. We were not found to have any SMP, neither on the wholesale nor on the retail market for internet access services. This end customer market is not listed on the current recommendation 2007/879/EC.

Media Regulation

Regulation of the media is subject to the legislative authority of each of the 16 German federal states (*Bundesländer*). Each federal state has its own media law or a joint media law together with a neighboring state. The states have harmonized certain parts of their media laws in the State Broadcasting Treaty concerning Broadcasting and Telemedia Services (*Rundfunkstaatsvertrag*) (the "**State Broadcasting Treaty**") as revised in its 15th Amendment (15th State Broadcasting Treaty—*15. Rundfunkänderungsstaatsvertrag*) which came into force on January 1, 2013. The State Broadcasting Treaty establishes the framework of the German broadcasting system. In particular, it provides for a regime designed to ensure that a diversity of views and opinions is secured and delivered in the mix of public and private radio and television channels and their respective programming. The State Broadcasting Treaty, together with the media laws of each of the federal states, regulates (i) the establishment and powers of regulatory bodies, (ii) the licensing of private broadcasters, (iii) notification requirements in connection with the (re-)transmission of radio and television programs, (iv) the allocation and use of transmission capacities and digital platforms, and provides for (v) certain non-discrimination rules with respect to technical and business aspects of the transmission of programs. A main objective of the State Broadcasting Treaty and the state media laws is the protection of media diversity to be ensured by the regulatory supervision of an adequately diversified range of public and commercial channels and programs,

as well as the prevention of a dominant influence on public opinion on the German TV market. The State Broadcasting Treaty, and as a corollary the media laws of the federal states, are under permanent revision, as the legislators see the need to adapt the laws to the constant technological and economical changes in the media field.

The European Directive 89/552/EEC on the provision of audiovisual media services (the "Audiovisual Media Services Directive"), which forms the basis of certain of the provisions in the State Broadcasting Treaty, was amended at the end of 2007 (with Directive 2007/65/EC). The amendments provide for reductions of the regulatory burden on Europe's TV providers and TV-like services to allow for more flexibility for financing audiovisual content by new kinds of advertising. They also include new definitions of linear and non-linear services affecting the German distinction between broadcasting and telemedia services. A revised State Broadcasting Treaty has subsequently been passed in October 30, 2009 and came into force on April 1, 2010.

It reflects the amendments foreseen in the Audiovisual Media Service Directive. Under the Treaty, near-VoD services, i.e. those accessible for which the user must pay a fee, have to adhere to certain rules governing broadcasting, including advertising and product placement regulations as well as minimum quota for European works. Our true VoD services (e.g. SELECT VIDEO) are classified as telemedia services, as they are rendered upon individual request by the users. Telemedia services do not have to be licensed. However, certain requirements as to advertising and product placement also apply for telemedia services.

A major revision of the rules and regulations regarding the media protection of minors (*Jugendmedienschutzstaatsvertrag*) failed in 2010 due to a lack of political support in North-Rhine Westphalia. The failure will have no adverse effects on our business as the old regulations will stay in place. Future changes to the youth protection regime may have an adverse impact on our business. However, such changes appear unlikely at present.

The Regulatory Bodies. As a rule, each German federal state has established its own independent regulatory body, the state media authority (*Landesmedienanstalt*), for the regulation of the private broadcasting sector and platform providers. The federal states of Berlin/Brandenburg and Hamburg/Schleswig-Holstein have established a joint regulatory body, respectively. A number of joint committees among the state media authorities exist to coordinate certain aspects of media regulation. In an effort to further concentrate regulatory competences, a new commission has been formed in 2008 to handle central aspects of media regulation (*Kommission für Zulassung und Aufsicht*, "**ZAK**").

The state media authorities and the ZAK are primarily responsible for the licensing and supervision of private broadcasters and the allocation of transmission capacities for radio and television channels. In most states, they are also required to run, or to supervise, "open channels" (amateur radio and television channels). The state media authorities have the power to supervise the compliance with, and to intervene against infringements of, the provisions of the State Broadcasting Treaty regulating matters. These include, for instance, the use of conditional access systems, application programming interfaces and electronic program guides and the charging of fees from broadcasters and other content providers. The state media authorities have the authority to enforce the compliance of broadcasters and cable network operators with the respective laws by issuing administrative orders or fines. Decisions of the state media authorities can be appealed before the competent administrative and civil courts. The competences of the FNA with regard to the sector specific regulation of the telecommunications markets remains unaffected by the state media rules, but to some extent the jurisdictions overlap.

License and Notification Requirements. Private broadcasters are required to obtain broadcasting licenses from the competent state media authority in accordance with applicable state laws. In contrast, the operation of cable networks for the transmission of radio and television programs does not require a license from a state media authority. In certain states, however, a notification to the state media authority is required in connection with the operation of cable networks. The State Broadcasting Treaty has introduced a general notification requirement for digital platform providers. In addition, notification is required for the analog and digital transmission of radio and television channels transmitted via cable networks must be notified. The operators of cable networks and other relevant parties are also required to notify the competent state media authorities of (i) the use of conditional access systems and electronic program guides, (ii) title to application programming interfaces and (iii) their feed-in fees. This requirement also applies with respect to subsequent operational, technical or commercial changes of the foregoing.

Operation of Digital Platforms. The operation of digital platforms for television is governed by the State Broadcasting Treaty. In general, providers of telecommunications services via technical digital platforms, which distribute broadcast or comparable telemedia services, must guarantee that the distribution technology used in the technical digital platform allows diversity of offers. They are prohibited from restricting or discriminating against broadcasters or providers of telemedia, in particular, through the use of conditional access systems, application programming interfaces and navigators or pricing models. They must comply with certain must-carry and can-carry rules. Moreover, providers of telecommunications services are required to notify the state media authorities of the use of conditional access systems and navigators and of the title to any application programming interfaces. The platform regulations of the State Broadcasting Treaty are technology-neutral and therefore the rules applicable to digital cable television also apply to other digital platforms, including IPTV. Pursuant to Section 48 of the Telecommunications Act, the interoperability principle is limited to the reception of conventional (digital) broadcasting services, i.e. excluding IPTV.

As required by the State Broadcasting Treaty, the state media authorities have enacted an "Ordinance on the Access to Digital Services and on Regulation of Digital Platforms" (*Satzung über die Zugangsfreiheit zu digitalen Diensten und zur Plattformregulierung*, "**ZAP**") which further details some of the obligations of the platform providers. Under the State Broadcasting Treaty and the ZAP we have obligations such as:

- notifying the commencement of the platform-based business activities to the state media authority;
- providing and disclosing certain information, such as the television and telemedia services carried on the platform, certain documentation relating to services from abroad and concerning the carriage fees;
- granting broadcasters and telemedia providers access to all technical services that are needed to use the Conditional Access System;
- ensuring that the basic user interface (navigator) of the platform is non-discriminatory;
- not charging abusive or discriminatory fees; and
- granting broadcasters and telemedia providers non-discriminatory access to the platform. Access conditions are deemed reasonable if access is granted as far as possible on an unbundled basis, and if the platform operator does not influence the content of the programming without the program provider's consent. Broadcasters and telemedia providers have a right to file a complaint against a platform operator before the regional state media authority. Upon such a complaint the competent media authority will examine whether the provider violates the provisions of the State Broadcasting Treaty or the ZAP. The state media authority may order for example that a platform operator must include competing TV packages or channels in its platform.

Allocation and Use of Transmission Capacities. The State Broadcasting Treaty sets forth the rules for the allocation and use of digital transmission capacities and digital platforms for television channels. In addition, the allocation and use of analog transmission capacities for both radio and television channels and digital transmission of radio channels is governed by the laws of the respective states as described below.

The current regulations do not explicitly state whether cable network operators are entitled to decide on the amount of capacity they devote to or use for the broadcasting of radio or television channels, and which amount they devote to or use for other services such as Internet access. However, the State Broadcasting Treaty contains, at least for digital capacities, provisions indicating the cable operators' entitlement to make this decision. It is also unclear as to whether or not the cable network operators can freely determine which capacities they use for analog and which for digital transmission. Some of the state media authorities seem to be of the opinion that it is not the cable network operators alone who are entitled to decide on these questions. Some state media laws or statutes of the state media authorities expressly state the number of cable channels that must be used for the analog transmission of television programs or the frequency ranges which are to be devoted to must-carry channels.

Allocation and Use of Analog Transmission Capacities. Regulations regarding the analog transmission of radio and television channels vary from state to state and cable network operators are generally not entirely free to allocate analog channels in their networks. In certain states, the state media authorities make allocation decisions regarding all or almost all of the analog channels available in the network. In other states, the law defines a number of "must-carry" channels, while the network operator is entitled to allocate the remainder of the capacity. A number of states have, over time, adopted more liberal allocation

regimes which grant network operators the right to allocate a limited number of channels, subject to certain legal constraints and as long as such allocations do not conflict with the state media authority's policy with respect to the diversity of opinions. In some cases, a certain portion of channels is given to the network operator to be allocated as they see fit under purely economic considerations (within the confines of the general laws).

In general, state media authorities prioritize the allocation of channels based on the following order:

- channels of the respective state's public broadcasters;
- channels of private broadcasters (including local and regional channels) licensed in the respective state and open channels;
- other general interest channels of private broadcasters;
- special interest channels of private broadcasters; and
- telemedia services.

In some states, the state media law grants preference to channels that are terrestrially receivable within the state. Thus, the introduction of DTT in several metropolitan areas affected the allocation of analog cable capacities. DTT allows—under the current compression technology—for the reception of 24 to 31 channels, which, according to the interpretation of the law by some media authorities, leads to a "must-carry" status of the digital terrestrial channels.

Rules relating to the allocation of radio channels are usually somewhat less strict than those relating to television channels.

Broadcasters have the right to file a complaint with the relevant state media authority in the event that cable network operators unlawfully refuse to transmit their signals. The state media authorities are vested with the power to order the transmission of channels upon such complaints, provided that the respective broadcasters', programs enjoy "must-carry" status or that the network has sufficient excess capacity. Whether or not the broadcasters, in particular those enjoying "must-carry" status, are entitled to assert claims for distribution directly against the cable network operator is unclear. It is further unclear whether or on what terms the broadcaster is obliged to enter into a carriage agreement.

Allocation and Use of Digital Transmission Capacities. As pointed out above, the State Broadcasting Treaty also governs the digital transmission of television channels by cable operators and platform operators. The State Broadcasting Treaty prioritizes the allocation of digital transmission capacities in three different categories of channels:

- First Tier: Each operator must allocate up to one-third of the overall digital capacity of its network available for the distribution of television channels to (i) public broadcasters channels, including the public regional channels, (ii) channels of private broadcasters with regional program windows and (iii) regional and local private broadcasters licensed in the relevant state as well as open channels.
- Second Tier: Each operator must allocate transmission capacity equivalent to the capacity allocated to the first tier of his network on the basis that the mix of channels provides for a variety of broadcasters and channels taking into account the interest of the subscribers. This allows for a certain degree of discretion on the part of the network operator.
- Third Tier: Operators are free to allocate the remainder of the capacity subject only to certain general legal constraints.

As mentioned above, the State Broadcasting Treaty includes a provision implicitly indicating that it is within the cable operator's discretion to determine which portion of capacity they allocate to the digital transmission of radio and television channels and telemedia services and telecommunications services.

The operator is not entitled to de-bundle the digital program packages of public and private broadcasters and to compile their contents and other programs into new program packages for its own marketing without the broadcaster's consent. However, the State Broadcasting Treaty acknowledges the cable operator's right to make changes that serve to enhance technical efficiency as long as such changes do not have negative effects on the agreed-upon delivery standard. It is uncertain whether this entitlement includes the right to encrypt the digital broadcasting signal without the broadcaster's consent, in order to make sure that only entitled subscribers can watch the digital broadcasted contents.

The State Broadcasting Treaty has introduced unified must-carry obligations for digital radio channels.

Regulation of Fees and Carriage Conditions. Under the State Broadcasting Treaty, fees and carriage conditions for the transmission of radio and television channels and of telemedia services may not be restrictive or discriminatory. The operators of cable networks and platforms are required to notify the state media authorities of their feed-in fees (see "*—License and Notification Requirements*") and carriage conditions at the request of the media authorities who are authorized to review these fees and conditions within the overlapping framework of the Telecommunications Act. Broadcasters have the right to file a complaint with the media authorities to initiate proceedings by the authorities. State media authorities are in principle required to consult with the FNA before they decide upon investigating infringements of the State Broadcasting Treaty.

Provision of Telemedia Services. Under German law, the provision of electronic content offerings that do not constitute either broadcasting services or pure telecommunications services, such as electronic press or true VoD offers, are regulated, as far as economic aspects are concerned, by the Telemedia Act of February 27, 2007 (*Telemediengesetz*), as amended, and, as far as content aspects are concerned, by the State Broadcasting Treaty. For the regulations to apply, it does not matter whether the electronic content service is delivered via fixed-line phone networks, cable networks or other means of distribution or whether the delivery is based on the Internet Protocol or any other transmission standard.

The provision of a telemedia service does not require a license from, or a notification to, any regulatory body. However, a notification to the state media authority of telemedia services distributed via typical television distribution platforms, such as cable networks, is best practice.

In this context, the State Broadcasting Treaty on the Protection of Minors in Broadcasting and Telemedia (*Jugendmedienschutz- Staatsvertrag*), as amended, provides for the admissibility of adult content offerings under specified conditions, namely ensuring that such content is only made available to closed groups of users by way of identification and age verification systems. As regards the current adult content telemedia service available via our digital platform, the regulatory bodies have found that the system installed by us fully meets the safeguarding conditions. We have recently moved this service from a near-video-on-demand to a true video-on-demand service which has no impact on the continued compliance with the Protection of Minors provisions.

Antitrust Regulation

In addition to the regulatory regime under the German Telecommunications Act, we are subject to the general antitrust regulations of the EU and Germany on the prohibition of the abuse of a market-dominant position as well as the distortion of competition through agreements or collusive behavior by market participants. Under Articles 101 and 102 of the EU Treaty and the implementing European Regulations as well as under the provisions of the German Act against Retraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*), if the German Federal Cartel Office (*Bundeskartellamt*, FCO) or the European Commission determines that a company has a dominant position in a market or distorts competition through agreements or collusive behavior, it is entitled to prohibit such practices and to impose various measures, including fines or disgorgement of projects generated by such behavior. In addition, third parties may initiate civil proceedings against companies that willfully or negligently violate provisions of the German Act against Restraints of Competition to obtain compensation for damages suffered, provided that these provisions were intended to protect the interests of such third parties.

In 2011, in the merger case involving the acquisition of the Level 3 (L3) cable operator Kabel BW by Liberty Global International, the parent company of Unitymedia, the FCO approved the merger subject to certain concessions by Kabel BW and Unitymedia. These concessions included an obligation to stop basic encryption of private programs after 2012, introduction of a special termination right allowing a premature termination, and abandonment of certain provisions in agreements with housing associations concerning the exclusive use of existing coaxial inhouse-wiring by KBW and/or Unitymedia. Deutsche Telekom AG and NetCologne Gesellschaft für Telekommunikation mbH filed a lawsuit with the Higher Regional Court (Oberlandesgericht) Düsseldorf claiming the annulment of the merger approval by the FCO. In August 2013, the Higher Regional Court (Oberlandesgericht) Düsseldorf overruled the approval of the FCO. According to the court, the concessions are not eligible to compensate the intensive strengthening of the market-leader position of the merging companies. Unitymedia appealed the decision at the German Federal Court of Justice (*Bundesgerichtshof*). If the ruling is upheld on appeal, the FCO will have to examine whether the merger can take place under altered conditions. If not, the companies will need to unwind the completed merger.

While not binding on us, concessions, whether tightened or not, could lead to a general shift in market expectations and standards, primarily in dealings with housing associations and merger and acquisition scenarios, and therefore could have an impact on our future business. Furthermore, the FCO or courts may challenge provisions relating to the same topics in our existing agreements with housing associations, including the length of the term and of the exclusive use of in-house wiring.

On February 19, 2013, the FCO set forth several conditions for the clearance of the KD Acquisition (i.e. the acquisition of Tele Columbus by KD, see also "*Material Contracts—Material Acquisitions, Divestures and Joint Ventures—Attempted Take-Over by KD*"). Although the merger would have had a positive effect on competition with Deutsche Telekom in the sections telephony and Internet access, this, according to the FCO, would not have compensated for negative consequences on the television market. As KD was not willing to accept the conditions, it terminated the agreement and the KD Acquisition failed.

State Aid Regulation

In guidelines first published in September 2009, the European Commission outlined its view on the use of public funds for the deployment of basic broadband network, as well as the next generation access networks. Advanced high-speed cable networks are acknowledged as next generation networks. These guidelines stress the need for any public funding to either pass the so-called "private investor test" or, if such test fails, to outline the distinction between competitive areas ("black" areas) where, as a rule, no state aid is allowed and unprofitable or underserved areas ("white" and "grey" areas) in which state aid may be justified, if certain conditions are met. These guidelines follow a series of European Commission decisions that have permitted certain state aid by German states to bring broadband access to rural areas.

The Geman Federal state aid regulation framework ("*Rahmenregelung der Bundesregierung zur Unterstützung des Aufbaus einer flächendeckenden Next Generation Access (NGA)-Breitbandversorgung*"), approved by the European Commission in June 2014, replaces a former framework on cable ducts (*Bundesrahmenregelung* Lehrrohre) and implements the revision of the original EU guidelines now called "*EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks*" (2013/C 25/01). The framework implements these rules and sets out the way that the assessment of network development in NGA construction areas must be made ("white spots", "grey spots" and "black spots"). Under the new German framework, projects are entitled to receive state aid without notification. This may result in an increase of state aid activity.

The German Federal Government pursues certain goals to expand the broadband infrastructure under its broadband strategy (*Breitbandstrategie*) originally introduced in 2009. Under the direction of the Federal Ministry of Transport and Digital Infrastructure, of the Federal Ministry of Economics and Technology and of the Federal Ministry of the Interior, the general strategy has been revised and updated, as recently presented to the public on August 20, 2014 ("Digital Agenda 2014-2017").

The government's goal is to achieve a nationwide download speed of 50 Mbit/s by 2018 for virtually all German households. The principal measures taken to achieve this goal include:

- the creation of a regulatory framework aiming to reduce the costs of underground installation of broadband cables through transparency, coordination and cooperation;
- encouraging shared use of existing infrastructure and using maintenance measures to install additional cables;
- providing procedural simplifications and legal certainty and, in particular, financial incentives for broadband expansion in sparsely populated areas;
- the realization of sufficient frequency resources for broadband expansion.

In addition, in January 2014, the government of the Federal State of Bavaria announced its intention to grant state aid in an amount of up to €1.5 billion for the expansion of broadband infrastructures. This incentive program was authorized by the EU Commission in July 2014.

For a variety of reasons, we have not utilized comparable programs in the past, but are currently assessing potential benefits more closely. The effect of any of the existing or future programs on our business is currently unclear. Such programs, if applicable to federal states we operate in, could be beneficial if we were eligible for public funding. However, they could also be detrimental if, for example, funding were limited to fiber networks excluding cable or unfavorably distorted competition.

Zoning Laws

Certain German local regulations currently restrict the installation of satellite dishes in certain areas. In addition, contracts with residents of MDUs may, and usually do, prohibit tenants from attaching satellite dishes to their apartments if they are connected to a cable network. However, due to a ruling of the German Federal Constitutional Court, non-German speaking tenants are allowed to install satellite dishes to receive programs in their native language, even if they can receive one program in their native language over cable. On the other hand, the German Federal Supreme Court has, on the basis of this ruling of the Federal Constitutional Court, decided that non-German speaking tenants are not entitled to request the installation of satellite dishes if they can receive five programs in their native language via cable or if they are able to receive additional programs through a decoder or a set-top box against payment of reasonable monthly fees.

However, the aforementioned regulations may change in the future. The European Commission is of the opinion that member states are not allowed to restrict the individual reception of satellite television signals. As a result, German law may change in the future, which may ultimately result in an increase in the number of satellite users and intensify competition with satellite providers.

Environmental Laws and Regulation

We are subject to a variety of laws and regulations relating to land use and environmental protection, including those governing the clean-up of contaminated sites. While we could incur costs, such as cleanup costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations, we believe that we are in substantial compliance with the applicable requirements of such laws and regulations.

We are required to implement certain power saving features to our simple set-top boxes due to a European Directive and a Regulation (2009/125/EC and (EC) No 107/2009). We believe requirements on complex set-top boxes will be self-regulated by a voluntary industry agreement setting certain energy consumption thresholds. We have indicated support of such voluntary agreement and are currently evaluating the complex set-top boxes used by us for compliance. We believe that we will be able to comply with the thresholds over time without incurring substantial additional costs.

GENERAL INFORMATION ON TELE COLUMBUS AG AND THE TC GROUP

Incorporation, Entry in the Commercial Register, Name

The Company was established by an incorporation deed dated September 20, 2012 under the name "Tele Columbus Holding GmbH" in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with its registered office in Berlin, Germany, and a share capital of €25,000. It was registered with the commercial register of the local court (*Amtsgericht*) of Charlottenburg, Germany, on November 6, 2012 under HRB 145677. On September 10, 2014, the Company's shareholders meeting resolved to change the legal form of the Company into a German stock corporation (*Aktiengesellschaft*) under the name "Tele Columbus AG". The change of legal form was registered with the commercial register of the local court of Charlottenburg on September 12, 2014. Since the change of legal form took effect, Tele Columbus AG is registered with the commercial register of the local court of Charlottenburg under the registration number HRB 161349 B. The Group's commercial name is "Tele Columbus".

History and Development of the Business

The current structure of the Group was formed through a spin-off (*Abspaltung zur Aufnahme*) of Tele Columbus GmbH, a wholly owned subsidiary of Tele Columbus Management S.à r.l. (TC Management) transferring all assets and liabilities relating to the segments "TV" and "Internet and Telephony" to Tele Columbus Holding GmbH (now the Company) pursuant to section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) (the Spin-Off). The Spin-Off was registered in the commercial register of the Company on August 22, 2014, but had economically retroactive effect as from January 1, 2014 (see also "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Events in the Periods under Review—Equity and Financial Restructurings"; "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Preparation of the Combined Financial Statements—Structure of TC Group*"; and "*General Information on Tele Columbus AG and the TC Group—Structure of the TC Group*").

The origins of the Group date back to 1972, with the formation of ewt GmbH & Co. KG, Augsburg, Germany, ("**ewt**") (now Tele Columbus Multimedia GmbH). After formation, ewt subsequently extended its cable network through several acquisitions: in 1997, ewt purchased the television cable business of Siemens AG; in 2004, ewt acquired a majority share in MDCC Magdeburg-City-Com GmbH, a company providing telecommunication services as well as operating cable networks in the region of Magdeburg, Saxony-Anhalt, and in 2005, ewt acquired the television cable business of Robert Bosch GmbH.

In parallel to ewt, Tele Columbus emerged. Tele Columbus GmbH was founded in 1985 as a subsidiary of Swiss Motor Columbus AG, a company active in the energy supply industry since 1895. In 1997, Tele Columbus GmbH acquired the Urbana Group which is active in the heat supply industry in Hamburg and Berlin. In 1999, Deutsche Bank took over all shares in Tele Columbus GmbH and sold them in 2003 to a consortium of investors. Cable network operator Unity Media then acquired Tele Columbus GmbH in 2005.

Hereafter, in 2005, the financial investor group Escaline S.à r.l. acquired ewt and then, in 2006, essential parts of the then existing Tele Columbus group via its subsidiary Orion Cable GmbH serving as holding. In 2007, Escaline S.à r.l. united both companies, ewt and Tele Columbus group, under the same brand, Tele Columbus, and under the combined holding Orion Cable GmbH.

Subsequently, until 2008, Escaline S.à r.l. purchased 90% of the shares in the former PrimaCom AG, but at the same time reduced its size by divesting several of its network operating subsidiaries, inter alia, to KabelBW group as well as by transferring 1.1 million subscribers to Kabel Deutschland group in 2008. The contemplated integration of the Tele Columbus group with PrimaCom AG eventually failed. When it could no longer service its debt, Tele Columbus group was acquired by its lenders. A restructuring by way of an English law scheme of arrangement took place in 2011 (2011 Scheme) and, subsequently in 2013/2014 (2013 Scheme).

An attempted purchase of the former Tele Columbus group by KD in 2012 was not executed in the end due to the conditions the FCO set forth for a clearance of the transaction and that KD was not willing to accept. The Group in its current form was created by way of the Spin-Off, which became effective on August 22, 2014. TC Management is the sole shareholder of the Company.

Domicile, Legal Form, Legislation, Financial Year, Registered Office, Duration, Corporate Purpose

The Company is a German stock corporation (*Aktiengesellschaft*) domiciled in Germany. It was incorporated in Germany and is subject to the laws of Germany. The financial year of Tele Columbus AG is the calendar year.

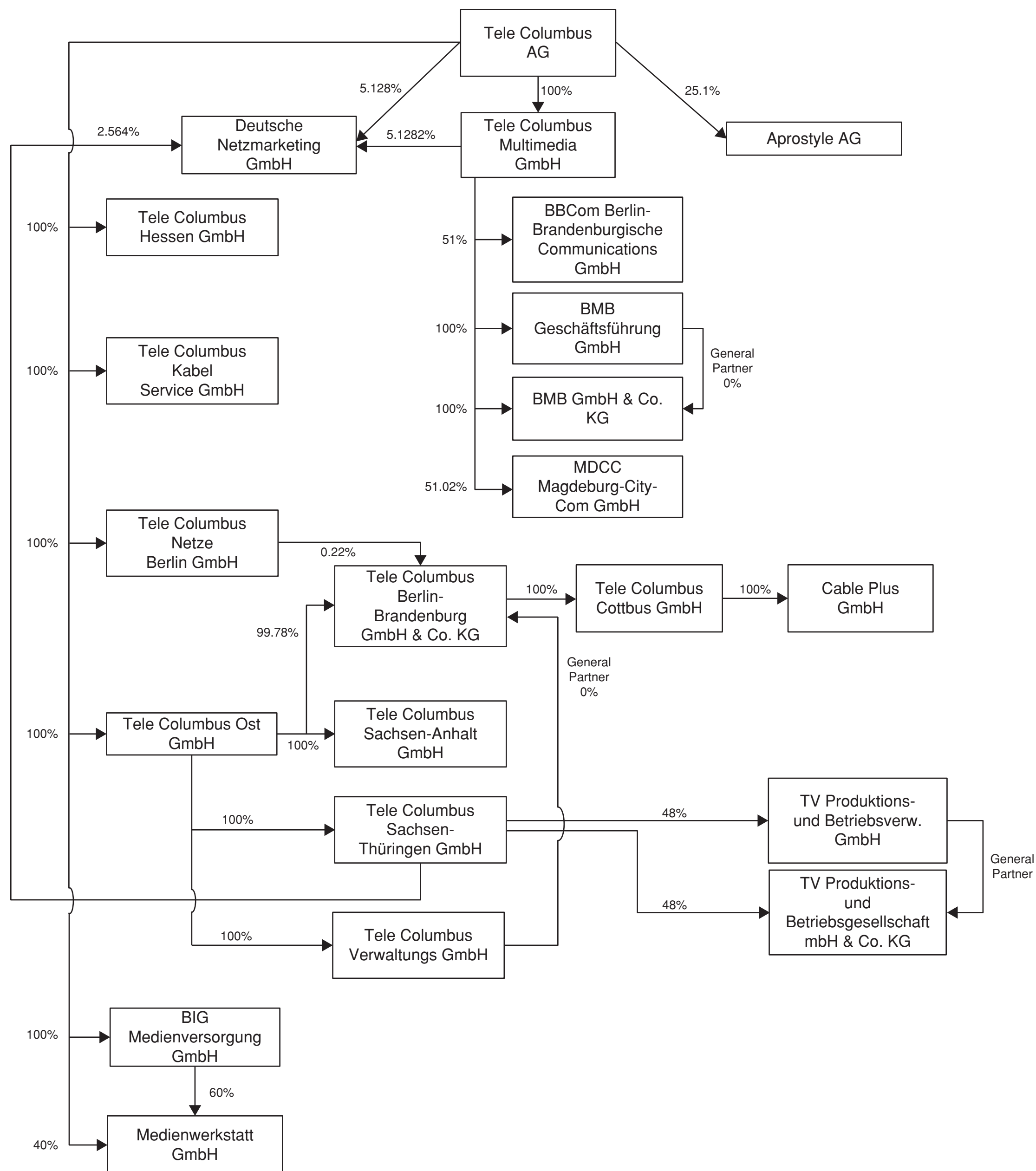
The registered office of Tele Columbus AG is Berlin, Germany. The business address is Goslarer Ufer 39, 10589 Berlin, Germany; Telephone +49-(0)30-383388000, Internet address: www.telecolumbus.com.

The Company is established for an indefinite period of time.

According to Section 2 of the Company's Articles of Association, the purpose of the Company is (i) the acquisition, the holding and managing and the disposal of interests in enterprises of any legal form as well as the assumption of personal liability and the management of trading companies and of interests in enterprises of same or similar kind, (ii) the rendering of multimedia and telecommunication services and the services related thereto, (iii) the activities in the fields of TV, telecommunication and multimedia, (iv) the respective marketing and managing activities and (v) the assumption of responsibility for personnel, in each case in its own name and on its own account and not on behalf of and/or on the account of third parties. The Company may directly and indirectly engage in all activities which are suitable for serving the purpose of the Company. The Company may establish branches and other enterprises, also if the purpose of such enterprises is different, in Germany and abroad. Furthermore, the Company may limit its activities to a part of the fields of activity mentioned above.

Structure of the TC Group

The following chart provides an overview (in simplified form) of the direct and indirect shareholdings of Tele Columbus AG as of the date of the Prospectus:



The structure of the Group as of the date of the Prospectus is the result of structural measures implemented, in particular, in the years 2009, 2011, 2013 and 2014. Material restructurings within the Group include the following measures:

- Following the purchase of the then-existing Tele Columbus group by Escaline S.à r.l. in 2006, the group was built up via a number of large bolt-on acquisitions and disposals. This left the group with a debt structure which proved inappropriate and unsustainable for the size of the business and ultimately led to the breach of various financial covenants and payment obligations under the existing facilities agreements. Ultimately, a consensual restructuring of the Tele Columbus group commenced in December 2009, pursuant to which Rudd S.à r.l., a société à responsabilité limitée formed under the laws of Luxembourg ("**Rudd**"), acquired the entire share capital of Tele Columbus GmbH (the "**Rudd Acquisition**").
- Thereafter, Rudd and Tele Columbus GmbH, at the behest of the then-existing creditors, explored the possibility of disposing all or part of the Tele Columbus group following the Rudd Acquisition from

February 2010 to July 31, 2010. Although a number of bids were received, most notably from KD, the Tele Columbus GmbH rejected each bid on the basis that they did not reflect the true value of the Tele Columbus group, as indicated by independent valuations prepared by various advisers. As a consequence, a restructuring process was commenced in November 2010.

- The 2011 restructuring involved, amongst other things, the reduction of the then-existing group's external indebtedness to what was at that time considered a sustainable level through the restatement of the existing facilities agreements, division of the then-facilities into separate tranches, consisting of debt owed to third party lenders and debt owed to TC Management, as well as the provision of new financing via a super senior facility of €44 million. In addition, in accordance with the terms of the 2011 restructuring, the 2011 Scheme creditors took control of the Tele Columbus group pursuant to which they were offered shares and warrants in Tele Columbus Holdings SA.

- On May 21, 2012, Tele Columbus GmbH, TC Management and KD entered into a sale and purchase agreement with respect to the acquisition of the business of the then existing Tele Columbus group by KD or by an affiliate thereof (the KD Acquisition). Since the FCO imposed several conditions for the clearing of the transaction which KD was not willing to accept, KD terminated the contract. Subsequently, the group continued to investigate a potential sale to other suitors. After a failed attempt to extend the maturity of the facilities with the required unanimous consent of the respective syndicates in the year 2013, the group implemented an amendment and extension of the maturity to June 30, 2017 for the Senior Tranche A Loan, December 31, 2017 for the Second Lien Tranche A Loan and June 30, 2018 for the Mezzanine Tranche A Loan) implemented by way of an English scheme of arrangement (the 2013 Scheme).

- In the year 2014, another English scheme of arrangement has been implemented in order to allow the execution of the Spin-Off under the existing financing arrangements (the 2014 Scheme). The Spin-Off was registered in the commercial register of the Company on August 22, 2014, but had economically retroactive effect as from January 1, 2014. Under the Spin-Off, all assets and liabilities relating to the segments "TV" and "Internet and Telephony" have been transferred from Tele Columbus GmbH to the Company pursuant to the German Transformation Act (*Umwandlungsgesetz*). This means all assets and liabilities of Tele Columbus GmbH have been transferred to the Company, save for certain assets and liabilities including, without limitation, certain shareholders loans granted by TC Management to Tele Columbus GmbH originally dated April 23, 2007 (as amended on March 24, 2009 and December 28, 2010) and November 23, 2007 (as amended on March 18, 2008, March 24, 2009, December 28, 2010 and January 19, 2011) respectively ("**Legacy Shareholder Loans**"); the subordinated Senior Tranche B Facilities, Second Lien Tranche B Facilities, and the Mezzanine Tranche B Facilities owned by Tele Columbus GmbH to TC Management ("**Tranche B Liabilities**" in the aggregate amount (together with the Legacy Shareholder Loans) of approximately €606 million), certain subsidiaries which are inactive or otherwise that did not relate to the core business of the TC Group ("**Obsolete Subsidiaries**"), other intercompany claims and obligations regarding the Obsolete Subsidiaries and TC Management, certain tax claims and liabilities, all profit and loss pooling agreements relating to the Obsolete Subsidiaries, certain other contractual relationships, claims and liabilities relating directly or indirectly to the business of the Obsolete Subsidiaries and a sufficient amount of cash required for taxes triggered by the Spin-Off and administration, management and other costs which Tele Columbus will incur in the future in order to enable Tele Columbus to carry out its day-to-day business going forward. With effect from the Spin-Off, Tele Columbus GmbH and the Company have become jointly and severally liable for all liabilities of Tele Columbus GmbH, as the transferring legal entity, incurred before the date on which the Spin-Off became effective (cf. section 133 German Transformation Act (*Umwandlungsgesetz*)). In connection with the Spin-Off, TC Management has waived any and all claims under the Legacy Shareholder Loans and the Tranche B Liabilities against the Company resulting from such statutory joint and several liability of the Company as well as any statutory rights to request security pursuant to sections 124 and 22 of the German Transformation Act.

- All shares in TC GmbH and all shareholder indebtedness owed by TC GmbH to TC Management are being transferred by TC Management to, respectively, a newly formed Dutch limited liability company and its sole shareholder, a Dutch foundation (*stichting*), with effect from completion of the offering. The Dutch limited liability company was formed by a service provider that has undertaken to TC Management in a corporate services agreement to acquire the shares in TC GmbH and the shareholder indebtedness with the goal of liquidating TC GmbH in an orderly fashion.

Auditors

The Company has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Germany (KPMG), as its auditor of the Unconsolidated Financial Statements in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2013 and of the Combined Financial Statements prepared in accordance with IFRS as adopted by the European Union of and for the financial years ended December 31, 2013, 2012 and 2011. In each case, KPMG conducted its audits in accordance with Section 317 German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). The Unaudited Condensed Interim Financial Statements prepared in accordance with IFRS as applicable to interim financial reporting (IAS 34) as of and for the nine months ended September 30, 2014 have not been audited. KPMG is a member of the German Chamber of Auditors (*deutsche Wirtschaftsprüferkammer*) and a member of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). See further "*General Information—Note on Currency and Financial Information*").

Publications, Paying Agent

In accordance with its Articles of Association, announcements of the Company are published in the German Federal Gazette (*Bundesanzeiger*).

Announcements in connection with the approval of the Prospectus or any supplements thereto are to be made in accordance with the regulations of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and in the form of publication stipulated for the Prospectus, in particular through publication on the Company's website (www.telecolumbus.com). Printed copies of the Prospectus are available at the offices of the Company (Goslarer Ufer 39, 10589 Berlin, Germany).

The paying agent is BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt am Main, Germany.

Profit Transfer Agreements

The following table provides an overview of the profit and loss pooling agreements (*Ergebnisabführungsverträge*) ("**PLPAs**") and domination and profit and loss pooling agreements (*Beherrschungs- und Gewinnabführungsverträge*) ("**DPLPAs**") that exist within the Group:

Receiving Entity	Transferring Entity	Type	Conclusion Date	Registration Date
Tele Columbus AG	Tele Columbus Sachsen-Thüringen	PLPA	December 4, 2007	December 21, 2007
Tele Columbus AG	Tele Columbus Sachsen-Anhalt GmbH	PLPA	December 4, 2007	December 20, 2007
Tele Columbus AG	Tele Columbus Ost GmbH	PLPA	December 4, 2007	December 10, 2007
Tele Columbus AG	Tele Columbus Netze Berlin GmbH	PLPA	December 4, 2007	December 19, 2007
Tele Columbus AG	Tele Columbus Multimedia GmbH	PLPA	December 4, 2007	December 7, 2007
Tele Columbus AG	Tele Columbus Kabel Service GmbH	PLPA	June 2008	July 31, 2008
Tele Columbus AG	Tele Columbus Hessen GmbH	PLPA	May 27, 2008	August 14, 2008
Tele Columbus AG	Tele Columbus Cottbus GmbH	PLPA	November 16, 2011	November 29, 2011
Tele Columbus Ost GmbH	Tele Columbus Verwaltungs GmbH	DPLPA	September 23, 1999	December 17, 1999

SHAREHOLDER STRUCTURE

Shareholder Structure

Direct Shareholders

Immediately prior to the offering, the shares in the Company are held by the Selling Shareholder.

The following table shows the Company's shareholder structure immediately prior to the offering as well as upon completion of the offering:

	Shareholding					
	Prior to the offering		Upon completion of the offering (without exercise of the Greenshoe Option)[1]		Upon completion of the offering (assuming full exercise of the Greenshoe Option)[1]	
Shareholder	Shares	in %	Shares	in %	Shares	in %
Tele Columbus Management S.à r.l., Luxembourg[1]	20,025,000	100.0	5,302,500	10.60	5,302,500	10.00
Tele Columbus New Management Participation GmbH & Co. KG[2]	—	—	1,017,666	2.03	1,017,666	1.92
Free Float[3]	**—**	**—**	**43,704,834**	**87.37**	**46,704,834**	**88.08**
Total	**20,025,000**	**100.0**	**50,025,000**	**100.0**	**53,025,000**	**100.0**

(1) Based on the assumption of the placement of all New Shares at the mid-point of the Price Range and on the condition that TC Management's shareholding in the Company at delivery of the New Shares must assume a shareholding of 10% post greenshoe even if the Greenshoe Option will not be exercised later. In the event fewer New Shares are issued due to a higher offer price the number of Secondary Shares will be reduced such that TC Management will continue to hold (assuming full exercise of the Greenshoe Option) 10% of the share capital of the Company. In the event more New Shares are issued due to a lower offer price the number of Secondary Shares will increase such that TC Management will continue to hold (assuming full exercise of the Greenshoe Option) 10% of the share capital of the Company.

(2) Immediately prior to the offering and until the deferred settlement mechanism has been consummated, TC MP KG is not a direct shareholder of the Company. TC MP KG has undertaken vis-à-vis the Company and the Underwriters to place on the first day of the offer period an order for preferential allocation of Offer Shares at the offer price without discount and agreed to a lock-up period ending twelve months after the first day of trading under a deferred settlement mechanism (see "*The Offering—Allotment Criteria—Preferential Allocation and Offering-Related Commitment*"). Delivery of the New Shares acquired in accordance with the preferential allocation and the deferred settlement mechanism may only be expected within three bank working days from the payment by TC MP KG of the aggregate purchase price for the New Shares allocated to TC MP KG which is expected to occur within one month following the offering. After consummation of the deferred settlement mechanism, TC MP KG will hold shares in the Company and remains an indirect shareholder of the Company through its shareholdings in Tele Columbus Holdings SA until Tele Columbus Holdings SA is liquidated.

(3) The shareholders of Tele Columbus Holdings SA, including TC MP KG, have been granted a preferential right to acquire shares in the offering. Any shares so purchased will be subject to a 180 day lock-up which, in combination with the shareholding of the Selling Shareholder after completion of the offering, could have a substantial, adverse effect on the development and maintenance of a liquid market in the Company's shares. TC MP KG will be subject to a lock-up period ending twelve months after the first day of trading of the shares.

Indirect Shareholders

The sole shareholder of Tele Columbus Management S.à r.l. (TC Management) is Tele Columbus Holdings SA, Luxembourg, a non-publicly listed stock corporation. The shares in Tele Columbus Holdings SA are held by approximately 150 registered shareholders, which are registered in a non-public and confidential shareholder register under Luxembourg law held by Tele Columbus Holdings SA. For the identity of the registered shareholders that have notified the Company about their shareholdings see "*—TC MP KG*" and "*—Other Shareholders*" below. The identity of other shareholders that directly or indirectly hold more than 3% in the Company's shareholdings is not known to the Company. Initially, the shareholders of Tele Columbus Holdings SA were also lenders under the financing granted to our Group (see "*Material Contracts—Financing Agreements—Senior Facility Agreement and Mezzanine Facility Agreement*"). Even though Tele Columbus Holdings SA is not a listed company, the shares are traded over the counter on non-regulated platforms and markets. Originally, the shares in Tele Columbus Holdings SA could only be transferred together with the debt, in the meantime shares can also be transferred separately. There is no obligation for Tele Columbus Holdings SA or its shareholders to notify share transfers to the Company unless they are required under mandatory disclosure provisions.

After the completion of the offering, it is planned to liquidate TC Management and Tele Columbus Holdings SA provided that the shareholders of Tele Columbus Holdings SA adopt the necessary resolutions. The proceeds from the sale of the Secondary Shares shall be distributed to the shareholders of Tele Columbus Holdings SA after certain liabilities of TC Management have been discharged as liquidation distribution. It is planned that, approximately eight months after the completion of the offering, the remaining shares in the Company held by TC Management shall be distributed to the shareholders of the Tele Columbus Holdings SA to complete the liquidation of the two Luxembourg holding companies. The shareholders of Tele Columbus Holdings SA will then become direct shareholders of the Company. They can then freely dispose of these shares (see "*Risk Factors—Risks Relating to the Offering, the Listing and the Shareholder Structure—Future sales or market expectations of sales of a large number of shares by existing shareholders could cause the share price to decline*"). Furthermore, in this event, the members of the Management Board will receive from Tele Columbus Holdings SA a bonus payment in the aggregate amount of €4.5 million, such payment to be made out of the proceeds from the sale of Secondary Shares in the offering.

TC MP KG

As of December 31, 2014, the economic and voting interest on an as-converted basis (i.e. assuming that all outstanding warrants held by shareholders of Tele Columbus Holdings SA have been converted into shares of Tele Columbus Holdings SA) held by Tele Columbus New Management Participation GmbH & Co. KG (TC MP KG) in Tele Columbus Holdings SA amounted to approximately 16.75% of the total economic and voting interest in Tele Columbus Holdings SA on an as-adjusted basis (i.e after applying an adjustment factor pursuant to an agreement among the shareholders of Tele Columbus Holdings SA). On a look-through basis and based on the Company's share capital at the date of the Prospectus, TC MP KG holds approximately 16.75% of the share capital of the Company. Upon consummation of the offering and the deferred settlement mechanism and based on the mid-point of the price range, this shareholding of TC MP KG in the Company will be reduced to approximately 3.6% on a look-through basis. TC MP KG is an investment vehicle of certain managers and certain members of the Supervisory Board of the Company which was formed for the purpose of pooling our managers' equity investments in the Company (see "*Governing Bodies—Management Participation Program*"). Tele Columbus MEP GmbH, a wholly owned subsidiary of TC Management, is the general partner with no equity interest in TC MP KG. TC MP KG's limited partners include eight current and former members of the management of various entities of TC Group (and their related parties or partnerships). Such management participation is often implemented by funds as shareholders to foster an alignment of interest between the funds and management.

Other Shareholders

Certain shareholders of Tele Columbus Holdings SA informed the Company, that their indirect shareholdings in the Company (on a look-through basis) were as follows as of December 31, 2014 (after certain outstanding warrants held by shareholders of Tele Columbus Holdings SA would have been converted in shares of Tele Columbus Holdings SA): York Global Finance Offshore BDH (Luxembourg) S.àr.l.: 23.2%, Burlington Loan Management Limited: 9.7%, Silver Point Luxembourg Platform S.àr.l.: 7.6%, Citigroup Global Markets Limited: 5.5% and Goldman Sachs: 5.3%.

Participation Programs

As of the date of the Prospectus, we currently do not have any management or employee participation programs except for the existing management participation program (see "*Governing Bodies—Management Participation Program*"). However, we intend to implement a share-based or share-price-based employee participation program after the completion of the offering.

INFORMATION ON THE SHARE CAPITAL OF TELE COLUMBUS AG AND APPLICABLE REGULATIONS

Share Capital and Shares

Foundation in 2012, Spin-Off, Capital Increase in 2014

The legal predecessor of the Company was established by Tele Columbus GmbH by an incorporation deed dated September 20, 2012, as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with a nominal share capital of €25,000. On August 19, 2014, TC Management, as the Company's sole shareholder resolved to increase the ordinary share capital of the Company from €25,000 by €20,000,000 to €20,025,000 against the issuance of one share with the nominal amount of €20,000,000 as part of the Spin-Off.

Change of Legal Form

On September 10, 2014, the shareholders' meeting resolved to change the legal form of the Company into a German stock corporation (*Aktiengesellschaft*) under the corporate name Tele Columbus AG with a share capital (*Grundkapital*) in the amount of €20,025,000. The change of the legal form was registered with the commercial register of the local court (*Amtsgericht*) of Charlottenburg, Germany, and thus became effective on September 12, 2014.

Capital Increase Resolution to Implement the Offering

On January 11, 2015, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital by up to €37,500,000 to up to €57,525,000 against cash contributions through the issuance of up to 37,500,000 ordinary registered shares with no par value (*Stückaktien*) and each with a notional value of €1.00 in the share capital (the New Shares). Registration of the resolution on the capital increase regarding the New Shares in the commercial register is expected to occur on January 15, 2015.

On January 20, 2015, the Management Board will resolve, such resolution to be approved by the Supervisory Board on the same day, on the number of New Shares to be issued. The implementation of the capital increase regarding the New Shares with the commercial register of the Company is expected to be registered on January 21, 2015.

Assuming full exercise of the Greenshoe Option, the Company will issue 3,750,000 additional ordinary registered shares with no par value (*Stückaktien*) each with a notional value of €1.00 in the share capital of the Company from the Authorized Capital 2014 to be subscribed by the Underwriters at the Offer Price. The issuance of the shares will be resolved by the Management Board and approved by the Supervisory Board on or about the thirtieth day after commencement of the stock exchange trading of the shares. The amount of shares to be issued for the exercise of the Greenshoe Option will be reduced by the number of shares held by the stabilization manager as of the date on which the Greenshoe Option is exercised and that were acquired by the stabilization manager in the context of stabilization measures.

All shares issued as of the date of the Prospectus are, and all shares that will be issued prior to commencement of trading will be, fully paid up.

Description of Shares

Each share entitles the shareholder to one vote at the general shareholders' meeting of the Company. There are no restrictions on voting rights. Voting rights are the same for all of the Company's shareholders, i.e. no shareholders have different voting rights. Voting rights, however, do not attach until the respective capital contribution has been fully paid up. The shares carry full dividend rights as from January 1, 2014, i.e. for the full financial year 2014 and for all subsequent financial years. In the event of the Company's liquidation, the Company's assets remaining after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.

As of the date of the Prospectus, the Company and its subsidiaries hold no shares in the Company. No shares in the Company are held on behalf of or for the account of the Company or any of its subsidiaries.

Certification and Transferability of the Shares

The form of the share certificates, the dividend coupons and renewal coupons are determined by the Company's Management Board. The Company is entitled to issue share certificates embodying individual

shares or multiples of shares. Section 4(3) of the Company's current Articles of Association stipulates that the shareholders' right to the issuance of share certificates representing their respective shares shall be excluded unless such issuance is required under the rules applicable at a stock exchange to which the shares are admitted for trading.

The shares of the Company will initially be represented by one global share certificate without dividend coupons which will be issued and deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany following the approval of the Prospectus. With respect to the New Shares, one additional global share certificate will be issued and deposited with Clearstream Banking Aktiengesellschaft.

The shares are freely transferable in accordance with the legal requirements for ordinary registered shares. There are no restrictions on the transferability of the Company's shares other than the lock-up agreements "*The Offering—Lock-up Agreements*".

Authorized Capital

The Management Board is authorized to increase the Company's share capital with the approval of the Supervisory Board in one or several tranches up until (and including) September 9, 2019, by issuing new no-par value ordinary registered shares against contributions in cash and/or in kind, by an amount of up to €10,012,500 in total (Authorized Capital 2014). In this regard, the shareholders shall generally be granted a subscription right. Pursuant to Section 186(5) German Stock Corporation Act (*Aktiengesetz*), the new shares may also be assumed by a credit institution or an enterprise, active in the banking sector in accordance with Section 53(1) sent. (1) or section 53b(1) sent. 1 or section 53b(7) German Banking Act (*Gesetz über das Kreditwesen*), with the obligation to offer them to the shareholders for subscription (indirect subscription right). The Management Board is, however, authorized to exclude the shareholders' subscription right in whole or in part with the approval of the Supervisory Board in certain cases specified in the Articles of Association.

Authorization to Issue Convertible Bonds, Warrant Bonds and Profit Participation Rights and Conditional Capital

The Company's share capital shall be conditionally increased by up to €10,012,500 by issuing no-par value ordinary registered shares (Conditional Capital 2015). The conditional capital increase shall serve to grant shares to holders or creditors of option or conversion rights or to the persons being obliged under option and/or convertible bonds and/or profit-sharing rights to effect a conversion, which shares will be issued and/or guaranteed by the Company, or by a company in which the Company directly or indirectly holds the majority of votes or the capital, up until (and including) January 10, 2020, on the basis of the authorisation resolved by the general shareholders' meeting on January 11, 2015. The conditional capital increase will be implemented only to the extent that the option and/or conversion rights related to the aforementioned option and/or convertible bonds and/or profit-sharing rights are actually exercised or obligations to effect a conversion related to such option and/or convertible bonds and/or profit participation rights are performed and a cash compensation is not granted or treasury shares or shares of another listed company are not used to service such rights. The issuance of the new shares shall be effected at the option or conversion price to be determined in each case in accordance with the aforementioned resolution granting the authorisation adopted by the general shareholders' meeting of January 11, 2015. The Management Board is authorised to determine the profit participation of the new shares in deviation from section 60(2) sent. 3 German Stock Corporation Act (*Aktiengesetz*). Further, the Management Board is authorised to determine the further details of implementation of the conditional capital increase.

Authorization to Acquire and Use Own Shares

On January 11, 2015, the extraordinary general shareholders' meeting authorized the Company until January 10, 2020 to acquire its own shares up to a maximum of 10% of the Company's share capital at the time of the resolution. The shares may be acquired by means of a purchase via the stock exchange or on the basis of a public purchase offer or a public invitation to submit sale offers, whereas the purchase price to be paid in each case is subject to strict regulations. The management board is authorized to use the shares acquired on the basis of this authorization for any purpose permissible by law and, in particular but not limited to, for the purposes of (i) selling the acquired shares in other ways than via a sale on a stock exchange or an offer to all shareholders in return for cash, provided that the consideration does not significantly fall short of the stock exchange price of the shares, (ii) selling the acquired shares in other

ways than via a sale on a stock exchange or an offer to all shareholders for consideration in kind, in particular in the context of mergers and acquisitions or to service conversion rights or obligations of holders or creditors of bonds with conversion or option rights or profit-sharing rights, (iii) offering the acquired shares in the context of an employment option plan or (iv) cancelling the acquired shares without further resolution by the general shareholders' meeting. The Supervisory Board may determine that measures of the Management Board on the basis of this shareholders' resolution require its consent.

General Rules on Allocation of Profits and Dividend Payments

Shareholders have a share in the Company's distributable profits determined in proportion to their interest in the Company's share capital. According to Section 4 (4) of the Articles of Association the participation of new shares in the profits may be determined in a deviating manner. Distributions of dividends on shares for a given financial year are generally determined by the Management Board and the Supervisory Board submitting a proposal for the distribution of dividends to the annual general shareholders' meeting (*Hauptversammlung*) held in the subsequent financial year. The general shareholders' meeting then adopts a resolution on such distribution without being bound by the proposal of the Management Board and the Supervisory Board. Under the rules applicable to the Company, resolutions regarding the distribution of dividends can only be adopted based on the distributable profits (*Bilanzgewinn*) shown in the Company's audited unconsolidated financial statements in accordance with the German Commercial Code (*Handelsgesetzbuch*). The audited unconsolidated financial statements of the Company are approved by the Management Board and the Supervisory Board unless the approval is referred to the general shareholders' meeting by the Management Board and the Supervisory Board. In determining the distributable profits, the profit or loss for the financial year is adjusted for profits or losses carried forward from previous financial years as well as for withdrawals from and transfers to reserves. Certain reserves are required to be formed by law and are not available for distribution. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. If the Management Board and the Supervisory Board approve the annual financial statements, they may, pursuant to the Articles of Association, transfer the net profit for the year, which remains after deduction of the amounts to be transferred to the statutory reserve and any loss carried forward, to other revenues reserves in whole or in part. The transfer of more than half of the net profit for the year shall not be permitted, if the other revenues reserves exceed half the amount of the share capital or would do so following the transfer. The Offer Shares will be entitled to profit participation beginning January 1, 2014, i.e., for the full financial year 2014 and for all subsequent financial years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*). Neither German law nor the Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company.

General Provisions Governing a Liquidation of the Company

Besides liquidation as a result of insolvency proceedings, the Company may be liquidated, in particular, by a resolution of the general shareholders' meeting to dissolve the Company followed by a liquidation procedure. The resolution of the general shareholders' meeting requires a simple majority of the votes cast as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. In the liquidation procedure, the assets remaining after all Company liabilities have been satisfied are divided among the shareholders in proportion to their interest in the Company's share capital. Certain restrictions, in particular restrictions for the benefit of creditors, must be observed.

General Provisions Governing Share Capital Increases and Decreases

The share capital of the Company may be increased against cash contributions or against contributions in kind by a resolution of the general shareholders' meeting. According to the German Stock Corporation Act (*Aktiengesetz*), such resolution requires a simple majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted, unless the stock corporation's articles of association provide for a different majority. The current Articles of Association of TC AG provide for a simple majority of the votes cast. In cases where the majority of the share capital represented during the adoption of the resolution is required by statutory law, the simple majority of the

represented share capital shall be sufficient unless a larger majority is stipulated by mandatory statutory law.

In addition, the general shareholders' meeting may create authorized capital by a resolution requiring a simple majority of the votes cast as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. The authorized capital gives the Management Board authority to issue shares up to a certain amount within a period of not more than five years after registration of the authorization with the commercial register with the approval of the Supervisory Board. The nominal value of the authorized capital may not exceed one-half of the share capital in existence at the time the authorization is registered with the commercial register. For details on the Company's authorized capital see "—*Authorized Capital*".

Furthermore, the general shareholders' meeting may resolve to create conditional capital with a simple majority of the votes cast as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. Conditional capital should only be created in order to grant exchange or subscription rights to holders of convertible bonds, to prepare for a business combination with one or more other companies or to grant subscription rights to employees and members of the management of the Group. In case conditional capital is created for the purpose of granting subscription rights to employees and members of the management, its nominal amount may not exceed 10% of the share capital in existence at the time the resolution is adopted, in all other cases, the nominal amount must not exceed 50%, provided, however, in both cases that it does not exceed 50% in the aggregate.

The general shareholders' meeting may also resolve to decrease the share capital of the Company. Again, such resolution requires a simple majority of the votes cast as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. A decrease of the share capital is also possible upon cancellation of treasury shares if the authorization granted to the Management Board by the general shareholders' meeting to acquire treasury shares explicitly allows for such cancellation. For details on the authorization to acquire treasury shares including the authorization to redeem and cancel shares see "—*Authorization to Acquire and Use Own Shares*".

Furthermore, according to Sections 39a and 39b German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) concerning squeeze-outs after a takeover or mandatory public tender offer, at the request of the bidder who owns shares of the target company amounting to at least 95% of the voting rights, the remaining shares must be transferred to the bidder by order of court in exchange for the granting of an appropriate settlement. To this end, the compensation granted as part of the takeover or mandatory public tender offer is deemed an appropriate settlement if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital subject to the offering. In addition, after a takeover or mandatory public tender offer, the shareholders of a target company who have not accepted the offer can accept it within three months after the acceptance period has expired (a "sell-out"), if the bidder is authorized to file an application for the transfer of the outstanding voting shares in accordance with Section 39a German Securities Acquisition and Takeover Act (Section 39c German Securities Acquisition and Takeover Act).

Besides the legal provisions on the exclusion of minority shareholders, the German Stock Corporation Act (*Aktiengesetz*) provides for the integration of stock corporations (*Eingliederung*) in Sections 319 et seq. German Stock Corporation Act (for details please see "—*Exclusion of Minority Shareholders*").

General Provisions on Subscription Rights

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder is generally entitled to subscription rights to new shares to be issued in a capital increase (as well as convertible bonds, warrant bonds, profit participation rights and participating bonds). Subscription rights are freely transferrable. During a specified period prior to the expiration of the subscription period, there may be trading in subscription rights on German stock exchanges. The general shareholders' meeting may exclude subscription rights in whole or in part when resolving upon a capital increase or an authorized capital. In the case of authorized capital, the general shareholders' meeting may also authorize the management board to exclude the subscription rights. All such resolutions by the general shareholders' meeting require a simple majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. In addition, the exclusion of subscription rights requires a report by the management board demonstrating the reasons for such exclusion as well as the reasons for the proposed issue price. In particular, the exclusion of subscription rights for a new share issue is permissible if the Company is increasing its capital against cash contributions, the amount of the capital

increase does not exceed 10% of the existing share capital, and the issue price of the new shares is not significantly lower than the stock exchange price.

Exclusion of Minority Shareholders

According to Sections 327a et seq. German Stock Corporation Act (*Aktiengesetz*), which govern the so-called "squeeze-out under stock corporation law", the general shareholders' meeting of a stock corporation is able, at the request of a shareholder holding at least 95% of the share capital ("**principal shareholder**"), to resolve to transfer the shares of the minority shareholders to the principal shareholder against payment of an adequate cash settlement. The amount of cash compensation to be granted to the minority shareholders has to take into account the situation of the company on the date of the resolution of the shareholders' meeting. The true value of the company determines the amount of cash compensation, which is generally calculated using the capitalized earnings method (*Ertragswertmethode*) or similar generally recognized valuation methods, provided, however, that, in the absence of certain circumstances, the compensation must not fall short of the weighted average stock price over the last three months prior to the publication of the intention to have a "squeeze-out" resolution be passed. The minority shareholders are entitled to initiate valuation proceedings (*Spruchverfahren*), in the course of which the adequateness of the cash payment is reviewed.

If the majority shareholder of the stock corporation is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*), or a *Societas Europaea* (European company), in each case having its seat in Germany, a squeeze-out in accordance with Sections 327a et seq. German Stock Corporation Act can be effectuated, under certain circumstances, in order to facilitate an upstream merger of the stock corporation into the majority shareholder. Pursuant to Section 62 German Reorganization and Transformation Act (*Umwandlungsgesetz*), providing for this so-called "squeeze-out under transformation law", the majority shareholder holding at least 90% of the share capital is able to request the general shareholders' meeting to approve the squeeze-out within three months of the conclusion of the merger agreement.

In addition, according to Sections 39a and 39b German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), providing for a so-called "squeeze-out under takeover law", an offer or holding at least 95% of the voting share capital of the target company (as defined in the German Securities Acquisition and Takeover Act) after a takeover or mandatory public offer, may within three months of the expiry of the deadline for acceptance of the offer, request the transfer of the remaining voting shares to it by court order against payment of an adequate compensation. To this end, the compensation guaranteed as part of the takeover or mandatory public offer is deemed adequate if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital affected by the offering.

Furthermore, according to Section 39c German Securities Acquisition and Takeover Act, the shareholders of a target company who have not accepted the offering can accept it within three months after the acceptance period of the takeover or mandatory public offer has expired ("sell-out"), if the offeror has the right to file an application for the transfer of the outstanding voting shares in accordance with Section 39a German Securities Acquisition and Takeover Act.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been completed.

In addition to the legal provisions on the exclusion of minority shareholders, the German Stock Corporation Act also provides for what is called the integration of stock corporations (*Eingliederung*) in Sections 319 et seq. According to these provisions, the general shareholders' meeting of a stock corporation can approve the integration of a company if 95% of the shares of the company to be integrated are held by the future principal company. The former shareholders of the integrated company are entitled to an adequate compensation that generally must be granted in the form of shares of the principal company while, if the principal company is a controlled company, the former shareholders may also demand an adequate compensation in cash instead of a compensation in the form of shares. Such integration is, however, only possible if the future principal company is a stock corporation with its registered office in Germany.

Mandatory Takeover Bids

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting shares of the Company (upon admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange) must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the Internet and through electronic media for disseminating financial information. Subsequently, such person must submit a mandatory public tender offer to all shareholders of the Company unless an exemption from this obligation has been granted. The German Securities Acquisition and Takeover Act contains several rules that provide for an attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30% threshold or fails to submit a mandatory public tender offer, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are suspended for the duration of non-compliance under certain circumstances. In addition, a fine may be imposed.

Disclosure Requirements for Shareholdings

General Provisions

Upon admission of the Company's shares to trading on the regulated market segment of the Frankfurt Stock Exchange (or any other regulated market in Germany), the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for shareholdings apply.

Subject to certain exceptions, the German Securities Trading Act provides that every person who reaches, exceeds, or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights of the Company must notify the Company of that fact immediately and, at the latest, within four trading days in writing or by fax and must simultaneously notify BaFin. The notice must be in German or English and must include, among other details the individual's or entity's address, the current level of voting rights and the date of reaching, exceeding or falling below the aforementioned thresholds. As a domestic issuer, the Company must publish the notice through various media distributed across the entire European Economic Area ("*Medienbündel*") immediately and at the latest within three trading days and must also transmit the notice to BaFin and the German Company Register (*Unternehmensregister*) for storage. The disclosure requirements also apply to a shareholder who already holds 3% or more of the voting rights in the Company at the time of the admission of the Company's shares to trading on a regulated market in Germany.

A person who reaches or exceeds the threshold of 10% or a higher of the above thresholds, must, within 20 trading days, disclose to the Company the source of the funds used for the acquisition of the voting rights as well as the objectives pursued with the acquisition. Changes in those objectives must also be reported within 20 trading days. The Articles of Association of the Company have not made use of the option to release shareholders from this disclosure obligation. In calculating the voting rights, rules on attribution and aggregation must be observed.

Any person who directly or indirectly holds financial instruments or other instruments, which entitle their holder to unilaterally acquire existing shares of the Company carrying voting rights under a binding legal agreement, must immediately notify the Company and simultaneously BaFin when reaching, exceeding or falling below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%. In addition, any person who directly or indirectly reaches, exceeds or falls below the just mentioned thresholds by holding financial instruments or other instruments not covered by the foregoing but enabling the holder or a third party, based on their terms, to acquire existing shares carrying voting rights of the Company must also immediately notify the Company and simultaneously BaFin. In each case, rules on the aggregation of various positions in voting rights, financial instruments and other instruments have to be observed.

The German Securities Trading Act contains various rules that provide for an attribution and aggregation of voting rights of persons associated with each other or acting in concert. For example, shares belonging to a company are attributed to each person controlling the company, and shares held for the account of another person are attributed to such other person. Shares or financial instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised and that they amount to no more than 5% of the voting of shares or do not grant the right to purchase more than 5% of the voting shares.

Since the entry into force of the German Risk Limitation Act (*Risikobegrenzungsgesetz*), any kind of cooperation among shareholders that is designed to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights, that is, the cooperation does not necessarily have to concern the exercise of voting rights specifically; coordination in individual cases, however, will not trigger the attribution of voting rights.

In case the disclosure requirements are not met, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are suspended for the duration of non-compliance under certain circumstances. If the failure to comply with the disclosure requirements specifically relates to the share of voting rights and is the result of a wilful or grossly negligent conduct, the suspension period is extended by six months after the shareholder files the required notification. In addition, a fine may be imposed for failure to comply with the disclosure obligations, except for the disclosure obligation regarding the source of the funds used for the acquisition of the voting rights as well as the objectives pursued with the acquisition.

Disclosure of Transactions of Persons Holding Management Responsibilities

Under the German Securities Trading Act (*Wertpapierhandelsgesetz*) a Manager (as defined below) is required to notify the Company and BaFin within five working days regarding any of his or her transactions regarding shares of the Company or financial instruments linked to them, particularly derivatives. This obligation also applies to persons closely related to a Manager. The Company is obliged to immediately publish the information received in accordance with the foregoing and to simultaneously notify BaFin of the publication. Furthermore, the Company shall immediately transmit the information to the German Company Register (*Unternehmensregister*) for storage. Notification is not required if the sum of all transactions involving a Manager and persons closely related to him or her is less than €5,000 in a given calendar year.

A "Manager" is any member of the Company's management, of its administrative or supervisory bodies and any person who has regular access to insider information within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and is authorized to make important managerial decisions. Persons closely related to a Manager are spouses, registered civil partners, dependent children as well as other relatives who have been living in the same household as the Manager for at least one year when the relevant transaction is made. Notification is also required for transactions by legal entities in which a Manager or any of the aforementioned parties holds management responsibilities, which are directly or indirectly controlled by a Manager or such a party, which were established for the benefit of a Manager or such a party or whose economic interests are substantially equivalent to those of a Manager or such party. Non-compliance with the notification requirements may result in a fine.

Post-Admission Disclosure Requirements

After the offering, the Company will for the first time be subject to the legal disclosure requirements for German stock corporations listed on a public exchange. These disclosure requirements include, among others, periodic financial reporting (disclosure of annual, half-year and interim financial reports), regular calls with securities and industry analysts, and other required disclosures according to the German Securities Trading Act (*Wertpapierhandelsgesetz*).

One of the other disclosure requirements under the German Securities Trading Act provides that an issuer of financial instruments must, without undue delay, publish all inside information which directly concerns that issuer. Inside information is any specific information about circumstances which are not public knowledge relating to one or more issuers of insider securities, or to the insider securities themselves, which, if it became publicly known, would likely have a significant effect on the stock exchange or market price of the insider security. An issuer is exempt from the publication requirement pursuant to the preceding paragraph as long as necessary to protect his legitimate interests, provided there is no reason to expect a misleading of the public and the issuer is able to ensure that the inside information will remain confidential. Late publication must be effected without undue delay. The issuer is obliged to notify BaFin regarding the grounds for exemption, stating the time of the decision concerning the postponement of the publication.

GOVERNING BODIES

Overview

The governing bodies of the Company are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The responsibilities and powers of these corporate bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association (*Satzung*) and the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*) and the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*).

The Management Board conducts the business of the Company in accordance with the applicable laws, the Articles of Association of the Company and the rules of procedure for the Management Board including the schedule of responsibilities (*Geschäftsverteilungsplan*). The Management Board represents the Company when dealing with third parties. The Management Board must ensure that appropriate risk management and risk controlling mechanisms are established and maintained within the Company, its subsidiaries and associated companies. This is to ensure that any developments endangering the continuing existence of the Company can be identified at an early stage. The Management Board is also required to regularly report to the Supervisory Board, at least on a quarterly basis, on the status of our business, in particular on new orders, turnover and earnings, and the condition of the Company, particularly in consideration of existing financing agreements. Furthermore, the Management Board reports to the Supervisory Board at least once a year on the intended business policy and other key issues relating to corporate planning and the future course of our business (especially on finance, investment and human resources planning), as well as on the Company's risk position and risk management. This report must include a discussion of any deviations between actual developments and objectives previously reported on, including the reasons for such deviations. In addition, the Management Board must submit a budget for the following financial year. In the meeting of the Supervisory Board in which the annual financial statements are discussed, the Management Board also has to report on the profitability of the Company, especially in relation to the return on equity. The Management Board shall submit to the Supervisory Board in due course the various financial reports, including the annual financial statements and the management report as well as the consolidated annual financial statements and consolidated management report of the Company, the half-yearly and quarterly consolidated financial report of the Company and the monthly reporting package, including monthly management accounts of the Company. As a general rule, the Management Board is required to report events which could have a material effect on the Company, and transactions which could be of material importance, especially in relation to the Company's profitability or liquidity, and to do so in a timely manner. This is to ensure that the Supervisory Board is able to assess such transactions and to express its opinion thereon prior to any such action being taken. In addition, the chairman of the Supervisory Board shall be informed of any other significant developments, in particular those which include circumstances concerning the business of an undertaking affiliated with the Company which become known to the management board and which may have a material impact upon the condition of the Company. Finally, any member of the Supervisory Board may request a report regarding the affairs of the Company at any time. In addition, the Management Board and the Supervisory Board report annually in the annual report about the corporate governance of the Company and explain any deviations from the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), which was adopted by a governmental commission on the German Corporate Governance Code on February 26, 2002 and currently applies in the version as amended on May 13, 2013.

Simultaneous membership on the Management Board and the Supervisory Board of a German stock corporation is not permitted under German law; however, simultaneous membership that results from a member of the supervisory board taking a seat on the management board of the same German stock corporation for a maximum period of up to one year is permissible in exceptional cases. During this period, the board member may not perform any duties for the supervisory board.

The Supervisory Board appoints the members of the Management Board and is entitled to dismiss them for good cause. Under German Stock Corporation law, the Supervisory Board advises and oversees the Management Board on the management of the Company, but is not itself authorized to manage the Company. The Articles of Association or the Supervisory Board must, however, require that the management obtains the approval of the Supervisory Board before entering into certain transactions. According to the Articles of Association, the Supervisory Board shall determine that its approval shall be required for certain measures of the Management Board. As of the date of the Prospectus, matters subject to the consent of the Supervisory Board as set forth in the rules of procedure for the Management Board

include, among others, the following matters of the Company. The approval requirement also applies, to the extent legally permitted, to the exercise of voting rights in and giving directives by the Company to its subsidiaries, except to the extent explicitly provided otherwise below:

1. The acquisition, sale, and restructuring of companies, or holdings or shares in other companies insofar as the market value in individual cases or, where the market value is unknown or is exceeded by the book value, the book value equals or exceeds €30 million;
2. The commencement of new business segments or the narrowing or discontinuation of existing business segments insofar as this involves revenues of at least 10% of the Group's total revenues generated during the last business year concluded;
3. The acquisition and sale of non-real-estate fixed assets insofar as the value of the investment or the disinvestment equals or exceeds €10 million;
4. The acquisition, development, sale, or encumbrance of properties, rights in the nature of property titles and rights to properties insofar as the amount in the particular situation equals or exceeds €10 million;
5. Financial measures insofar as the amount in the particular situation equals or exceeds €10 million; however, approval is not required for:
   - financial transactions that are part of day-to-day business, that are required to manage solvency and other financial risks such as currency risk, interest rate risk and any possible equity risk, as well as the buyback of the Company's own debt issuances in accordance with the terms of issue, and
   - measures provided for within an annual budget approved by the Supervisory Board;
6. The execution of settlement agreements in legal or arbitration proceedings with a settlement value of more than €10 million;
7. The Company's annual budget;
8. Measures mentioned above under 1., 3., 4., and 5. with a value that equals or exceeds €10 million, however only where the total value of all such measures undertaken within the last 12 months equals or exceeds €30 million.

Where individual measures concern closely related matters, these are to be combined when determining the threshold values stated above. If any such measure is undertaken by an associated company the Management Board shall ensure that any such measures are only undertaken with the approval of the associated company's executive body controlled by the Company. In turn, the Management Board may only grant approval for associated companies with the approval of the Supervisory Board. The Supervisory Board has the right to extend the list of above mentioned measures by the Company or any other subsidiary for which Supervisory Board's prior approval is required.

The consent of the Supervisory Board has to be obtained before the execution of the transaction or measure. This does not apply to transactions or measures not to be delayed, provided that the obtaining of a resolution of the Supervisory Board or the responsible committee is not possible and the Management Board, after due diligence of the circumstances of the individual case and after notifying the chairman of the Supervisory Board, respectively the responsible committee, may assume that the Supervisory Board or the responsible committee will give its consent to the transaction or the measure. In this case, a ratifying resolution of the Supervisory Board must be passed immediately.

Each member of the Management Board shall forthwith disclose to the Supervisory Board any conflict of interest and shall inform the other members of the Management Board accordingly. Any business between the Company and members of the Management Board or persons or ventures close to them must meet arms' length standards. To the extent the participation of the Supervisory Board is not required pursuant to Section 112 German Stock Corporation Act (*Aktiengesetz*), such business requires approval of the Supervisory Board if its value in each case exceeds €25,000. The members of the Management Board shall engage in side-line activities, including memberships in TC Group-external supervisory or advisory boards or comparable corporate bodies, only upon approval of the Supervisory Board.

Members of the Management Board and Supervisory Board owe a duty of care and a duty of loyalty to the Company. Board members must consider a number of interests, including those of the Company and its shareholders, employees and creditors. The Management Board must also take into consideration shareholders' rights to equal treatment and equal access to information. Should members of the

Management Board or Supervisory Board breach these duties, they will be jointly and severally liable to the Company for compensatory damages. Members of the Management Board and Supervisory Board are covered by directors' and officers' liability insurance for their activities as members of management up to a certain amount. The Company bears the cost of these insurance policies. However, it should be noted that applicable German law requires that each member of our Management Board remains personally responsible in the case of any finding of personal liability of such member, as the case may be, for 10% of the total amount of the damages, up to an amount that equals up to 150% of such member's total annual fixed remuneration from TC Group.

Under German law, a shareholder generally cannot take direct legal action against a member of the Management Board or the Supervisory Board of a German stock corporation if the shareholder believes that such member or members have violated their duties towards the Company and this has caused damage to the Company. Claims for compensatory damages against members of the Management Board or the Supervisory Board may, as a rule, only be asserted by the Company itself, in which case the Company is represented by the Management Board when claims are made against members of the Supervisory Board and the Supervisory Board when claims are made against members of the Management Board. According to a ruling of the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obligated to assert claims for compensatory damages against the Management Board that are likely to be successful, unless important Company interests conflict with such an assertion of claims and such grounds outweigh, or are at least comparable to, the grounds in favor of asserting the claims. In the event that the relevant body with powers to represent the Company decides not to pursue such claims, then such claims by the Company for compensatory damages must nevertheless be asserted against members of the Management Board or the Supervisory Board if the general shareholders' meeting of the Company passes a resolution to this effect by a simple majority vote. Such general shareholders' meeting of the Company may appoint a special representative (*besonderer Vertreter*) to assert such claims. Shareholders whose aggregate holdings amount to at least 10% or €1,000,000 of the Company's share capital may apply to the court to appoint a special representative to assert claims for compensatory damages. In the event of such an appointment, the special representative becomes solely responsible for asserting the claims of the Company for compensatory damages in lieu of the Company's management. In addition, if there are facts supporting the claim that the Company has been damaged by fraud or gross breaches of duty, shareholders whose aggregate holdings amount to at least 1% or €100,000 of the Company's share capital have the option, under certain circumstances, of being granted permission by the competent court to file a lawsuit on their own behalf for compensatory damages for the Company against members of the board. Such a lawsuit will be dismissed if the Company itself files a lawsuit for compensatory damages.

The Company may only waive claims for compensation against members of the Management Board and the Supervisory Board, or settle such claims, three years after such claim has arisen but only (a) if the shareholders resolve to do so in a shareholders' meeting by resolution with simple majority and (b) where a majority of the shareholders, together holding shares which represent at least 10% of the share capital, do not object to this in the minutes of the meeting.

Under Section 142 of the German Stock Corporation Act (*Aktiengesetz*), the general shareholders' meeting of the Company may appoint, by way of a simple majority, a special auditor (*Sonderprüfer*) to review procedure, in particular in relation to management. If the general shareholders' meeting of the Company rejects a motion to appoint a special auditor, the court must appoint a special auditor at the request of shareholders whose aggregate shareholding constitutes 1% of the share capital or whose shares have an aggregate value of €100,000 in case the facts justify the suspicion that irregularities or gross violations of the law or of the Articles of Association have been committed. If the general shareholders' meeting of the Company does appoint a special auditor, the court shall appoint a second special auditor if such appointment appears to be appropriate considering the qualifications of the first auditor and is requested by shareholders whose aggregate shareholding constitutes 1% of the share capital or whose shares have an aggregate value of €100,000.

In accordance with Section 127a of the German Stock Corporation Act (*Aktiengesetz*), shareholders and shareholder associations can use the shareholder forum (*Aktionärsforum*) of the German Federal Gazette (*Bundesanzeiger*), which is available through the Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third party representation, request a special audit, appoint a special representative, demand that a general shareholders' meeting of the Company is convened or exercise their voting rights in a general shareholders' meeting of the Company.

Under German law, it is not permitted for shareholders or any other individuals to attempt to influence members of the Management Board or the Supervisory Board, authorized representatives (*Prokurist*) or other persons holding a commercial power of attorney to act in a way harmful to the Company. Shareholders with a controlling influence may not use such influence to cause the Company to act against its own best interests, unless there is a control agreement between the shareholders and the Company and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Any person who uses his or her influence to cause a member of the Company's Management Board or Supervisory Board, authorized representative or persons holding a commercial power of attorney to act in a manner harmful to the Company or its shareholders is obligated to compensate the Company and its shareholders for any resulting damage. In addition, members of the Management Board and Supervisory Boards may be jointly and severally liable for breach of their duties.

Management Board

General

Pursuant to Section 6 of our Articles of Association, the Supervisory Board determines in accordance with the German Stock Corporation Act (*Aktiengesetz*) the number of members of the Management Board which must consist of at least two persons. The Supervisory Board may appoint one Management Board member as chairman and another member as deputy chairman. Currently, the Management Board consists of two members with Ronny Verhelst appointed chairman.

The Supervisory Board appoints the members of the Management Board for a maximum term of five years. Reappointments or extensions of the term of office are permissible for up to five years each. Prior to the expiration of the term, the Supervisory Board may revoke the appointment of a Management Board member for good cause (*wichtiger Grund*), such as for gross breach of fiduciary duties, inability of proper management or if the general shareholders' meeting of the Company passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating employment agreements with the Management Board members and, in general, for representing the Company in and out of court against the Management Board. The Supervisory Board may assign some of these duties to a committee of the Supervisory Board.

The Management Board determines our business areas and operating segments within the scope of the corporate purpose defined by the Articles of Association. Management Board meetings shall have a quorum if at least two-thirds (⅔) of its members are present. If only two members of the management board are in office, the management board meetings shall have a quorum only if both of them are present. If the Management Board consists of more than three members and a meeting does not have a quorum as set forth in in the preceding sentence, another meeting with an identical agenda has to be called without undue delay within a period of one week's time. This meeting also has a quorum if at least two of its members are present or attend otherwise. In principle, resolutions of the Management Board are adopted with a simple majority of the votes cast, unless a different majority is prescribed by mandatory law. If the Management Board is composed of more than two members, the chairman shall have a casting vote in the event of a tie. The chairman shall establish the result of the vote and the resolutions adopted.

The responsibilities of each member of the Management Board for specific business areas and operating segments are allocated by a schedule of responsibilities (*Geschäftsverteilungsplan*) which forms part of the rules of procedure for the Management Board. The rules of procedure for the Management Board also contain rules about composition, duties, overall responsibilities and responsibility for the departments as well as the internal arrangements of the Management Board.

Management Board members are subject to extensive non-competition obligations for the duration of their work for the Company and a certain period afterwards. They are required to disclose any conflict of interest to the Supervisory Board and the other members of the Management Board and they (as well as parties related to them) are not allowed to enter into any transaction of a certain degree of relevance without the prior consent of the Supervisory Board. In addition, members of the Management Board may not take up any secondary employment or function in supervisory boards, advisory boards or similar functions in companies that are not affiliated with the Company without prior approval of the Supervisory Board.

Pursuant to the Articles of Association of the Company, *vis-a-vis* third parties, the Company is represented by a member of the Management Board if the Supervisory Board has granted such member the authority to represent the Company alone; otherwise, the Company shall be legally represented by two members of the Management Board or by one member of the Management Board acting jointly with a procuration officer (*Prokurist*).

Current Members of the Management Board

The following table lists the current members of the Management Board, their age, the date on which they were first appointed, their term of appointment and their internal responsibilities:

Name	Age	Member since	Appointed until	Responsibilities
Ronny Verhelst . . . . (Chief Executive Officer)	51	2011	2017	Chairman of the Management Board; Business Development, Technics, Sales, Marketing, Customer Management, Group Communications/Press, Affairs of the Supervisory Board
Frank Posnanski . . . . (Chief Financial Officer)	47	2011	2017	Accounting & Tax, Reporting, Controlling & Treasury, Capex & Project Controlling, IT & Data Security, Operational Business Improvement, Personnel, Investor Relations, Compliance/Law/Internal Audit

The expiration dates of the service agreements for each individual member of the Management Board corresponds with their respective terms in office.

Ronny Verhelst (51). Chief Executive Officer. Mr. Verhelst joined the Group as Chief Executive Officer and chairman of the Management Board on April 1, 2011. As Chief Executive Officer he is responsible for the management of the Group, Technic, Sales, Marketing and Customer Management. Prior to joining TC Group, Mr. Verhelst held various senior positions at the Telenet Group, including Chief Executive Officer of the Mobile Communications business from 2009 to 2011 and Executive Vice President Media and Public Affairs in the same timeframe. Moreover, Mr. Verhelst was responsible for Human Resources, Content and Public Affairs from 2008 to 2009. He started in the Telenet Group as Chief Customer Operations Officer in 2001 and became Executive Vice President Integration and Media Partnerships from 2003 to 2007. Before, Mr. Verhelst served as Senior Manager at PricewaterhouseCooper in Brussels, Belgium, from 1999 to 2001, and as Customer Service Manager at Bank Anhyp NV, Antwerp, from 1998 to 1999. In 1985, he started his career at the Belgian communications providers Belgacom NV, where he held various positions in the area Customer Service. Mr. Verhelst also served as chairman and independent supervisory board member at the Pro League (Belgian first soccer league) from 2012 to 2014.

The following table shows the positions Ronny Verhelst has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the TC Group in the last five years, as well as positions he currently holds in material companies within the TC Group:

Positions held in companies and partnerships outside the TC Group in the last five years	Current positions in material companies within the TC Group
Telenet N.V. (CEO Telenet Mobile and Executive Vice President) (2009 - 2011).	Tele Columbus Multimedia GmbH (managing director) (2011 - today)
Pro League N.V. (Belgian first soccer league) (chairman (2012 - 2013) and independent supervisory board member (2013 - 2014)).	Tele Columbus Hessen GmbH (managing director) (2011 - today)
DNMG (member of the supervisory board) (ongoing)	Tele Columbus Netze Berlin GmbH (managing director) (2011 - today)
Tele Columbus Holdings SA (member of the supervisory board (2014, terminated prior to the offering))	Tele Columbus Ost GmbH (managing director) (2011 - today)
TC Management (member of the supervisory board (2014, terminated prior to the offering))	Tele Columbus Kabel Service GmbH (managing director) (2011 - today)
	Tele Columbus Sachsen-Thüringen GmbH (managing director) (2011 - today)
	Tele Columbus Sachsen- Anhalt GmbH (managing director) (2011 - today)
	Tele Columbus Cottbus GmbH (managing director) (2014 - today)
	Tele Columbus Verwaltungs GmbH (managing director) (2011 - today)

Frank Posnanski (47). Chief Financial Officer. Mr. Posnanski joined the Group as a member of the Management Board on September 1, 2011. As Chief Financial Officer he is responsible for Accounting & Tax, Group Controlling & Treasury, Capex & Project Controlling as well as for IT & Data Security, Operating Business Improvement, Personnel and Investor Relations. Before joining TC Group, Mr. Posnanski was sole Managing Director of Digital Identification Solutions AG, Esslingen, Germany, from 2010 until 2011. Until the end of 2009 he served as Chief Financial Officer at Pulsion AG, Feldkirchen, Germany. From 2006 to 2008 he led the divisions Controlling and Asset Accounting of the network provider Kabel BW GmbH, Heidelberg, Germany. Furthermore, Mr. Posnanski was Director of Shared Services and Head of Controlling Europe at Johnson Electrics. Before, he already held the position of Head of Controlling at Berentzen, Haselünne, Germany. Mr. Posnanski started his career at Metro AG, Cologne, Germany and Schenker AG, Essen, Germany, where he worked in various functions in the respective Controlling Divisions. He studied at University of Dortmund and holds a degree in Business Mathematics.

The following table shows the positions Frank Posnanski has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the TC Group in the last five years, as well as positions he currently holds in material companies within the TC Group:

Positions held in companies and partnerships outside the TC Group in the last five years	Current positions in material companies within the TC Group
Pulsion AG (CFO) (2008 - 2009)	Tele Columbus Multimedia GmbH (managing director) (2011 - today)
Digital Identification Solutions AG (CFO and later sole member of the management board) (2010 - 2011)	Tele Columbus Hessen GmbH (managing director) (2011 - today)
Intertainment AG (member of the supervisory board) (ongoing)	Tele Columbus Netze Berlin GmbH (managing director) (2011 - today)
EMI European Media Invest AG, (member of the supervisory board) (ongoing)	Tele Columbus Ost GmbH (managing director) (2011 - today)
Tele Columbus Holdings SA (member of the supervisory board (2014, terminated prior to the offering))	Tele Columbus Kabel Service GmbH (managing director) (2011 - today)
	Tele Columbus Sachsen-Thüringen GmbH (managing director) (2011 - today)
	Tele Columbus Sachsen- Anhalt GmbH (managing director) (2011 - today)
	Tele Columbus Cottbus GmbH (managing director) (2014 - today)
	Tele Columbus Verwaltungs GmbH (managing director) (2011 - today)

The members of the Management Board can be contacted at the Company's business address.

Compensation, Other Benefits, Share Ownership, Pension

The composition of the Management Board (*Vorstand*) as of the date of the Prospectus corresponds to the composition of the board of directors (*Geschäftsführung*) of Tele Columbus GmbH prior to the Spin-Off and Tele Columbus Holding GmbH prior to the change of legal form from a German limited liability company to a German stock corporation. Prior to the registration of the Spin-Off, the members of the Management Board entered into service agreements with Tele Columbus GmbH ("**Old Service Agreements**"). The Old Service Agreements were transferred in the Spin-Off to Tele Columbus Holding GmbH, terminated upon the registration of the change of legal form with the commercial register on September 12, 2014 and supplemented by new service agreements coming into effect as of September 15, 2014 ("**New Service Agreements**").

Remuneration of Members of Management Board in 2014

The total compensation of the members of the Management Board of the Company in the financial year 2014 in respect of their activities on behalf of the Company and its subsidiaries amounted to €1,566,492.05.

The table below provides an individual breakdown thereof for the financial year 2014:

Name	Fixed remuneration	Variable remuneration (payable in Q1/2015)	Other compensation(1)	Total
Ronny Verhelst	€500,000.04	€463,541.67	€101,990.43	**€1,065,532.14**
Frank Posnanski	€245,833.30	€227,604.17	€ 27,522.44	**€ 500,959.91**
Total	**€745,833.34**	**€691,145.84**	**€129,512.87**	**€1,566,492.05**

(1) Other compensation includes non-monetary benefits and perquisites, such as company cars, reimbursement of fees for tax advice and living expenses, provision of, or contribution towards the costs of, insurance, inter alia, health insurance, disability insurance, life insurance and directors' and officers' insurance, as well as contribution towards the costs of retirement benefit plans such as pension funds, benevolent funds and life insurance.

New Service Agreements

In September 2014, the members of the Management Board entered into new service agreements, which came into effect as of September 15, 2014. The compensation under the new service agreements was approved by the Supervisory Board, taking into account general market practice, legal requirements in accordance with Section 87 of the German Stock Corporation Act (*Aktiengesetz*) and additional recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the "**Governance Code**") in the version as amended on May 13, 2013. The compensation system aims at paying a reasonable compensation to the members of the Management Board. The compensation takes into account the size and activities of the Group, its economic and financial situation, its success and future outlook, and the comparability of the compensation in the light of the peer environment (horizontal) and the compensation levels for the rest of our staff (vertical). It also takes into consideration the tasks and duties of the individual members of the Management Board, their personal performance and promotes the sustainable, long term development of the Company and the Group. Altogether, the compensation is such that it makes allowance for both positive and negative developments, and promotes the sustainable, long term development of the Company.

The compensation of the Management Board is comprised of an annual fixed and an annual short-term variable compensation as well as a multi-year long-term variable compensation. In addition, the members of the Management Board participate in a matching stock program (share-based compensation). The Supervisory Board reviews the amount of the fixed compensation on a regular basis, such review to be conducted in the second half-year of 2015 for the first time. Under the New Service Agreements the following compensation and benefit components (with respect to 2014 only to be paid pro rata temporis beginning September 15, 2014) have been agreed (all figures shown are gross amounts):

Board Member	Fixed remuneration (annual amount)	Annual bonus (short term incentive, "STI")(1)	Long-term incentive ("LTI")(2)	Matching stock program ("MSP")(3)	Other Benefits (annual amount)(4)	Pensions	Total
Ronny Verhelst . .	€500,000	€250,000	€270,000	€540,000	€30,000	€37,500	**€1,627,500**
Frank Posnanski .	€250,000	€125,000	€135,000	€270,000	€3,700	€7,000	**€790,700**

(1) Targeted amount, depending on individual target achievement; capped at 150% of targeted amount.

(2) Estimated numbers for first tranche of LTI due after 2016 based on business plan.

(3) Estimated numbers for first tranche of MSP due four years after the offering based on market standard shareholder return.

(4) In the case of Mr. Verhelst, this includes living allowance and reimbursement for tax advice against submission of invoices. In case of Mr. Posnanski, this includes contributions to private insurance.

Fixed Compensation

Under the new service agreements, the members of the Management Board are entitled to a fixed compensation. The fixed compensation is paid out in cash in twelve equal monthly instalments. It is tailored to the range of duties and functions as well as the professional experience of the members of the Management Board. Additionally, non-monetary benefits and perquisites are granted, such as provision of company cars, contributions towards the cost of insurance, reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including any taxes that have been assumed in this regard, as well as costs connected with preventive medical examinations.

STI

The annual short-term variable compensation is based on the annual Group's business performance. The members of the Management Board are entitled to receive a percentage between 90% and 150% of an annual target amount, such annual target amount being 50% of the individual Management Board member's fixed compensation. The percentage rate depends on the achievement by the Group of certain financial parameters to be determined based on the annual budget, such as EBITDA (weighted 40%), Capex (weighted 20%) as well as revenues (applying to CEO only and weighted 20%) or bad debt (applying to CFO only and weighted 20%); a customer loyalty component (weighted 10%); an additional 10% will be allocated on a discretionary basis by the Supervisory Board. For a 100% target achievement the amount of the short-term variable compensation equals the annual target amount. The short-term variable compensation is subject to a ceiling (cap) of 150%. Thus, the total short-term variable compensation is capped at 75% of the fixed compensation. A target achievement below 90% leads to a

forfeiture of the entitlement for short-term variable compensation. The short-term variable compensation is calculated upon the approval of the annual report and paid out in cash.

LTI

The long-term variable compensation depends on the Group's business performance for a period of three financial years (vesting period). It is calculated as a percentage (0.250% for CEO and 0.125% for CFO) of the average adjusted EBITDA of the previous three years and is distributed annually. The percentage of the average adjusted EBITDA to which a member of the Management Board is entitled to under the long-term variable compensation, is based on the Company's current net assets. In the event that there is a material change to the calculation parameters, e.g. accounting regulations applicable to the Company, changes of regulatory conditions or the Company's net assets, the Supervisory Board may adjust the percentage attributed to each member of the Management Board. The long-term variable compensation is capped at 150% of the annual fixed compensation of the respective Management Board members at the time of payout. If the average-adjusted EBITDA is lower than 85% of the target average-adjusted EBITDA, no long-term variable compensation is granted. The first tranche of the long-term variable compensation encompasses the period from the financial year 2014 to the financial year 2016.

Share Based Compensation (Matching Stock Program)

The share based compensation is designed as an equity-settled stock matching program. The stock matching program provides for five annual tranches to be granted over the period of five years beginning with the date of the offering. Participation in the stock matching program requires that at the first-time listing of the Company's shares on the Frankfurt Stock Exchange, the members of the Management Board make an investment in the Company's shares in an amount equal to their annual fixed compensation. These shares are acquired at the initial public offer price. For each of the Company's shares, the Management Board member receives a certain amount of virtual options in annual tranches for a period of five years. For the first tranche, the amount of options for each share is three. The amount of options per share for the future tranches will be determined by the Supervisory Board. The virtual options have a term of six years and can be exercised at the earliest after four years, provided that the members of the Management Board still hold the shares of the Company to which these virtual options are attached. The virtual options may only be exercised if the weighted average closing price for the Company's shares in XETRA trading during the last 60 trading days prior to the virtual option being exercised exceeds the relevant exercise barrier. The relevant exercise barrier shall be determined by the Supervisory Board at the time of the allocation of the respective tranche and shall at least amount to 130% of the exercise price. For the first tranche the exercise barrier shall be determined to 130% of the initial public offer price. The exercise price for the following tranches is the initial public offering issue price, thereafter the 180 days average price on XETRA trading before the issuance of the respective tranche. If exercised, the virtual options are transformed into a gross amount equaling the difference between the exercise price and the Xetra closing price of the day prior to the exercise multiplied with the number of exercised virtual options, whereas the maximum gross amounts resulting from the exercise of the virtual options of one tranche is limited in amount to four times the fixed compensation of the respective Management Board member at the time of payment of the respective tranche. The generally limited net amount resulting from the calculated gross amount is not paid out to the Management Board members but is used by the Company to acquire shares on the market and to deliver them to the Management Board member, such shares being subject to a lock-up period of another 12 months.

Company Pensions

The members of the Management Board do not benefit from a pension scheme, but are granted contributions towards the costs of retirement benefit plans, such as pension funds, benevolent funds and life insurance.

D&O Insurance

The members of the Management Board receive insurance coverage through D&O insurance taken out by the Company with a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member.

Transaction Bonus Commitments in connection with the IPO

For the additional tasks and duties during the process of preparing the initial public offering of the Company's shares, the members of the Management Board receive a one-time bonus which is conditional upon the first-time listing of the Company's shares on the Frankfurt Stock Exchange. Such bonus equals an amount of the annual fixed remuneration of the respective Management Board members and is paid in two instalments in the financial years 2015 and 2016. Regarding a bonus payment out of the proceeds of the sale of the Existing Shares, please refer to "*Shareholder Structure—Indirect Shareholders*".

Term and Termination of Service Agreements

The New Service Agreements provide that they will terminate with the end of the period for appointment of the relevant members of the Management Board (see above). In the case that the appointment of a member of the Management Board as member of the Management Board ends before the end of the term of the service agreement of the member of the Management Board, the Company may terminate the service agreement of the relevant member of the Management Board with a notice period calculated in accordance with Section 622 (2) German Civil Code (*Bürgerliches Gesetzbuch*). Each member of the Management Board is then entitled to receive compensation in an amount equal to two annual salaries (comprising the fixed salary and the variable compensation as if 100% of the performance targets had been achieved). If the remaining term of the service agreement is less than 2 years, the compensation is reduced *pro rata temporis*.

All members of the Management Board are subject to a post-contractual non-compete obligation for a period of 18 months after termination of their service agreement. During the period of post-contractual non-compete, they are entitled to a compensation amounting to 50% of the last received contractually agreed fixed annual compensation for each year of the restraint provided that under certain circumstances other income they may receive will result in a reduction. The compensation shall be paid in twelve equal installments at the end of each month.

Shareholdings of Management Board Members

The members of the Management Board currently hold shares via TC MP KG (see "*Shareholder Structure—Indirect Shareholders*") in Tele Columbus Holdings SA, our indirect shareholder. As of January 12, 2015, their shareholding in the Company (on a look-through basis) is as follows:

	Number of shares (on a look-through basis)	In %
Ronny Verhelst	1,117,395	5.58
Frank Posnanski	839,048	4.19
Total	**1,956,443**	**9.77**

On a look-through basis and based on the Company's share capital at the date of the Prospectus, Mr. Verhelst holds 5.58% and Mr. Posnanski 4.19% of the share capital of the Company. Upon issuance of the New Shares the members of the Management Board will be diluted on a look-through basis accordingly. TC MP KG as shareholder of Tele Columbus Holdings SA will receive 16.75% of any distributions from the sale of the Secondary Shares once TC Management and Tele Columbus Holdings SA have been put into liquidation and advanced liquidation proceeds have been distributed. TC Management will use the net proceeds from the sale of the Secondary Shares to pay off all of its outstanding liabilities including its share of the costs of the offering and then distribute the remaining proceeds as advanced liquidation proceeds to Tele Columbus Holdings SA. Tele Columbus Holdings SA will then, after discharge of its outstanding liabilities, forward the proceeds to its shareholders as advanced liquidation proceeds, which is expected to occur within one month following the offering. TC MP KG has undertaken vis-à-vis the Company and the Underwriters that it will reinvest 50% of the proceeds so received by placing on the first day of the offer period an order for preferential allocation of Offer Shares at the offer price without discount and acquiring shares in the Company. TC MP KG will retain the remaining 50% of the proceeds to cover taxes payable by its general and limited partners with respect to the receipt of the proceeds. It agreed with the Company and the Underwriters that the payment of the aggregate purchase price for, and the receipt of, the Offer Shares are deferred until the time it will have actually received the proceeds and that the shares so acquired will be subject to lock-up restrictions for a period ending twelve months after the first day of trading of the shares. On a look-through basis, the Management Board members as limited partners of TC MP KG will have invested the proceeds resulting

from the sale of the Secondary Shares allocable to them on an after-tax basis in shares of the Company at the offer price. Over and above the dilution resulting from the capital increase, the fact that these shares will be purchased using the after tax proceeds from the sale of Secondary Shares will (subject to any decline in the share price) result in further dilution on a look-through basis.

For information regarding the lock-up restrictions see "*The Offering—Lock-up Agreements*".

Supervisory Board

General

In accordance with the Articles of Association, Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board of the Company will consist of six members, which are elected by the general shareholders' meeting of the Company. Currently the Supervisory Board consists of only four members which have been appointed by the general shareholders' meeting dated September 10, 2014 (Mr. Donck, Mr. Boekhorst, Mrs. Bienenstock and Mr. Leterme); two additional members (Mr. Krause and Mrs. Mühlemann) have been appointed by the general shareholders' meeting dated September 10, 2014, however, such appointment being subject to the admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard).

A person may not become a member of the Supervisory Board who (i) is already a member of the supervisory board in ten commercial enterprises which are required by law to form a supervisory board, (ii) is the legal representative of a controlled enterprise of the Company, (iii) is the legal representative of another company whose supervisory board includes a member of the Management Board or (iv) was a member of the Management Board during the past two years, unless he was elected upon nomination by shareholders holding more than 25% of the voting rights in the Company. The Supervisory Board should not comprise more than two former members of the Management Board.

Members of the Supervisory Board are appointed at the general shareholders' meeting as set out by the Articles of Association and in conjunction with Section 102 German Stock Corporation Act (*Aktiengesetz*). At the same time as appointing the members of the Supervisory Board, the general shareholders' meeting of the Company may appoint substitute members for each Supervisory Board member, who, in accordance with specific determinations by the general shareholders' meeting of the Company, may become members of the Supervisory Board if elected Supervisory Board members leave office before the end of their term and no successor has been appointed. The term of the substitute member expires at the end of the general shareholders' meeting of the Company during which a successor for the departing Supervisory Board member is appointed, but no later than the expiration of the departing Supervisory Board member's term. The election of a successor for a member leaving his or her office before the end of his or her term of office is valid for the remainder of the term of office of the departing member, provided that the general shareholders' meeting of the Company has not otherwise determined the term of office of the successor.

Unless the general shareholders' meeting has set a shorter term of office, the term of office of each Supervisory Board member, as well as the term of each substitute member, expires at the end of the annual general shareholders' meeting approving the activities of the Supervisory Board for the fourth financial year following the commencement of the member's term of office, not including the financial year in which the term commences. Members may be re-elected. As a rule, a person can only become a member of the Supervisory Board, if they have not reached the age of 70 at the time of appointment or election.

Supervisory Board members elected by the general shareholders' meeting of the Company may be removed by a resolution of the general shareholders' meeting of the Company adopted with the simple majority of the votes cast. In addition, the Articles of Association provide that regular members and substitute members of the Supervisory Board may resign with a four-week notice period, without good cause, by providing written notice to the chairman or the deputy chairman of the Supervisory Board. The chairman of the Supervisory Board may waive the notice period. In the case of a good cause existing, the member may resign with immediate effect.

The terms of office of the chairman and the deputy chairman correspond to their appointments as members of the Supervisory Board unless a shorter term of office is set when they are elected. The election takes place in each case after the general shareholders' meeting in which the members of the Supervisory Board are elected. The Supervisory Board meeting does not have to be convened in any particular manner. If the chairman or the deputy chairman resign from their positions prior to the expiration of their term of office, the Supervisory Board must elect a replacement without undue delay.

Under mandatory statutory provisions and the Articles of Association, the Supervisory Board is authorized to establish internal rules of procedure and form committees from among its members. The internal rules of procedure of the Supervisory Board are dated September 10, 2014. In addition to the functions and tasks of the Supervisory Board described above (see "—*Overview*"), the Supervisory Board is authorized to make amendments to the Articles of Association that only affect their wording.

German law provides that at least one member of the Supervisory Board of publicly traded companies has to be considered an independent expert with expertise in the fields of accounting or auditing. On the Supervisory Board, Mr. Krause is considered to be such independent expert.

As a rule, the Supervisory Board is expected to hold at least one meeting per calendar quarter and must hold at least two meetings within each half calendar year. A meeting of the Supervisory Board shall also be convened whenever this is requested by a member of the Supervisory Board or by the Management Board, stating the purpose and reasons for the meeting. Meetings of the Supervisory Board are called by its chairman or if it is prevented from doing so, by the deputy with two weeks advance notice. The day on which the notice is sent and the day of the meeting itself are not included when calculating this period. In urgent cases, the chairman may shorten the notice period to not less than three days and convene the meeting orally, by telephone or in another manner. The chairman acts as chair of the meetings and determines the order in which the items on the agenda are discussed and the method and sequence of voting. The Articles of Association provide that all members must have been invited to the meeting and at least half of the members of the Supervisory Board must participate in voting on a resolution in order to constitute a quorum. For calculating the quorum, any member who is present but abstains from voting is deemed to have participated in the vote. Absent members may participate in the casting of votes by submitting written votes. Unless otherwise required by law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. For the purposes of passing a resolution, abstentions do not count as votes cast. The Articles of Association provide that on the chairman's instruction or, if he is prevented from exercising his function, by the deputy chairman's instruction, resolutions may be passed without a meeting in text form, by telephone or in other similar manners.

Current Members of the Supervisory Board

The following table shows the names of the members of the Supervisory Board of the Company as of the successful completion of the offering, as well as—where applicable—their further positions as members of management, administrative or supervisory boards in companies or as partners in partnerships. Positions held in companies or partnerships outside the Group in the last five years which are no longer current, are also reflected in the following table:

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
Frank Donck (Chairman)	49	2014	2019	• Tele Columbus Holdings SA (ongoing) • 3D NV (managing director) (ongoing) • 3D Private Equity NV (executive director) (ongoing) • 3D Real Estate NV (executive director) (ongoing) • Anchorage NV (non-executive director) (ongoing) • Atenor Groep NV (non-executive director/ chairman) (ongoing) • Elia System Operator NV (independent non-executive director) (ongoing) • Elia Asset NV (independent non-executive director) (ongoing) • Hof Het Lindeken CV (executive director) (ongoing) • Huon & Kauri NV (managing director) (ongoing) • Iberanfra bvba (non-executive director) (ongoing) • Ibervest NV (managing director) (ongoing)

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
				• KBC Groep NV (non-executive director) (ongoing) • KBC Bank NV (non-executive director) (ongoing) • KBC Verzekeringen NV (non-executive director) (ongoing) • Greenyard Foods NV (independent non-executive director) (ongoing) • Plastiflex Group NV (non-executive director/ chairman) (ongoing) • Ter Wyndt cvba (non-executive director/ chairman) (ongoing) • Ter Wyndt NV (non-executive director/ chairman) (ongoing) • Tris NV (executive director) (ongoing) • Winge Golf NV (non-executive director) (ongoing) • Tele Columbus Holdings SA (director/ chairman) (ongoing) • Aspel Polyform SA (non-executive director) (2002 - 2013) • Aspel Slovakia S. Etr. (member of the supervisory board) (2011 - 2013) • Iberimmo NV (director) (1994 - 2013) • J. Ziner NV (non-executive director) (2002 - 2012) • Telenet Group Holding NV (non-executive director/chairman) (2002 - 2014) • Telenet NV (non-executive director/ chairman) (2002 - 2014) • Telenet Vlaanderen NV (non-executive director/chairman) (2002 - 2014) • Zenitel NV (non-executive director) (2003 - 2014)
Christian Boekhorst . . . . . (Deputy Chairman)	42	2014	2019	• Tele Columbus Holdings SA (ongoing) • Pamplona Capital Management (Partner) (ongoing)
Robin Bienenstock	45	2014	2019	• Gladwyne Partners (Partner) (ongoing)
Andre Krause	44	2014	2019	• Sunrise Communications AG (CFO) (ongoing) • O2 Germany GmbH, München (CFO) (2006 - 2011) • Hansenet GmbH, Hamburg (member of the supervisory board) (2010 - 2011) • Telefónica Global Services GmbH (member of the supervisory board) (2008 - 2011) • Tchibo Mobilfunk GmbH (member of the supervisory board) (2006 - 2011)
Yves Leterme	54	2014	2019	• Tele Columbus Holdings SA (ongoing) • IDEA (secretary general, class A director) (ongoing) • OECD (deputy secretary-general) (2011 - 2014)
Catherine Mühlemann . . .	48	2014	2019	• Andmann Media Holding GmbH (partner) (ongoing)

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
				• Swisscom AG (member of the supervisory board) (ongoing) • Swiss Tourism (member of the management board) (ongoing) • Kabel Deutschland Holding AG (member of the supervisory board) (2011 - 2013) • Messe Berlin GmbH (member of the supervisory board) (2010 - 2014) • Luxodo GmbH (member of the supervisory board) (2010 - 2012) • ROD AG (member of the supervisory board) (2008 - 2010) • Andmann Media Holding (co-owner) (2008 - 2012)

Frank Donck (49). Chairman. On September 10, 2014, Mr. Donck was appointed to the Supervisory Board of the Company. In the Supervisory Board's meeting dated September 10, 2014, Mr. Donck was elected chairman of the Supervisory Board. Mr. Donck has been managing director of the family-owned investment companies 3D NV and Ibervest NV since 1998. He also serves as chairman of Atenor Group NV, as non-executive director in KBC Group NV and as independent director of Elia System Operator NV and Greenyard Foods NV. He also holds board mandates in several privately owned companies. Until the beginning of 2014, Mr. Donck was chairman of Telenet Group Holding NV and director of Zenitel NV. Mr. Donck started his career as investment manager for Investco NV (later, KBC Private Equity NV). Mr. Donck attended the University of Ghent where he obtained a Master degree in Law and the Vlerick Business School where he obtained a Master degree in Finance. Mr. Donck is also a board member of the Vlerick Business School and is a member of Belgium's Corporate Governance Commission.

Christian Boekhorst (42). Deputy Chairman. On September 10, 2014, Mr. Boekhorst was appointed to the Supervisory Board of the Company. Since June 2012, he has been a partner at Pamplona Capital Management. Mr Boekhorst has studied Law and Business Administration in Nijmegen and has an MBA from the Kellogg School of Management, Northwestern University. After his studies he started his career as a corporate lawyer at Loeff Clayes Verbeke. Between 2002 and 2007, he was an investment banker at Merrill Lynch and Sequoia. He joined York Capital Management in 2007.

Robin Bienenstock (45). Member. On September 10, 2014, Ms. Bienenstock was appointed to the Supervisory Board of the Company. She is an asset manager and partner at Gladwyne Partners, a New York based investment management firm. Ms. Bienenstock has a B.A. in politics, philosophy and economics from the University of Oxford, an M.A. in international relations from the University of Toronto and an M.A. in management and international economics from SDA Bocconi in Milan. She worked as Associate Principal at McKinsey & Company, where she served telecommunications and retail clients for five years. Ms. Bienenstock joined Sanford C. Bernstein & Co., LLC, in 2007 as Senior Analyst for European and Latin American telecommunications.

Andre Krause (44). Member. On September 10, 2014, Mr. Krause was appointed to the Supervisory Board of the Company. Mr. Krause is currently Chief Financial Officer at Sunrise Communications AG in Zürich, Switzerland. Mr. Krause was also member of the management/supervisory board of Telefónica, Hansenet GmbH, Tchibo Mobilfunk GmbH and Telefónica Global Services GmbH. Mr. Krause has studied business administration in Bielefeld and Budapest. After his studies he started his career as an auditor and consultant at Arthur Andersen, Düsseldorf. After two years Mr. Krause joined McKinsey & Company in Düsseldorf and consulted a variety of clients in the TIME sector (Telecoms, IT, Media). He left McKinsey as an Associate Principal to become Vice President of Strategy and Consulting at O2 Germany. He was appointed Chief Financial Officer of O2 Germany in October 2006. Mr. Krause left O2 Germany and joined Sunrise Communications AG in October 2011 as CFO.

Yves Leterme (54). Member. On September 10, 2014, Mr. Leterme was appointed to the Supervisory Board of the Company. He has been Secretary General of the IDEA since June 2014 and was previously Deputy Secretary-General of the OECD. Mr. Leterme currently is Minister of State and a municipal councillor in

his hometown Ypres. In the past, Mr. Leterme held a variety of political posts in Belgium at all levels and in all areas of government. After starting his career as an alderman in Ypres, he became a deputy in the Chamber of Representatives, Group Chairman, National Secretary and Chairman of the CD&V party, Minister-President of the Flemish Government, Federal Senator, deputy Prime Minister, Minister of the Budget and Mobility, Minister of Foreign Affairs and Prime Minister. At a professional level, Mr. Leterme has worked as a deputy auditor at the Belgian Court of Audit and an administrator at the European Parliament. Mr. Leterme holds a degree in in Law and Political Science from the University of Ghent.

Catherine Mühlemann (48). Member. On September 10, 2014, Ms. Mühlemann was appointed to the Supervisory Board of the Company. Since 2008, Ms. Mühlemann has been a partner and co-owner of Andmann Media Holding GmbH, an investment and consulting company. Previously, beginning in May 2001, Ms. Mühlemann was manager at MTV Central where she was put in charge of the so-called Emerging Markets, the growing markets in Eastern Europe and the Middle East in 2003. After MTV owner VIACOM's acquisition of VIVA Media AG in 2005, Ms. Mühlemann became responsible for VIVA Media Group's TV business. During the last five years, Ms. Mühlemann was a board member of various companies such as Swisscom AG, Kabel Deutschland Holding AG, Luxodo GmbH, ROD AG, Berlin Fair or Swiss Tourism. She started her professional career in 1994 at public Swiss television station SF DRS as Media Counsellor (*Medienreferentin*). From 1997 she directed the implementation of the second channel SF2 and Programme Strategy of both public channels SF1 and SF2. As Head of Programming, Programme Acquisition and On-Air Promotion she was in 1999 part of the founding team of Switzerland's first private television channel TV3. She studied German language and literature, Media Sciences and Constitutional Law in Berne and Marketing at the Management School St. Gallen.

The members of the Supervisory Board can be contacted under the Company's address.

Compensation, Other Benefits, Share Ownership, Pension

In the financial year 2013, the Company (then existing as a German limited liability company) did not have a supervisory board and thus no remuneration was paid in this respect.

According to Section 18 of the Articles of Association, the compensation of the Supervisory Board members will be determined as follows: The members of the Supervisory Board receive a fixed annual compensation of €33,000 as well as compensation for expenses. The fixed annual compensation for the chairman of the Supervisory Board is €75,000. Each member of the Audit Committee receives an additional compensation of €4,000 and the chairman of the Audit Committee an additional compensation of €12,000. The chairman of the Executive Committee receives an additional compensation of €5,000. Such additional remuneration shall only be payable if the relevant committee has convened in the relevant financial year.

Members of the Supervisory Board that were not members of the Supervisory Board or a committee for the whole financial year receive the aforementioned compensation *pro rata temporis* in the amount of the twelfth part per month or part thereof.

Furthermore, the members of the Supervisory Board shall receive for a participation in a physical meeting of the Supervisory Board or one of its committees an attendance fee of €1,000 per meeting day. The participation by way of video or telephone conference shall qualify as participation within the meaning of this clause. Should there be several meetings on a single day, the attendance fee shall be paid only once.

The Company reimburses the VAT tax to each Supervisory Board member allotted to its payments.

The following members of the Supervisory Board currently hold shares via TC MP KG (see "*Shareholder Structure—Indirect Shareholders*") in Tele Columbus Holdings SA, our indirect shareholder, as follows:

	Number of shares (on a look-through basis)	In %
Christian Boekhorst	348,435	1.74
Yves Leterme	348,435	1.74
Total	**696,870**	**3.48**

On a look-through basis and based on the Company's share capital at the date of the Prospectus, Mr. Boekhorst and Mr. Leterme each currently hold 1.74% of the share capital of the Company. Upon issuance of the New Shares the members of the Supervisory Board will be diluted on a look-through basis accordingly. TC MP KG as shareholder of Tele Columbus Holdings SA will receive 16.75% of any distributions from the sale of the Secondary Shares once TC Management and Tele Columbus Holdings SA have been put into liquidation and advanced liquidation proceeds have been distributed. TC Management will use the net proceeds from the sale of the Secondary Shares to pay off all of its outstanding liabilities including its share of the costs of the offering and then distribute the remaining proceeds as advanced liquidation proceeds to Tele Columbus Holdings SA. Tele Columbus Holdings SA will then, after discharge of its outstanding liabilities, forward the proceeds to its shareholders as advanced liquidation proceeds, which is expected to occur within one month following the offering. TC MP KG has undertaken vis-à-vis the Company and the Underwriters that it will reinvest 50% of the proceeds so received by placing on the first day of the offer period an order for preferential allocation of Offer Shares at the offer price without discount and acquiring shares in the Company. TC MP KG will retain the remaining 50% of the proceeds to cover taxes payable by its general and limited partners with respect to the receipt of the proceeds. It agreed with the Company and the Underwriters that the payment of the aggregate purchase price for, and the receipt of, the Offer Shares are deferred until the time it will have actually received the proceeds and that the shares so acquired will be subject to lock-up restrictions for a period ending twelve months after the first day of trading of the shares. On a look-through basis, the Supervisory Board members as limited partners of TC MP KG will have invested the proceeds resulting from the sale of the Secondary Shares allocable to them on an after-tax basis in shares of the Company at the offer price. Over and above the dilution resulting from the capital increase, the fact that these shares will be purchased using the after tax proceeds from the sale of Secondary Shares will (subject to any decline in the share price) result in further dilution on a look-through basis.

For information regarding the lock-up restrictions see "*The Offering—Lock-up Agreements*".

The other members of the Supervisory Board do not directly or indirectly hold any shares or options on shares as of the date of the Prospectus. See "*Shareholder Structure*".

The members of the Supervisory Board are included in a directors' and officers' liability insurance being maintained by the Company with an adequate insured sum in its own interests. The premiums for this insurance will be borne by the Company.

There are no service agreements between the Company, its subsidiaries, and any of its Supervisory Board members under which a Supervisory Board member would receive benefits from the Company or its subsidiaries on termination of his or her activity. Also, there are no other service agreements between the Company and any of the Supervisory Board members as member of the Supervisory Board. The members of the Company's Supervisory Board receive no pension payments or retirement benefits in their capacity as members of the Supervisory Board.

Committees

Under the Articles of Association, the Supervisory Board may form committees from among its members and authorize such committees to perform specific tasks. The committees' tasks, authorizations and processes are determined by the Supervisory Board. Where permissible by law, important powers of the Supervisory Board may also be transferred to the committees. On October 8, 2014, the Supervisory Board resolved to form an Executive Committee and an Audit Committee. Other committees may be formed as and when required.

Executive Committee: Pursuant to the rules of procedure of the Supervisory Board, the Executive Committee shall consist of three members. At the time of completion of the offering, the Executive Committee will consist of Mr. Donck (chairman), Mr. Leterme and Mrs. Mühlemann. It is responsible for the preparation of meetings of the supervisory board and handling of current matters between meetings of the supervisory board; the preparation of decisions of the supervisory board in corporate governance matters, in particular on any adjustments of the statement of adherence of the Company pursuant to Section 161 German Stock Corporation Act (*Aktiengesetz*) to changed factual circumstances, and verification of compliance with the statement of adherence; the preparation of presentations for the supervisory board for intended appointments and removals of members of the management board, as well

as, if applicable, the appointment of a chairman of the management board; the preparation of presentations for the supervisory board regarding all issues involving the remuneration of the members of the management board (e.g. compensation system, respective total compensation of the individual members of the management board, determination of salary, adjustment of salary, general remuneration structure (fixed/variable), setting of bonus targets, achievement of bonuses, pensions, severance payments) which are to be resolved upon by the supervisory board; the adoption of resolutions on the conclusion, amendment and termination of employment, pension, severance payment, consultation and other contracts with members of the Management Board and on all issues resulting therefrom which are not covered by the aforementioned regulations; the approval of other activities undertaken by a member of the management board as defined in Section 88 of the German Stock Corporation Act as well as of other sideline employment of members of the management board with due regard to the exercise of supervisory board mandates and mandates at comparable supervisory bodies of commercial enterprises that do not belong to the group; the adoption of resolutions regarding the granting of loans to individuals stated in Sections 89, 115 German Stock Corporation Act and the adoption of resolutions regarding the approval of contracts with Supervisory Board members in accordance with Section 114 German Stock Corporation Act. It shall propose suitable candidates to the Supervisory Board for recommendation to the general shareholders' meeting. In doing so it shall consider the requirements set forth in the rules of procedure of the Supervisory Board. When preparing presentations for the Supervisory Board for intended appointments and removals of members of the Management Board, the Executive Committee shall also respect diversity and, in particular, aim for an appropriate consideration of women. The Executive Committee shall—with the involvement of the Management Board—on a regular basis debate the long-term succession planning for the Management Board. The Supervisory Board shall be informed at its next meeting at the latest of the essential results of the discussions of the Executive Committee.

Audit Committee: Pursuant to the rules of procedure of the Supervisory Board, the Audit Committee shall consist of three members. The members of the Audit Committee shall have experience in accounting issues. The chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes or in the auditing of financial statements and shall be independent and not a former member of the Management Board of the Company, whose appointment ended less than two years prior to his appointment as chairman of the Audit Committee. At the time of completion of the offering, the Audit committee will consist of Mr. Krause (chairman), Mrs. Bienenstock and Mr. Boekhorst. The Audit Committee is, in particular, responsible for dealing with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management and the internal audit system, the audit of the annual financial statements, here in particular the independence of the auditor, the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement, and—unless another committee is entrusted therewith—compliance.

The following composition of the committees is considered by the Supervisory Board for the future:

Committee	Members
Executive Committee	Frank Donck (chairman) Yves Leterme Catherine Mühlemann
Audit Committee	Andre Krause (chairman) Robin Bienenstock Christian Boekhorst

Certain Information on the Members of the Management Board and the Supervisory Board

During the last five years, no current member of the Management Board or current or aforementioned future member of the Supervisory Board has been convicted of any fraudulent offenses. In addition, no current member of the Management Board or current or aforementioned future member of the Supervisory Board has been publicly incriminated or sanctioned by statutory or regulatory authorities (including professional associations) or, acting in the capacity of a member of a management or supervisory entity or as senior manager, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No current member of the Management Board or current or aforementioned

future member of the Supervisory Board has ever been deemed by a court to be unfit for membership in a management or supervisory entity of a company or to be unfit to exercise management duties for or manage the business of an issuer during the past five years. At the date of the prospectus, no family relationships exist among the members of the Management Board, among the members of the Supervisory Board and among the members of the Management Board on the one hand and the members of the Supervisory Board on the other hand.

To the extent that the members of the Management Board or the Supervisory Board directly or indirectly hold shares in the Company, they may, separately from their positions in the governing body, have special interests as a result of their shareholdings.

The members of the Supervisory Board, Christian Boekhorst, Frank Donck and Yves Leterme, are appointed managing directors of Tele Columbus Holdings SA. Tele Columbus Holdings SA, through its direct subsidiary TC Management, will indirectly hold shares in the Company. The interests of the Company and TC Management and/or Tele Columbus Holdings SA are not necessarily always the same. In other respects, no conflicts or potential conflicts exist with regard to obligations owed to the Company as of the date of the Prospectus that could result from their private interests or other obligations.

No member of the Supervisory Board has executed a contract for services with a company of the Group that provides for benefits on termination. For the Management Board see *"—Management Board—Compensation, Other Benefits, Share Ownership, Pension—Term and Termination of Service Agreements*".

Management Participation Program

The Company is currently exploring appropriate structures to implement a management participation program in order to align the commercial interest of the management of the most important group entities with the interest of TC Management and its shareholders.

General Shareholders' Meeting

Pursuant to the Articles of Association, the general shareholders' meeting of the Company takes place at the registered office of the Company or any of its subsidiaries, at a place within a 100 km radius of the Company's registered office or of any of its subsidiaries, the seat of a German stock exchange where the shares are listed, or in a German city with more than 50,000 inhabitants. The invitation to the general shareholders' meeting of the Company is published in the Federal Gazette (*Bundesanzeiger*) together with the agenda of the meeting and proposals for voting by the Management Board and/or the Supervisory Board. The annual or ordinary general shareholders' meeting of the Company is held within the first eight months of each financial year.

Only those shareholders who are registered in the Company's stock register and have duly submitted notification of attendance in a timely manner prior to the meeting shall be entitled to attend the general shareholders' meeting and to exercise their voting rights. Such notification of attendance shall be made in text form in German or English language and must be received by the Company at the address specified for this purpose in the notice of the meeting no less than six days prior to the general shareholders' meeting. A shorter time limit to be expressed in days may be stipulated in the notice of the meeting. The day of receipt of the notification of attendance and the day of the general shareholders' meeting shall not be taken into account for the purpose of calculating this time limit. The Management Board is authorised to determine that the shareholders may also attend the general shareholders' meeting without being present at the place where it is held and without a proxy and may exercise their rights in whole or in part by means of electronic communication.

A general shareholders' meeting of the Company must be called at least 30 days prior to the date of the meeting, excluding the day the notice is sent and the day of the general shareholders' meeting of the Company itself, unless a shorter period is permitted by law. This notice period shall be extended by the days of the attendance notification period described in the preceding paragraph.

If the interests of the Company so require, the general shareholders' meeting of the Company can also be convened by the Supervisory Board. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), shareholders whose shares constitute at least 5% of the share capital of the Company may demand that the general shareholders' meeting of the Company be convened; this demand must be made in writing, stating

the purpose of the meeting and be directed to the Management Board. Using the same procedure, shareholders whose aggregated shares constitute at least 5% of the Company's share capital or an interest of €500,000 may demand that items be submitted for vote at a general shareholders' meeting of the Company. In addition, shareholders must prove that they have owned their shares for at least three months and that they will hold their shares until their motion has been decided upon. If the demand is not met by the Company, a court may authorize the shareholders who issued the demand to convene the general shareholders' meeting of the Company. The convening notice or publication must make reference to such authorization. Shareholders or shareholders associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the Company Register's (*Unternehmensregister*) website, to either put forward a joint request or to put forward a request on behalf of the shareholders for a general shareholders' meeting.

The general shareholders' meeting of the Company votes on the appropriation of the distributable profit (*Bilanzgewinn*) and on the approval of the actions (*Entlastung*) of the Management Board members and of the Supervisory Board members for the financial year prior to the respective general shareholders' meeting of the Company. The general shareholders' meeting of the Company also appoints an external auditor for the respective current financial year and the members of the Supervisory Board.

Each share entitles its holder to one vote at the general shareholders' meeting of the Company. The voting right enters into effect upon full payment of the contribution. Voting rights can be exercised through a proxy. Authority to vote by proxy must be granted in text form (*Textform*) in accordance with Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*). The Management Board is authorised to determine that shareholders may submit their votes, without attending the meeting, in writing or by means of electronic communication (absentee voting). Should the Management Board use this authorization, it will specify the details of this procedure at the time of convening the general shareholders' meeting. Unless otherwise stipulated by mandatory statutory provisions or provisions of the Articles of Association, resolutions of the general shareholders' meeting of the Company are adopted by a simple majority of the votes cast or, if a capital majority is required, by a simple majority of the registered share capital represented at the meeting.

The Articles of Association stipulate that where statutory law requires that a majority of the share capital be represented during the adoption of a resolution, the simple majority of the share capital represented at the meeting shall suffice, unless statutory law requires a majority larger than a simple majority to adopt the resolution. However, pursuant to the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) mandatorily require—in addition to a majority of the votes cast—a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- changes to the Articles of Association regarding the purpose/objects of the Company,
- capital increases,
- capital decreases,
- the creation of authorized or conditional capital,
- restructurings and transformations pursuant to the German Transformation Act (*Umwandlungsgesetz*), including mergers, divisions, certain transfers of assets and changes in legal form,
- an agreement to transfer all of the Company's assets pursuant to Section 179a of the German Stock Corporation Act (*Aktiengesetz*),
- the execution of inter-company agreements (in particular control and profit and loss transfer agreements),
- the dissolution of the Company.

Neither German law nor the Articles of Association of the Company limit the rights of shareholders who do not reside in Germany or who are foreign shareholders in relation to holding shares and exercising the voting rights pertaining to the shares.

The rights of the shareholders can generally only be amended with the consent of the affected shareholders but there are circumstances, set out by law, in which a 75% majority is sufficient. Currently, there are no provisions in the Articles of Association that deviate from the statutory provisions regarding the scope of amending shareholders rights.

Corporate Governance and Compliance

The Company takes good corporate governance to mean responsible enterprise management and supervision geared to sustainable value creation. In particular, the Company strives to further foster the trust placed in the Group by investors, business partners and employees, and the public at large. The Company also attaches great importance to the efficient conduct of their work by the Management Board and Supervisory Board, good cooperation between these bodies and with the Company's staff, and to open and transparent corporate communications.

The corporate structure of the Company is based on the responsible, transparent and efficient leadership and control of the Company. The Company therefore identifies itself with the objectives of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), adopted in February 2002 and last amended on June 24, 2014 ("**Governance Code**"). The Management Board and the Supervisory Board as well as all management personnel and employees of the Company are required to comply with these objectives. The Management Board of the Company is responsible for compliance with the principles of corporate governance.

The Governance Code includes recommendations (*Empfehlungen*), that the Company "shall" (*soll*) follow, and suggestions (*Anregungen*), that the Company "should" (*sollte* or *kann*) follow, for the management and supervision of companies listed on German stock exchanges with regard to good corporate governance. Topics include shareholders and general shareholders' meetings, management and supervisory boards, transparency, accounting and the auditing of financial statements. The current version of the Governance Code is available on the website of the Commission of the German Corporate Governance Code (http://www.corporate-governance-code.de). While suggestions of the Governance Code are not mandatory, Section 161 of the German Stock Corporation Act (*Aktiengesetz*) requires the management and supervisory boards of a listed company to annually disclose which recommendations have been complied with, and in the event of noncompliance, to provide the reason for such non-compliance. This declaration must be made permanently accessible to shareholders. The contents of the declaration do not bind the Management or Supervisory Board for the future, however, any deviation from the previous declaration triggers the obligation to submit, publish and provide shareholders with an amended declaration in due course. In contrast, deviations from the suggestions contained in the Governance Code need not be disclosed.

Prior to the listing of the shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the Governance Code. In accomplishing its goal of sustainably enhancing its value, the Company is guided extensively by the principles of the Governance Code, with the aid of which it has largely brought itself into line with the standards of German listed enterprises.

The Company currently complies with, and intends to comply after the listing of the shares, with all recommendations in the Governance Code.

Internal Control System

To support the effective exercise of its duties as a responsible and transparent managing body, the Management Board is implementing various organizational measures to establish an internal control system. This system consists of general compliance and risk management components as well as a specialized capital market office.

The Company has defined suitable structures and processes within its internal control and risk management systems and is implementing them in its accounting process at the time of completion of the offering. The aim of these measures is to identify and evaluate risks that might impact the business and the financial stability of the company. Market trends, competition, changes to the law, accounting standards and other announcements are continually analyzed with regard to their relevance and effect on the Company's financials.

Besides defined control mechanisms, this special accounting-related internal control system includes manual reconciliation processes, separation of functions, the double-checking principle and adherence to policies and instructions.

Group Compliance

The Company introduced a comprehensive compliance management system ("**CMS**") with a view to preventing non-compliant behavior within the Group. As part of the CMS, a compliance department was established, which consists of the chief compliance officer and a compliance officer ("**Compliance Department**"). The CMS comprises communication measures and trainings aimed at familiarizing all employees with the importance of compliance with laws, regulations and internal guidelines at all times and in all areas of the activities of the Group. The specific requirements are set forth and explained in internal policies. In addition, the Company established a compliance committee ("**Compliance Committee**") that, amongst other responsibilities, monitors the effectiveness of the CMS, reviews any alleged violations of compliance rules and recommends appropriate corrective actions. It is composed of representatives of the compliance, legal, HR, controlling, finance and tax departments as well as a representative of the general works council. The Compliance Department reports on a regular and an ad-hoc basis to the Compliance Committee and the Management Board about compliance matters including alleged or confirmed misconduct. The Compliance Department is in charge of initiating necessary investigations upon potential findings of compliance incidents. The CMS specifically focuses on areas of particular importance for the integrity of business conduct such as the prohibition of unlawful payments, anti-competitive behavior, anti-discrimination and data protection. Furthermore, the Company offers employees a whistle-blower hotline operated by an external expert ("**Ombudsmann**"). The system enables employees to report (on an anonymous basis, if desired) any violation of compliance rules. The Ombudsmann reports to the Chief Compliance Officer or directly to the Compliance Committee, the Management Board or the Supervisory Board.

As part of a continuous improvement process, the Company regularly reviews the CMS (including implemented policies, processes and documentation) as well as the business practices with a view to further optimize the CMS if necessary.

TRANSACTIONS AND RELATIONSHIPS WITH RELATED PARTIES

The following legal relationships existed between the companies of the Group and related parties in 2011, 2012, 2013, 2014 and until and including the date of the Prospectus. Business relationships between companies of the Group are not included. Related parties pursuant to IAS 24 include those entities with whom the Company forms an affiliated group or in which it holds an interest that enables it to exercise a significant influence over the business policy of the associated company, as well as the principal shareholders in the Company, including their affiliates. Further information, including quantitative amounts, of related party transactions are contained in the notes to our Audited Combined Financial Statements for the financial years ended December 31, 2013, 2012 and 2011 and in the notes to our Unaudited Condensed Interim Financial Statements (notes F.2, on page F-58, and E.4, on page F-16, respectively), which are all included in the section "*Financial Information*" of the Prospectus.

In addition, related parties also include the members of the Company's and its parent companies' Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Company's Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights. Relationships with those parties, including the service agreements concluded with the members of the Company's Management Board and Supervisory Board are described under "*Governing Bodies—Management Board—Compensation, Other Benefits, Share Ownership, Pension*", "*Governing Bodies—Supervisory Board—Compensation, Other Benefits, Share Ownership, Pension*" and "*Governing Bodies—Certain Information on the Members of the Management Board and the Supervisory Board*".

Overview

In preparation of the Spin-Off, the shares in the Company (then Tele Columbus Holding GmbH) were sold by Tele Columbus GmbH to Tele Columbus Management S.à r.l., Luxembourg (TC Management). The parent company of TC Management is Tele Columbus Holdings SA, Luxembourg, which is thereby the uppermost parent company of the Group.

In principle, direct or indirect subsidiaries of Tele Columbus Holdings SA, associates and joint ventures of Tele Columbus Holdings SA are regarded as related parties within the meaning of IAS 24.

Relationships with Existing Shareholders and their Affiliates

Related Parties

In the financial years 2011, 2012, 2013, 2014 and until and including the date of the Prospectus, we had transactions with the following entities and their subsidiaries:

Tele Columbus Management S.à r.l., Luxembourg	Existing shareholder
Tele Columbus New Management Participation GmbH & Co. KG	Existing shareholder
Tele Columbus Holdings SA, Luxembourg	Parent company
TC GmbH	Affiliated company

Financing Agreements

Tranche B Loan between TC Management and former Tele Columbus Group

On January 19, 2011, the liabilities of the consolidated entities of the then existing Tele Columbus group and the liabilities to lending institutions were comprehensively restructured. In this restructuring, the financial liabilities of the former TC group were divided into "sustainable" and "non-sustainable" debt. The portions of the loans categorized as non-sustainable were acquired by TC Management from the lenders. The unsustainable debt therefore became a shareholder loan (Tranche B). These liabilities were not transferred to the Group in the Spin-Off but are accounted for as related party transactions that occurred in the period under review. Furthermore, as part of the debt restructuring, TC Management took over loans from Rudd S.à r.l (through Tele Columbus Holdings SA, Luxembourg), so that these liabilities belonged to TC Management. For details, please refer to "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Key Events in the Periods under Review—Equity and Financial Restructuring*"; "*Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations—Preparation of the Combined Financial Statements—Structure of TC Group*"; and "*General Information on Tele Columbus AG and the TC Group—Structure of the TC Group*").

Shareholder Loan

As of January 1, 2011 a liability of €4,970,000 existed from a shareholder loan (Super Senior IC Receivable) granted by TC Management. The loan was fully repaid in the financial year 2013.

Equity Transactions regarding BMB GmbH & Co. KG Interest

On July 23, 2002, Tele Columbus Multimedia GmbH acquired a participation interest in BMB GmbH & Co. KG. The non-controlling interests were accounted for as non-current liabilities in an amount of €3,810,000 as of December 31, 2013. On September 11, 2014, Tele Columbus Multimedia GmbH acquired the remaining shares in BMB JV and the remaining shares in BMB GP from MMM. The aggregate purchase price amounted to €21.6 million (consisting of a net purchase price of €19.9 million and a future investment obligation of €1.7 million) and was funded from cash resources.

Receivables and Payables relating to Companies of the former Tele Columbus Group

The following overview shows receivables and payables involving the Company as well as involving subsidiaries that have not been spun off from Tele Columbus GmbH and therefore represent business transactions concluded with related parties:

	As of December 31,		
	2013	2012	2011
	(audited) (in € million)		
Receivables from related parties (current)	2.165	5.994	2.889
Receivables from related parties (non-current)	9.418	9.332	9.245
Payables to related parties (current)	2.602	8.670	2.259
Payables to related parties (non-current)	13.229	19.365	19.119

Current receivables from related parties primarily comprised receivables from TC GmbH's subsidiaries RFC Radio-, Fernseh- u. Computertechnik GmbH, Marienfeld Multimedia GmbH and NeBeG GmbH (in this case as of January 1, 2011).

Current liabilities to related parties essentially refer to liabilities to RFC Radio-, Fernseh- und Computertechnik GmbH. Non-current liabilities to related parties largely comprise loan payables of Tele Columbus Ost GmbH, Tele Columbus Sachsen-Thüringen GmbH and Tele Columbus Netze Berlin GmbH to TC Management.

Other related Party Transactions

Companies of TC Group maintain several business relations with affiliates of TC GmbH. The following table shows the income and expenses resulting from transactions with associated companies:

	As of December 31,		
	2013	2012	2011
	(audited) (in € million)		
Sale of merchandise and services			
Affiliated companies	0.786	0.243	0.851
Purchase of goods and services			
Affiliated companies	2.951	0.937	1.075
Other			
Parent companies			
Income from recharged expenses	0	4.783	0

Relationships with Members of the Management Board and the Supervisory Board

For an overview regarding the compensation, shareholding and stock incentives of the members of the Management Board and the Supervisory Board please refer to the sections "*Governing Bodies—Management Board*", "*Governing Bodies—Supervisory Board*" and "*Governing Bodies—Management Participation Program*" as well as to the notes to our Audited Combined Financial Statements for the financial years ended December 31, 2013, 2012 and 2011, which are included in the section "*Financial Information*" of the Prospectus.

There were no other transactions, such as rendering of services or granting loans, between the entities of the Group and the members of the Management Board or the Supervisory Board of the Company or the board members of Tele Columbus Holdings SA and its direct and indirect subsidiaries, as well as their close family members in the financial years being reviewed.

INFORMATION ON MAJOR HOLDINGS OF TELE COLUMBUS AG

The following table provides an overview of the major direct and indirect holdings of TC AG. The figures presented are extracted from the respective financial statements and/or accounts prepared under local GAAP, unless otherwise indicated. All shares in affiliates are fully paid up. Distributions to the respective parent companies by the subsidiaries and affiliates are not subject to restrictions.

Company name, registered seat	Field of activity	Participating interest held by the Company as of the date of the Prospectus (in %)	Subscribed capital as of December 31, 2013 (in € thousand)	Carrying amount of treasury stock as of December 31, 2013 (in € thousand)	Reserves as of December 31, 2013 (in € thousand)	Receivables/ payables of the Company towards affiliates as of December 31, 2013 (in € thousand)	Annual profit/(loss) in the financial year ending December 31, 2013 (in € thousand)	Dividends received by the Company in the financial year ending December 31, 2013 (in € thousand)
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin, Germany	Cable network provider	51.00	51	0	364	0	214	0
BIG Medienversorgung GmbH, Mönchengladbach, Germany[(1)]	Cable network provider	100.00	100	0	82	—	(441)	—
BMB GmbH & Co. KG, Essen, Germany	Cable network provider	100.00	200	0	987	0	3,506	0
Cable Plus GmbH, Cottbus	Cable network provider	100.00	25	0	0	0	81	0
MDCC Magdeburg City-Com GmbH, Magdeburg, Germany	Cable network provider	51.02	39	0	4,270	0	3,030	0
Tele Columbus Multimedia GmbH, Berlin, Germany	Cable network provider	100.00	27	0	112,440	0	5,901*	0
Tele Columbus Kabel Service GmbH, Berlin, Germany	Cable network provider	100.00	3.835	0	475	0	2,163*	0
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin, Germany	Cable network provider	100.00	9.910	0	1,015	0	2,137	0
Tele Columbus Cottbus GmbH, Cottbus, Germany	Cable network provider	100.00	26	0	5	0	(764)*	0
Tele Columbus Hessen GmbH, Berlin, Germany	Cable network provider	100.00	26	0	144	0	114*	0
Tele Columbus Ost GmbH, Berlin, Germany	Holding Company	100.00	15,000	0	66,619	0	(306)*	0
Tele Columbus Sachsen-Anhalt GmbH, Köthen, Germany	Cable network provider	100.00	128	0	716	0	793*	0
Tele Columbus Sachsen-Thüringen GmbH, Jena, Germany	Cable network provider	100.00	25	0	10,066	0	2,543*	0
Tele Columbus Verwaltungs GmbH, Berlin, Germany	General partner	100.00	26	0	329	0	(3)*	0
Tele Columbus Netze Berlin GmbH, Berlin, Germany	Cable network provider	100.00	25	0	49	0	1,325*	0

* Before profit and loss pooling.

(1) Based on a balance sheet prepared by former shareholders.

UNDERWRITING

Subject of and Arrangements on Underwriting

The Company, the Selling Shareholder and each of the Underwriters expect to enter into an underwriting agreement on January 20, 2015, with respect to the offer and sale of the shares offered hereby (the Underwriting Agreement).

The offering consists of a total of 56,522,500 ordinary registered shares of the Company with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and with full dividend rights as from January 1, 2014, comprising 37,500,000 ordinary registered shares with no par value from a capital increase against cash contributions resolved by an extraordinary general shareholders' meeting of the Company on January 11, 2015 (New Shares), 15,272,500 ordinary registered shares with no par value from the holdings of TC Management, as well as 3,750,000 ordinary registered shares with no par value from the holdings of TC Management to cover a potential over-allotment (Over-Allotment Shares). The offering comprises initial public offerings in the Federal Republic of Germany and in the Grand Duchy of Luxembourg and private placements in certain jurisdictions outside the Federal Republic of Germany and the Grand Duchy of Luxembourg. In the United States of America, the shares are being offered to qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act. Outside the United States of America, the shares are being offered in reliance on Regulation S under the Securities Act. The offering will commence on January 13, 2015 and is expected to end on January 21, 2015. The offer price per offered share will be determined using the order book prepared during the bookbuilding process. Pricing is expected to take place on or about January 21, 2015.

Under the terms of the Underwriting Agreement and subject to certain conditions, each Underwriter will be obliged to acquire the maximum number of New Shares set forth below opposite such Underwriters' name:

Underwriter	Maximum number of New Shares to be acquired[(1)]	Percentage of shares (in%)
Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom	13,125,000	35.0
J.P. Morgan Securities plc, Canary Wharf, 25 Bank Street, London E14 5JP, United Kingdom	13,125,000	35.0
Merrill Lynch International, 2 King Edward Street, London EC1A 1HQ, United Kingdom	6,562,500	17.5
Joh Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany	4,687,500	12.5

(1) Excluding exercise of Greenshoe Option.

In the Underwriting Agreement, Berenberg will agree to subscribe, in its own name but for the account of the Underwriters, for the New Shares offered hereby at the lowest issue price, being €1.00, on January 20, 2015, and the Underwriters will agree to acquire the New Shares with a view to offering them to investors in this offering, subject to certain conditions. The Underwriters will agree to remit to the Company the difference between the offer price of the New Shares and the lowest issue price, being €1.00, less agreed commissions at the time the New Shares are delivered. Such delivery is expected to occur two bank working days after the first day of trading of the Company's shares on the Frankfurt Stock Exchange. With regard to the New Shares acquired by TC MP KG under the preferential allocation scheme (see "*Governing Bodies—Management Board—Compensation, Other Benefits, Share Ownership, Pension—Shareholdings of Management Board Members*" and "*Governing Bodies—Supervisory Board—Compensation, Other Benefits, Share Ownership, Pension*"), however, delivery may only be expected within three bank working days from the payment of the aggregate purchase price by TC MP KG for the Offer Shares allocated to TC MP KG which is expected to occur within one month following the offering. The Underwriters will further agree to acquire 15,272,500 Secondary Shares from the Selling Shareholder as well as to borrow by way of a share loan free of charge up to 3,750,000 shares (Over-Allotment Shares), with regard to a potential over-allotment from TC Management, and to sell such shares as part of the offering.

The obligations of the Underwriters are subject to various conditions, including, amongst other things, (i) the conclusion of a pricing agreement, (ii) the absence of a material adverse change (e.g. a material loss or interference with respect to the Company or the Group's business from fire, explosion, flood or other

calamity, or from any labor dispute or court or governmental action, order or decree, or a material change to the Company's share capital or the long-term debt of the Group or a material adverse change or any development involving a prospective material adverse change, in or affecting the condition, business, prospects, management, financial position, shareholders' equity or results of operations of the Group, or a suspension or material limitation in trading in securities generally on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange), (iii) receipt of customary certificates, legal opinions and letters, and (iv) the making of necessary filings and the receipt of necessary approvals in connection with the offering.

The Underwriters have provided and may, from time to time, provide services to companies of the Group and the Selling Shareholder in the ordinary course of business and may extend credit to and have regular business dealings with companies of the Group and the Selling Shareholder in their capacity as financial institutions (for a more detailed description of the interests of the Underwriters in the offering, see "*The Offering—Interests of Parties Participating in the Offering*").

The Group intends to use the net proceeds from the offering of the New Shares, together with funds provided under the IPO Financing Agreement (see "*Material Contracts—Financing Agreements*"), to fully repay its outstanding SFA and MFA liabilities (see "*Reasons for the Offering, Use of Proceeds and Costs of the Offering—Reasons for the Offering and Use of Proceeds*").

Commissions

The Underwriters will offer the Offer Shares at the offer price. The Company and the Selling Shareholder will pay the Underwriters commissions (pro rata to their respective share in the gross proceeds of the offering) that are structured as follows:

- a commission of 1.75% of the gross proceeds from the sale of the New Shares and, subject to a reduced commission as set out below, the Secondary Shares and of any gross proceeds relating to the over-allotment option;
- a reduced commission of 0.50% of the gross proceeds from the sale of any Secondary Shares that are sold under the preferential allocation to any indirect shareholder in proportion to its shareholding in the Company on a-look-through basis prior to the offering; and
- at the Company's and the Selling Shareholder absolute discretion, an incentive commission of up to 1.25% of the gross proceeds of the offering (including any gross proceeds relating to the over-allotment option).

The decision to pay any discretionary fee, the determination of its amount and allocation among the Underwriters are within the sole discretion of the Company regarding the New Shares and the additional shares which would be issued to the extent the Greenshoe Option is exercised or of the Company and the Selling Shareholder regarding the Secondary Shares (following internal consultation). The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain costs and expenses (according to an internal split). Commissions and the reimbursement of costs and expenses by the Company represent a major part of the costs of the Company expected in connection with the offering. See also "*Reasons for the Offering, Use of Proceeds and Costs of the Offering*".

Termination/Indemnification

The Underwriting Agreement will provide that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the shares have been allotted and listed, up to delivery and settlement. Grounds for termination include in particular:

- a material adverse change in the economic position or the business of the Company or the Group; and
- an event that has material adverse effects on the financial markets.

If the Underwriting Agreement is terminated, the offering will not take place, in which case any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholder will agree in the Underwriting Agreement to indemnify the Underwriters against certain liabilities that may arise in connection with the offering.

Selling Restrictions

In the Underwriting Agreement, each of the Underwriters will undertake to offer the shares subscribed by it to the public solely in the Federal Republic of Germany and in the Grand Duchy of Luxembourg and to refrain from (either by itself or through any of its affiliates nor any person acting on its or their behalf) (i) offering, selling, soliciting offers to buy shares by any form of general solicitation or general advertising (as those terms are used in Regulation D of the Securities Act) or in any manner involving a public offering within the meaning of Section 4a(2) of the Securities Act, (ii) offering, selling, soliciting offers to buy or delivering the shares to any person in the United States of America, except to such persons whom they reasonably believe to be qualified institutional buyers (within the meaning of Rule 144A under the Securities Act) in transactions meeting the requirements of Rule 144A of the Securities Act and (iii) engaging in any directed selling efforts (as the term is defined in Regulation S of the Securities Act) with respect to the shares. The shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States of America and may only be offered or sold outside the United States of America in accordance with Regulation S under the Securities Act and in compliance with all other applicable U.S. legal regulations.

Each of the Underwriters will represent to the Company and the Selling Shareholder that it has not offered and will not offer shares which are the subject of the offering outlined in the Prospectus to the public in any member state of the European Economic Area which has implemented the Directive 2003/71/EC, as amended, including any amendments by the Directive 2010/73/EU which amended the Prospectus Directive to the extent implemented in the relevant member state and any and all relevant implementation measures in each relevant member state (the "**Prospectus Directive**") (hereinafter referred to as a "**Relevant Member State**") except within the Federal Republic of Germany and the Grand Duchy of Luxembourg as indicated in the Prospectus. The Offer Shares may, however, be offered at any time in a Relevant Member State in accordance with the following exemptions listed in the Prospective Directive, provided these exemptions have been implemented in the Relevant Member State:

- offers of securities addressed solely to a legal entity which is a qualified investor as defined by the Prospectus Directive; or
- in all other cases of Article 3 of the Prospectus Directive, as implemented in the Relevant Member State.

These exemptions shall apply only on condition that such an offer to sell shares does not require the publication of a prospectus or a prospectus supplement by the Company or any Underwriter pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, an "offer to the public" with respect to the Offer Shares in a Relevant Member State shall mean a communication to persons in any form and by any means presenting sufficient information about the terms of the offer and the shares to be offered so as to enable an investor to decide whether to purchase or subscribe for these shares. As a result of the measures to implement the Prospectus Directive in such Member State, deviations may arise in this State. The term Prospectus Directive includes any amendment thereto, including the Directive 2010/73/EU which amends the Prospectus Directive to the extent implemented in the Relevant Member State and any and all relevant implementation measures in each Relevant Member State.

Offers of the shares pursuant to the offering are only being made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances which do not require publication by the Company of a Prospectus pursuant to Section 85 (1) of the Financial Services and Markets Act 2000 ("**FSMA**"). Any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with, investment professionals falling within Article 19 (5), or high net worth entities falling within Article 49 (2), of the FSMA (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "**Relevant Persons**"). Persons who are not Relevant Persons should not take any action on the basis of the Prospectus and should not act or rely on it.

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares both by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax law in force in Germany as of the date of the Prospectus (and its interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change—sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

Taxation of the Company

As a rule, the taxable profits generated by German corporations are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (i.e. 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax, as 5% of such receipts are treated as a non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge). However, pursuant to the Act for the implementation of the ruling of the European Court of Justice (“ECJ”) dated October 20, 2011 (*Gesetz zur Umsetzung des EuGH-Urteils vom 20. Oktober 2011 in der Rechtssache C-284/09*, (BR-Drucks. 146/13/B)), dividends that the Company receives or received from domestic or foreign corporations after February 28, 2013, are no longer exempt from corporate income tax (including solidarity surcharge thereon), if the Company only held (or holds) a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a “Portfolio Participation”—*Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of relevant partnership.

The Company’s gains from the disposal of shares in a domestic or foreign corporation are, in general, effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Additionally, German corporations are also usually subject to trade tax (*Gewerbesteuer*) with respect to their taxable trade profit (*Gewerbeertrag*) generated at their permanent establishments maintained in Germany (*inländische Betriebstätten*). Trade tax generally ranges from approximately 7% to 18.2% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority (*Hebesatz*). When determining the income of the corporation that is subject to corporate income tax, trade tax may not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax. Contrary to this, profit shares derived from domestic and foreign corporations are only effectively 95% exempt from trade tax, if the Company either held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period or—in the case of foreign corporations—if the Company has held a stake of this size since the beginning of such period (trade tax participation exemption privilege—*gewerbesteuerliches*

Schachtelprivileg). If the participation is held in a foreign corporation as per Article 2 of Council Directive 2011/96/EU of November 30, 2011 (the "Parent-Subsidiary Directive") with its registered office in another member state of the European Union, the trade tax participation exemption privilege becomes applicable from an interest of 10% in the share capital of the foreign corporation at the beginning of the relevant assessment period. Otherwise, the profit shares will be subject to trade tax in full. Additional restrictions apply for profit shares originating from foreign corporations which do not fall under Article 2 of the Parent-Subsidiary Directive.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which interest expenses are deductible from the tax base. Accordingly, as a rule, interest expenses exceeding interest income are deductible in an amount of up to 30% of the EBITDA as determined for tax purposes in a given financial year, although there are exceptions to this rule. Non-deductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilized can under certain circumstances be carried forward to subsequent years and may be deducted subject to the limitations set out above. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is only 75% of the interest expenses deductible for purposes of corporate income tax.

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry-backs to the immediately preceding assessment period are only permissible up to €1,000,000 (€511,500 until 2012) for corporate income tax but not for trade tax purposes. Negative income that has not been offset and not carried back can only be carried forward to subsequent assessment periods in an amount of up to €1 million to offset positive income for corporate income and trade tax purposes (tax loss carry-forward). If the taxable income or the taxable trade profit exceeds this amount, only 60% of the excess amount can be offset by tax loss carry-forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation—*Mindestbesteuerung*). Unused tax loss carry-forwards can, as a rule, be carried forward indefinitely and deducted pursuant to the rules set out regarding future taxable income or trade income. However, if more than 25% or more than 50% of the Company's share capital or voting rights respectively is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition—*schädlicher Beteiligungserwerb*), the Company's unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) will generally be forfeited in part (in case of a participation of more than 25% but no more than 50%) or in full (in case of a participation of more than 50%) and may not be offset against future profits, certain exceptions apply.

Taxation of Shareholders

Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares ("*Taxation of Dividends*") and taxation in connection with the sale of shares ("*Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares ("*Inheritance and Gift Tax*").

Taxation of Dividends

Withholding Tax

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (i.e. 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 Körperschaftsteuergesetz ("KStG")*); in this case no withholding tax will be withheld. The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares—as is the case with the shares in the Company—are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or

disburses the dividends to a foreign agent or by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) (hereinafter in all cases, the "Dividend Paying Agent"). The Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another EU Member State within the meaning of Article 2 of the Parent-Subsidiary Directive, may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State of the European Union or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least a 10% of the company's registered capital for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, D-53225 Bonn, Germany).

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office.

Forms for the reimbursement from the withholding at source procedure are available at the German Federal Central Tax Office (http://www.bzst.bund.de) as well as at German embassies and consulates.

If dividends are distributed to corporations subject to limited taxation, i.e. corporations with no registered office or place of management in Germany, and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (at the address specified above).

The aforementioned possibilities for a refund of withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called substance requirements—*Substanzerfordernisse*).

In a ruling dated October 20, 2011, the ECJ held that the German taxation of dividends distributed by German corporations to companies located in another EU Member State violated EU law because these dividends would, if the shareholding does not reach the minimum participation of 10% provided for in the Parent-Subsidiary Directive, economically be subject to higher taxation than dividends which are distributed to companies with their registered offices in the Federal Republic of Germany. According to the judgment of the ECJ, the German taxation of dividends also violated the Treaty on the European Economic Area ("EEA") because dividends which are distributed to companies with their registered offices in Iceland or Norway would economically be subject to a higher taxation than dividends distributed to companies with their registered office in the Federal Republic of Germany.

The legislator reacted to the ECJ's ruling dated October 20, 2011 by enacting the Act for the implementation of the ECJ's ruling dated October 20, 2011 (*Gesetz zur Umsetzung des EuGH-Urteils vom 20. Oktober 2011 in der Rechtssache C-284/09*, (BR-Drucks. 146/13/B)) which provides for (i) new rules for the taxation of dividends from Portfolio Participations received after February 28, 2013 (see "*—Taxation of the Company*") and (ii) for a mechanism under which corporations domiciled in the EU or EEA, which do not fall under the Parent-Subsidiary Directive, can apply for a refund of withholding tax on the dividends received before and including February 28, 2013 if certain prerequisites are met. Please note that such a refund might in certain situations also be available with regard to withholding tax imposed on

dividends received after February 28, 2013 if corporate shareholders, which are domiciled in the EU or EEA, directly hold at least 10% in the equity capital of the Company at the beginning of the relevant calendar year or acquire a stake of at least 10% in the equity capital of the Company in the course of the relevant calendar year, but do not fulfill the requirements provided for by the Parent-Subsidiary Directive at the time they apply for such refund. Shareholders affected by these rules are recommended to consult their tax advisors.

Taxation of Dividends of Shareholders with a Tax Domicile in Germany

Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge of 5.5% thereon (i.e. 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax—*Abgeltungsteuer*). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case the withholding tax will be credited against the progressive income tax and any excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court; a decision by the German Federal Tax Court (*Bundesfinanzhof*) is still pending), in this case as well income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

Exceptions from the flat rate withholding tax apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity.

Upon the application of a shareholder subject to church tax and under applicable church tax laws, the church tax payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge) by 26.375% of the church tax to be withheld on the dividends. If no church tax is withheld by a Dividend Paying Agent, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment. With regard to dividends received after December 31, 2014, an automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do—contrary to the above—not form part of the shareholder's taxable income. If the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (cf. below). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal, directly or indirectly held at least 1% of the share capital of the Company (a "Qualified Holding") and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "*—Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the section "—*Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge. 5% of the dividends are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, pursuant to the Act for the implementation of the ECJ's ruling dated October 20, 2011 (*Gesetz zur Umsetzung des EuGH-Urteils vom 20. Oktober 2011 in der Rechtssache C-284/09*, (BR-Drucks. 146/13/B)), dividends that the shareholder received and receives after February 28, 2013, are no longer exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation exemption privilege are fulfilled. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expenses (amounting to 5% of the dividend). Trade tax ranges from approximately 7% to 18.2% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority.

Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable), so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case, the net amount of dividends, i.e. after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the shareholder is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is

a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*—Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see "*—Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is currently unclear how the new rules for the taxation of dividends from Portfolio Participations (see "*—Corporations*" above) might impact the trade tax treatment at the level of the partnership. Shareholders are strongly recommended to consult their tax advisors. Under a literal reading of the law, if the partnership fulfils the prerequisites for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax.

Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly ("*—Taxation of Dividends of Shareholders with a Tax Domicile in Germany—Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under "*—Withholding Tax*". The reduced withholding tax actually owed under the U.S.— German tax treaty is 15% in the case of U.S. Shareholders eligible for the treaty who do not own at least 10% of the Company's voting stock.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) are generally not taxable in Germany.

Taxation of Capital Gains

Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally—regardless of the holding period—subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge of 5.5% thereon, i.e. 26.375% in total plus any church tax if applicable).

The taxable capital gain is computed from the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceed the acquisition costs, negative acquisition costs—which can increase a capital gain—can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as a Qualified Holding.

Only an annual lump-sum deduction of €801 (€1,602 for married couples filing jointly) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "Domestic Paying Agent"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller.

However, the shareholder can apply for his total capital investment income, together with his other taxable income, to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court; a decision by the German Federal Tax Court (*Bundesfinanzhof*) is still pending), income-related expenses are non-deductible, except for the annual lump-sum deduction. Further, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax on capital gains, is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

At the application of a shareholder who is subject to church tax and in the context of the applicable church tax statutes of the German states, church tax on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge) is reduced by 26.375% of the church tax to be withheld on the capital gains. In the case of capital gains received after December 31, 2014, an automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in case of a "Qualified Holding". In this case, the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs. In case of disposal a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

Corporations

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are, in general, effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority, generally between approximately 7% and 18.2%). As a

rule, losses on disposals and other profit reductions in connection with shares (e.g. from a write-down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (partial-income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the shareholder is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "*—Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under "*—Sole proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership, generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Withholding Tax

In the case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see the section "*—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany—Shares Held as Non-Business Assets*"). However, the dividend paying agent will not withhold the withholding tax, if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is in nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or will be refunded in the amount of any excess.

Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In the case of a Qualified Holding, 5% of the gains on the disposal of the shares are currently in general subject to corporate income tax plus the solidarity surcharge, if the shareholder is a corporation. If the shareholder is a private individual, only 60% of the gains on the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (partial-income method). However, most double taxation treaties (including the U.S.-German tax treaty) provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

With regard to gains or losses on the disposal of shares belonging to a domestic permanent establishment, or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis (*see "*—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany—Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions or financial services providers hold or sell shares that are allocable to their trading book pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will neither be able to use the partial income method nor have 60% of their gains exempted from taxation nor be entitled to the effective 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act for the purpose of generating profits from short-term proprietary trading. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service providers, and finance companies tax resident in another member state of the European Union or in other signatory states of the EEA Agreement. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies.

Inheritance and Gift Tax

The transfer of shares to another person *mortis causa* or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany, or

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed, or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

TAXATION IN LUXEMBOURG

The following is a general description of certain Luxembourg tax considerations relating to the purchasing, holding and disposing of the Company's shares. This description does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase shares of the Company. Prospective purchasers should consult their own tax advisers as to the applicable tax consequences of the purchase and the ownership of shares, based on their particular circumstances. No conclusions should be drawn with respect to issues not specifically addressed by this description. This description is based on the laws, regulations and applicable tax treaties as in effect in Luxembourg on the date hereof, all of which are subject to change, possibly with retroactive effect. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers should therefore consult their own advisers as to the effects of any local laws, including Luxembourg tax law, to which they may be subject.

The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, a reference to Luxembourg income tax encompasses corporate income tax (**impôt sur le revenu des collectivites*****), municipal business tax (*****impôt commercial communal*****), solidarity surcharges (*****contributions au fonds pour l'emploi*****), as well as personal income tax (*****impôt sur le revenu*****) generally. Investors may further be subject to net wealth tax (*****impôt sur la fortune*****) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.***

Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Resident Taxpayers

Individual Holders of Shares

Dividends derived from shares of the Company by resident individuals, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the progressive ordinary rate (with a top effective marginal rate of currently 40%, to which must be included a solidarity surcharge, the amount of which depends on the total taxable income). Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the shares will be exempt from Luxembourg income tax. In addition, a total lump-sum of €1,500 (which is doubled for taxpayers who are jointly taxable) is deductible from total dividends received during the tax year.

Capital gains realized on the disposal of the Company's shares by resident individuals, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of shares. Capital gains are deemed to be speculative if the shares are disposed within six months after their acquisition or if their disposal precedes their acquisition. Speculative gains realized during the year that are equal to, or are greater than, €500 are subject to income tax at ordinary rates. A participation is deemed to be substantial where a resident individual holder of shares holds, either alone or together with his spouse, his partner and/or minor children, directly or indirectly, at any time within the 5 years preceding the disposal, more than 10% of share capital of the Company. A holder of shares is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5 year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof may benefit from an allowance of up to €50,000 granted for a ten-year period (which is doubled for taxpayers who are jointly taxable). They are subject to income tax according to the half- global rate method, (i.e. the average rate applicable to total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation unless the gains are of a speculative nature).

Capital gains realized on the disposal of the Company's shares by resident individual holders of shares, who act in the course of their professional or business activity, are subject to income tax at ordinary rates.

Luxembourg Resident Corporate Holders of Shares

Dividends derived from the Company's shares by a Luxembourg fully-taxable resident company are subject to income tax, unless the conditions of the Luxembourg participation exemption regime, as described below, are satisfied. Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the Company's shares will be exempt from Luxembourg income tax.

Under the Luxembourg participation exemption regime, dividends derived from the Company's shares by a fully-taxable Luxembourg collective entity (*organisme à caractère collectif*) may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least 12 months, (ii) during this uninterrupted period of 12 months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least €1.2 million, (iii) the dividend is put at the disposal within such period. Liquidation proceeds are, under Luxembourg domestic law, assimilated to a received dividend and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

Capital gains realized by a Luxembourg fully-taxable collective entity (*organisme à caractère collectif*) on the shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied.

Under the Luxembourg participation exemption regime, capital gains realized on the Company's shares by a Luxembourg fully-taxable collective entity (*organisme à caractère collectif*) may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least 12 months, (ii) during this uninterrupted period of 12 months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least €6 million. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

Luxembourg Resident Companies Benefiting from a Special Tax Regime

Holders of the Company's shares who are (i) undertakings for collective investment subject to the law of December 17, 2010 (as amended) relating to undertakings for collective investment or (ii) specialized investment funds subject to the law of February 13, 2007 (as amended) relating to specialized investment funds or (iii) private asset holding companies governed by the law of May 11, 2007 introducing a private family assets holding company are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the shares are thus not subject to income tax in their hands.

Dividends derived from and capital gains realized on the shares by holders of shares who are securitization companies subject to the law of March 22, 2004 on securitization are subject to income tax at ordinary rates and also benefit from the participation exemption regime described above. Further to the exemptions and deductions available under general rules of the income tax law, the obligations assumed by securitization companies vis-à-vis investors and creditors (e.g. dividends, interest, etc.) are deductible from income for tax purposes. Income received by securitization vehicles in relation with an investment in the shares made for the purpose of securitization may therefore be neutralized and thus be non-taxable in Luxembourg. Dividends derived from and capital gains realized on the Company's shares by holders of shares who are companies subject to the law of June 15, 2004 (as amended) on venture capital vehicles ("**SICAR Law**") are exempt from corporate income tax to the extent such dividends and capital gains are deemed to be qualifying income within the meaning of the SICAR Law.

Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Non-Resident Taxpayers

Dividends derived from the Company's shares by non-residents of Luxembourg having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the shares are attributable are subject to income tax, unless the conditions of the Luxembourg participation exemption regime, as described below, are satisfied. Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the shares will be exempt from Luxembourg income tax.

Under the Luxembourg participation exemption regime, dividends derived from the Company's shares by a Luxembourg permanent establishment of (i) a collective entity (*organisme à caractère collectif*) meeting the conditions set out in Article 2 of the EU Parent-Subsidiary Directive, (ii) a capital company (*société de capitaux*) which is a resident in a state that has concluded a double tax treaty with Luxembourg or (iii) of a

capital company (*société de capitaux*) or a cooperative company which is resident in a state other than a member state of the European Union but which is part of the European Economic Area Agreement, may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least 12 months, (ii) during this uninterrupted period of 12 months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least €1.2 million, (iii) the dividend is put at the disposal within such period. Liquidation proceeds are, under Luxembourg domestic law, assimilated to a received dividend and may be exempt under the same conditions.

Capital gains realized on disposal of the Company's shares by non-residents of Luxembourg holding the shares through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg, are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied.

Under the Luxembourg participation exemption regime, capital gains realized on the Company's shares by a Luxembourg permanent establishment of (i) a collective entity (*organisme à caractère collectif*) meeting the conditions set out in Article 2 of the EU Parent-Subsidiary Directive or (ii) a capital company (*société de capitaux*) which is a resident in a state that has concluded a double tax treaty with Luxembourg or (iii) of a capital company (*société de capitaux*) or a cooperative company but which is resident in a state other than a member state of the European Union which is part of the European Economic Area Agreement may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least 12 months, (ii) during this uninterrupted period of 12 months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least €6 million.

Other Taxes

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of the Company's shares unless (i) such holder is a corporate entity resident in Luxembourg other than an undertaking for collective investment governed by the law of December 17, 2010 (as amended) relating to undertakings for collective investment, a securitization vehicle governed by the law of March 22, 2004 on securitization, an entity subject to the law of June 15, 2004 on venture capital vehicles (as amended), a specialized investment fund governed by the law of February 13, 2007 (as amended) relating to specialized investment funds or a private asset holding company governed by the law of May 11, 2007 introducing a private family assets holding company, or (ii) the shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg of a capital company (*société de capitaux*) to which the shares are attributable, where in case of a permanent establishment, the conditions of the participation exemption applicable to dividends (as described above) are not fulfilled (except that no holding period is required).

Except with regard to shares benefiting from the participation exemption, shares held by a Luxembourg fully taxable resident collective entity (*organisme à caractère collectif*) are subject to Luxembourg net wealth tax.

Registration Taxes and Stamp Duties

Neither the issuance of the shares, nor the disposal of the shares is subject to Luxembourg registration tax or stamp duty.

Inheritance and Gift Tax

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the shares are included in his or her taxable basis for inheritance tax purposes. Gift tax may be due on a gift or donation of shares, if embodied in a Luxembourg deed or otherwise registered in Luxembourg.

Withholding Tax

Dividends distributed by the Company to the shareholders are not subject to any withholding tax in Luxembourg even if paid through a Luxembourg-based paying agent.

GLOSSARY

4G — Fourth or next generation mobile networks operating standard, the fourth generation of mobile phone technology standards, providing very high speed broadband access.

ADSL or ADSL2+ — An asymmetric digital subscriber line is a system for high-speed data transmission over existing telephone cables. In the ADSL system, the telephone cable is effectively divided into three bands: the downstream band from the service provider to the end customer; the upstream band from the end customer to the service provider; and a voice band through which (using a splitter) telephone calls (analog or via ISDN) can be made. ADSL2+ extends the capacity of the underlying ADSL system by further utilizing the frequency spectrum and extending transfer speeds for the downstream band to up to 25 Mbit/s.

Analog — In telecommunications, analog means telephone or television transmission and/or switching that is not digital.

ARPU — Average revenues generated per unique subscriber.

B2B and B2C customers — Business-to-business (B2B) describes commerce transactions between businesses (in our case housing associations) and business-to-customers (B2C) describes transactions with end customers.

Backbone — A backbone refers to the principal data routes between large, interconnected networks.

Bandwidth — The transmission capacity of a communication line or transmission link at any given time. The bandwidth is generally indicated in bits per second.

Bitstream Access — Type of wholesale offer allowing alternative operators to lease high speed access activated by another operator on the network. They are then in a position to offer high speed retail services in zones where they are not present through unbundling.

Broadband cable network/TV — A broadband network employing radio-frequency transmission over coaxial and/or fiber-optic cable to transmit multiple channels carrying images, sound and data between a central facility and individual customers' television sets.

Broadband Internet — A signaling method that includes a relatively wide range of frequencies, that can be divided into channels or frequency "bins", and by which various data components are sent at the same time in order to increase the rate of transmission. The wider the bandwidth, the more information it can carry within a certain period of time.

Bulk contract . . . . Contracts with housing associations on the provision of CATV services to tenants in MDUs where the housing associations pays remuneration to the cable network provider and bills CATV fees to the tenants as part of the operating costs under the applicable German regulations on operating costs in rental contracts (*Betriebskostenverordnung*).

Bundle/bundling . . . . Bundling is a marketing strategy that involves offering several products for sale as one combined product.

CAS . . . . Conditional access system: A system based on encryption and scrambling, used to prevent viewers without a valid, activated smartcard (under normal circumstances the subscribers to the protected channel) from viewing the protected program. The system may also control the way the signal can be accessed and used. It consists of the digital platform ensuring encryption of the signal, corresponding CPE hardware and software and smart cards.

Catch-Up Television . . . . A television service that allows the viewing of programs after their original broadcast.

Churn . . . . The voluntary or involuntary discontinuance of services by a customer.

CI+ . . . . Common Interface Plus: A standard for encryption and for the corresponding modules used in CPE (including integrated television sets) that permit the decoding of encrypted signals.

Coaxial Cable . . . . Electrical cable with an inner conductor, surrounded by a tubular insulating layer.

Customer premise(s) equipment or “CPE” . . . . . . Telecommunications hardware, such as set-top boxes, DSL or other broadband Internet routers, VoIP base stations, telephone headsets, etc., which is located at the home or business of a customer.

CTI . . . . CTI describes technology that allows interactions on a telephone and a computer to be integrated or coordinated.

Digital . . . . The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: First, digital signals can be reproduced more precisely so digital transmission is “cleaner” than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.

Digital SD . . . . Television system using a resolution that is not considered to be high-definition television (Digital HD). The term is usually used in reference to digital television, in particular when broadcasting at the same (or similar) resolution as analog systems.

Double/Triple/Quadruple play	Offering of television, broadband Internet and phone services as well as mobile Internet or phone services packaged in a bundle.
DOCSIS 3.0	Data Over Cable Service Interface Specification (DOCSIS) is an international telecommunications standard that permits the addition of high-speed data transfer to an existing cable TV (CATV) system. It is employed by many cable television operators to provide Internet access over their existing infrastructure. DOCSIS 3.0 is the current standard technology. DOCSIS 3.0 added IPv6 support and channel bonding to allow a single cable modem to use concurrently more than one upstream channel and more than one downstream channel in parallel.
DSL	Digital Subscriber Line is a generic name for a range of digital technologies relating to the transmission of Internet and data signals from the telecommunications service provider's central office to the end customer's premises over the standard copper wire used for voice services.
DTT	Digital terrestrial television, or digital broadcasting of television signals over terrestrial antennas and other earthbound circuits without any use of satellite.
DVR	Digital video recorder is a device that allows end users to digitally record television programming for later playback.
Evergreen clause	A contract that renews itself from one term to the next in the absence of cancellation by one of the parties.
FCO	German Federal Cartel Office (*Bundeskartellamt*)
FNA	German Federal Network Agency (*Bundesnetzagentur*).
FTTH/FTTB/FTTC (Fiber-to-the-home/building/curb)	Network architecture that uses optical fiber to reach the end user's home, building or street to deliver broadband Internet services.
FTTX	Generic term for any broadband network architecture using optical fiber (see FTTH/FTTB/FTTC).
Free TV	Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.
Headend	A facility for receiving television signals for processing and distribution over a cable television system.
Home	The end user's premises including dwelling units in large buildings and individual houses.

Homes connected . . . . Calculated based on an estimate by our management, homes connected are homes with a cable socket inside the house that is fully connected to our cable network. A home connected is not necessarily our customer.

HFC . . . . Hybrid fiber-coaxial is a broadband network that combines optical fiber and coaxial cable

Housing associations . . . . Property investors, public property owners, property management firms and financial investors who own or manage multi-unit dwellings.

HDTV . . . . High definition television.

Internet Protocol or IP . . . . Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the Internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.

IDTV . . . . An integrated digital television (IDTV or iDTV) with a built-in digital tuner.

IPTV . . . . Internet Protocol Television is the transmission of television content using IP over a network infrastructure, such as a broadband Internet connection.

Level 1 . . . . The portion of the cable television network that produces content, transmits the signal to the earth-satellite station or a terrestrial transmitter, and the up-link to the satellite.

Level 2 . . . . The portion of the cable television network consisting of (i) the downlink from the satellite or the terrestrial transmitter, (ii) the satellite reception equipment, (iii) the signal distribution from the satellite reception equipment to the master headends and the headends, (iv) the master headend and headend functions and (v) the distribution of the signals from the headends to the hubs.

Level 3 . . . . The portion of the cable television network that distributes the signal through fiber and/or co-axial cable from the headends to the home hand-over points. This portion of the network is commonly referred to as the network's trunk or the network backbone.

Level 4 . . . . The portion of the cable television network that distributes the signal from the Level 3 hand-over point to the wall socket inside the customer's home. Level 4 infrastructure primarily consists of the in-house wiring. The headends of the cable networks, which comprise Level 2 operations, are typically owned and operated by Level 3 operators, though Level 4 network operators have started to develop their own Level 2/3 networks where economically viable.

LTE . . . . LTE is the project name of a new high performance air interface for cellular mobile communication systems. It is the step toward the fourth generation of radio technologies designed to increase the capacity and speed of mobile telephone networks.

Mbit/s . . . . Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband Internet networks are often indicated in Mbit/s.

MDU . . . . Multi-dwelling unit, a classification of housing where multiple separate housing units for residential inhabitants are contained within one building or several buildings within one complex.

MHz . . . . Megahertz (or one million hertz) is the basic measure of frequency and represents one million cycles per second.

Migration . . . . Switching signal supply from third party L3 cable providers to our own satellite reception device (often using head ends and our "own" L3 connections from the head end to the respective buildings).

MVNO . . . . Mobile virtual network operator is a wireless communications services provider that does not own the wireless network infrastructure over which it provides services to its customers. An MVNO enters into a business agreement with a mobile network operator to obtain bulk access to network services at wholesale rates, then sets retail prices independently.

NDS . . . . Technology used by NDS Technologies France S.A.S. in respect of conditional access systems.

Over-the-top platform (OTT) . . . . The delivery of TV signals as video stream on top of a third parties' broadband Internet access service.

Pay-TV . . . . Subscription-based television services.

Penetration . . . . The number of RGUs or subscribers for a product as a percentage of homes connected for the product indicated.

Quarterly-Average ARPU . . . . Average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the relevant quarter by the sum of the monthly total number of subscribers/RGUs for the relevant quarter.

Return path . . . . A communication connection that carries signals from the subscriber back to the operator.

RGU . . . . Revenue Generating Unit refers to each subscriber receiving analog or digital cable television, pay-TV, Internet access or phone services over our network. Thus, one subscriber who receives all four services would be counted as four RGUs.

Term	Definition
Set-top box	Stand alone hardware required by the end customer to view digital television programming.
Smartcard	A smartcard is any pocket-sized card with embedded integrated circuits which can process data.
Subscribers	The end-users receiving our products through our network.
Tracking preferred equity certificates	Hybrid debt instruments tracking proceeds received from certain assets, such as loans or other tracking preferred equity certificates.
Triple play	Offering of digital television, broadband Internet and Phone Business services packaged in a bundle.
Two-way transmission	Using the cable for both sending (uploading) and receiving (downloading) signals.
UMTS	Universal Mobile Telecommunications System, a third generation or "3G" mobile technology that delivers broadband Internet information at speeds up to 2 Mbit/s.
Unbundled local loop	The twisted-pair connection between the local exchange and the home.
Upgraded network	Technically improved network, e.g. to enable two-way-communication (by adding a return path) or to use additional transmission frequencies (upgrade to 862 MHz).
VDSL/VDSL2+	Very high-speed DSL and Very-high-bit-rate digital subscriber line 2.
VoD	Video on Demand is the transmission of digital video data on demand, by either streaming data or allowing data to be downloaded. The data is transmitted to the end customer via a broadband Internet connection.
VoIP	Voice over IP, or the transmission of voice calls via Internet Protocol.
WLAN	Wireless Local Area Network.
Year-Average ARPU	Average revenues generated per unique subscriber calculated by dividing total subscription revenues (including discounts, credits and installation fees) generated from the provision of services during the year by the sum of the monthly total number of subscribers/RGUs for the year.
Year-End ARPU	Average revenues generated per unique subscriber calculated by dividing December subscription revenues (including discounts, credits and installation fees) by December subscribers/RGUs.

FINANCIAL INFORMATION

Unaudited Condensed Interim Financial Statements of our Group Prepared in Accordance with IFRS on Interim Financial Reporting (IAS 34) as of and for the Nine Months Ended September 30, 2014 . . . . . **F-2**
Income Statement F-3
Statement of Comprehensive Income F-3
Statement of Financial Position F-4
Statement of Cash Flows F-5
Statement of Changes in Equity F-6
Notes to the Interim Financial Statements F-7

Audited Combined Financial Statements of our Group Prepared in Accordance with IFRS as of and for the Financial Year Ended December 31, 2013, December 31, 2012, and December 31, 2011 . . . . . **F-21**
Combined Income Statement F-22
Combined Statement of Comprehensive Income F-23
Combined Statement of Financial Position F-24
Combined Statement of Cash Flows F-25
Combined Statement of Changes in Equity F-26
Notes to the Combined Financial Statements F-27
Auditor's Report F-70

Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH (now the Company) Prepared in Accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the Financial Year Ended December 31, 2013 . . . . . **F-72**
Balance Sheet as of 31 December 2013 . . . . . F-73
Income Statement for the Year from 1 January 2013 until 31 December 2013 . . . . . F-74
Statement of Cash Flows F-75
Statement of Changes in Equity F-76
Notes to the Financial Statements F-77
Auditor's Report F-80

CONDENSED INTERIM FINANCIAL STATEMENTS
for the nine-month period ending September 30, 2014
for the
Tele Columbus Group

I Consolidated income statement

	Note	01/01–30/09/2014	01/01/–30/09/2013
		KEUR	KEUR
Revenue	D.1	159,421	153,504
Own work capitalised		4,674	3,489
Other income	D.2	7,154	8,279
Total operating performance		**171,249**	**165,272**
Cost of materials		−54,552	−56,810
Employee benefits		−23,880	−23,545
Other expenses	D.3	−27,897	−22,196
EBITDA		**64,920**	**62,721**
Amortisation and depreciation		−40,177	−46,669
EBIT		**24,743**	**16,052**
Profit from investments in associated companies		18	0
Interest and similar income	D.4	46	129
Interest and similar expenses	D.4	−33,240	−21,334
Other finance income/costs	D.5	−1,148	−72
Profit before taxes		**−9,581**	**−5,225**
Income taxes		−4,734	−7,606
Loss for the period		**−14,315**	**−12,831**
Loss attributable to owners of the Tele Columbus Group		−16,012	−15,039
Profit attributable to non-controlling interests		1,697	2,208

II Consolidated statement of comprehensive income

	01/01–30/09/2014	01/01–30/09/2013
	KEUR	KEUR
Loss for the period	**−14,315**	**−12,831**
Other comprehensive income		
Expenses and income that will never be reclassified to profit or loss.		
Remeasurement of the defined benefit liability (after tax)	−584	−209
Total comprehensive income	**−14,899**	**−13,040**
Attributable to:		
Owners of the Tele Columbus Group	−16,596	−15,248
Non-controlling interests	1,697	2,208

III Consolidated statement of financial position

	Note	30/09/2014 KEUR	31/12/2013 KEUR
Assets			
Non-current assets			
Property, plant and equipment	D.9	200,787	207,822
Intangible assets and goodwill		383,426	372,172
Shares in non-consolidated subsidiaries		0	515
Investments in associates		283	283
Receivables from related parties	E.4.2	0	9,418
Other financial receivables		1,148	1,507
Deferred expenses		76	17
		585,720	**591,734**
Current assets			
Inventories		2,500	1,693
Trade receivables	D.7	21,215	18,931
Receivables from related parties	E.4.2	2,366	2,165
Other financial receivables		2,120	7,097
Other receivables		9,895	903
Income tax refund claims		544	1,179
Cash and cash equivalents	D.8	36,101	70,539
Deferred expenses	D.10	6,603	2,200
		81,344	**104,707**
		667,064	**696,441**
Equity and Liabilities			
Equity	D.11		
Subscribed capital		20,025	0
Capital reserve		8,324	0
Transactions under common control		−114,692	0
Consolidated retained earnings		−16,012	0
Pension valuation reserve		−1,922	0
Combined equity attributable to owners of Tele Columbus Group		0	−68,225
Equity attributable to owners of Tele Columbus Group		−104,277	−68,225
Non-controlling interests		4,725	6,690
Total equity		**−99,552**	**−61,535**
Non-current liabilities			
Pension plans and other long-term employee benefits	D.12	9,881	9,791
Other provisions	D.12	7,765	11,361
Interest-bearing liabilities	D.13	630,194	43,507
Liabilities to related parties	E.4.2	0	13,229
Trade payables		35,652	32,660
Deferred income/revenue		701	1,181
		684,193	**111,729**
Current liabilities			
Other provisions	D.12	8,063	4,751
Interest-bearing liabilities		2,639	578,143
Trade payables		37,156	43,229
Liabilities to related parties	E.4.2	3,574	2,602
Other financial liabilities		322	4,635
Other liabilities		15,788	8,042
Income tax liabilities		3,960	684
Deferred income/revenue		10,921	4,161
		82,423	**646,247**
		667,064	**696,441**

IV Consolidated statement of cash flows

	01/01/–30/09/2014	01/01/–30/09/2013
	KEUR	KEUR
Cash flows from operating activities		
Earnings before interest and taxes (EBIT)	**24,743**	**16,052**
Amortisation and depreciation	40,177	46,669
Losses (+)/gain (−) on sale of property, plant and equipment	−490	−580
Increase (−)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities	−9,993	−12,657
Increase (+)/decrease (−) in provisions, trade and other payables not classified as investing or financing activities	−4,250	−9,713
Income tax paid	−3,601	−6,774
Net cash from operating activities	**46,586**	**32,998**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,545	2,030
Acquisition of property, plant and equipment	−21,157	−21,238
Acquisition of intangible assets	−3,934	−5,049
Acquisition of businesses, net of cash acquired	−10,493	0
Interest received	46	86
Net cash used in investing activities	**−33,993**	**−24,171**
Cash flows from financing activities		
Changes in net assets due to cash effective shareholder transactions with Tele Columbus Beteiligungs GmbH	−1,684	32,744
Payment of financial lease liabilities	−4,308	−3,325
Dividends paid	−3,065	−2,782
Proceeds from loans, bonds or short-term or long-term borrowings from banks	0	7,255
Repayment of borrowings and short-term or long-term borrowings	−2,048	−2,746
Purchase of non-controlling interests	−19,900	0
Interest paid	−16,385	−21,955
Net cash from (used in) financing activities	**−47,390**	**9,191**
Cash and cash equivalents as at the end of the reporting period		
Net increase/decrease in cash and cash equivalents	−34,797	18,017
Cash and cash equivalents at the beginning of the reporting period	70,539	22,035
Cash and cash equivalents at the end of the reporting period	**35,742**	**40,052**
Less/plus release of restricted cash and cash equivalents in the financial year	359	14,413
Cash and cash equivalents at the end of the period	**36,101**	**54,465**

V Consolidated statement of changes in equity

For the first nine months of 2014
(*in thousand euros*)

	Note	Net assets attributable to Tele Columbus Group	Subscribed capital	Capital reserves	Transactions under common control	Consolidated retained earnings	Pension valuation reserve	Equity attributable to owners of Tele Columbus Group	Non-controlling interets	Total Equity
Balance at 31/12/2013	D.11	**−68,225**	**0**	**0**	**0**	**0**	**0**	**−68,225**	**6,690**	**−61,535**
Distributions									−3,065	−3,065
Profit (+) / loss (−)						−16,012		−16,012	1,697	−14,315
Other comprehensive income							−584	−584		−584
Total comprehensive income						**−16,012**	**−584**	**−16,596**	**1,697**	**−14,899**
Purchase of non-controlling interests					−17,772			−17,772	−597	−18,369
Changes of net assets due to cash effective shareholder transactions with Tele Columbus GmbH					−1,684			−1,684		−1,684
Balance at 30/09/2014	D.11	**−68,225**	**0**	**0**	**−19,456**	**−16,012**	**−584**	**−104,277**	**4,725**	**−99,552**
Set-up of the group structure in the context of the spin-off		68,225	20,025	8,324	−95,236	0	−1,338	0	0	0
Balance at 30/09/2014	D.11	**0**	**20,025**	**8,324**	**−114,692**	**−16,012**	**−1,922**	**−104,277**	**4,725**	**−99,552**

For the first nine months of 2013
(*in thousand euros*)

	Note	Net assets attributable to Tele Columbus Group	Non-controlling interests	Total equity
Balance at 31/12/2012	D.11	**−88,727**	**6,147**	**−82,580**
Distributions			**−2,782**	**−2,782**
Profit (+) / loss (−)		−15,039	2,208	−12,831
Other comprehensive income		−209		−209
Total comprehensive income		**−15,248**	**2,208**	**−13,040**
Changes of net assets due to cash effective shareholder transactions with Tele Columbus Beteiligungs GmbH		32,744		32,744
Balance at 30/09/2013	D.11	**−71,231**	**5,573**	**−65,658**

VI Notes to the consolidated interim financial statements

A General information

Background

The management of Tele Columbus AG (until 12 September 2014 Tele Columbus Holding GmbH) is planning to float the operational business of Tele Columbus Group by making an initial public offering on the stock exchange. The Tele Columbus Group has been reorganised in preparation for a possible initial public offering.

As part of the reorganisation, all operating investments as well as certain assets and liabilities of Tele Columbus Beteiligungs GmbH (until 19 August 2014: Tele Columbus GmbH) were spun off to Tele Columbus Holding GmbH. The spin-off agreement between Tele Columbus GmbH and Tele Columbus Holding GmbH was signed on 19 August 2014. The entry in the Commercial Register was made on 22 August 2014. The spin-off was carried out with retroactive economic effect as of 1 January 2014.

Tele Columbus Holding GmbH was founded on 6 November 2012 and was a subsidiary of Tele Columbus Beteiligungs GmbH. According to the spin-off agreement dated 19 August 2014, Tele Columbus Holding GmbH was transferred from Tele Columbus Beteiligungs GmbH to Tele Columbus Management S.à r.l., the parent of Tele Columbus Beteiligungs GmbH. As the result of the reorganisation, Tele Columbus Holding GmbH including the operating investments and the spun-off assets and liabilities of Tele Columbus Beteiligungs GmbH was created as a sister group of Tele Columbus Beteiligungs GmbH containing its remaining investments and non-transferred assets and liabilities under the control of Tele Columbus Management S.à r.l. The spin-off is to be presented in the IFRS consolidated financial statements of Tele Columbus Holding GmbH as at 31 December 2014, as a transaction between companies under joint control and is not to result in the release of hidden reserves or the recognition of derivative goodwill.

Change of form to Tele Columbus AG

It was resolved at the extraordinary shareholders' meeting held on 20 August 2014, to change the legal form of Tele Columbus Holding GmbH to a corporation trading under the name Tele Columbus AG. The change of legal form came into effect upon entry of the change of legal form in the commercial register on 12 September 2014. The liability company's existing share capital of EUR 20,025,000 became the share capital of Tele Columbus AG. The share capital is divided into 20,025,000 registered no-par value shares with a proportional amount of share capital of EUR 1.00 attributable to each individual share.

Appointment of the Executive Board and Supervisory Board

Mr. Christian Boeckhorst, Mr. Frank Donck and Mr. Andre Krause were elected to the corporation's Supervisory Board at the shareholders' meeting held on 10 September 2014. Ms. Catherine Mühlemann, Mr. Yves Leterme and Mr. Robin Bienenstock were elected to the Supervisory Board subject to the suspensory condition of admission of the corporation's stock to trading on the Frankfurt Stock Exchange (prime standard). At the first official meeting of the Supervisory Board on 15 September 2014, Mr. Ronny Verhelst and Mr. Frank Posnanski were appointed to the Executive Board of Tele Columbus AG effective as of registration of the change of legal form. Mr. Ronny Verhelst was appointed as Chief Executive Officer.

Description of operating activities

The companies in the Tele Columbus Group are cable network operators operating primarily in the eastern German federal states. Approximately 20% of their cable networks are in other areas of the Federal Republic of Germany. The core business is operating and managing broadband cable equipment using own satellite receiving equipment for providing residential apartment complexes of various housing companies and their tenants with television and radio signals, internet as well as telephony services. Operation of the equipment includes the provision of service, maintenance, customer care and collection.

Bases of the consolidated interim financial statements

The condensed consolidated financial statements of Tele Columbus AG as at 30 September 2014 present the net assets, financial position and results of operations of Tele Columbus AG and the operating investments to be spun off to it as well as certain consolidated assets and liabilities of Tele Columbus

Beteiligungs GmbH for the first nine months of the 2014 financial year and the comparable reporting period of 2013.

The interim financial statements as of 30 September 2014 were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements of Tele Columbus AG as at 30 September 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Since Tele Columbus AG and the operating investments and certain assets and liabilities of Tele Columbus Beteiligungs GmbH for the 2013, 2012 and 2011 financial years, which have been spun off to Tele Columbus AG as part of the reorganisation, were included in the IFRS consolidated financial statements of Tele Columbus Beteiligungs GmbH, Tele Columbus AG has applied the simplification provisions set out in IFRS 1.D16(a) in preparing the combined financial statements and adopted the values of the assets and liabilities of Tele Columbus AG and the operating investments recognised in the IFRS consolidated financial statements of Tele Columbus Beteiligungs GmbH as well as certain assets and liabilities to be transferred.

The interim financial statements comprise a consolidated income statement, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity, condensed notes to the financial statements for the first nine months of the 2014 financial year and the comparative reporting period of 2013.

In the course of the consolidation, all internal Group balances, revenues and expenses as well as all unrealised profits or losses from transactions within the group of consolidated companies were eliminated when preparing the interim financial statements. Furthermore, a capital consolidation was performed for the existing parent-subsidiary relationships within the Tele Columbus Group. Transactions of the Group with companies no longer part of the new group of consolidated companies are presented as transactions with related parties.

The functional currency of the interim financial statements is the euro. Amounts are stated in thousand euros (KEUR). Due to the rounding off to thousand euros, there may be rounding differences of up to +/- one thousand euros between the individual disclosures.

The interim financial statements were prepared by the management of Tele Columbus AG Berlin, on 14 November 2014.

These consolidated interim financial statements were prepared under the assumption of a going concern.

Furthermore, the same accounting policies and measurement methods used in the financial statements for 31 December 2013, 2012 and 2011 were applied in preparing the consolidated interim financial statements and in presenting the prior-year comparative figures. A detailed description of these methods is shown in the notes of the combined financial statements for the financial years as at 31 December 2013, 2012 and 2011.

With regard to the presentation of restructuring in the comparative period from January to September 2013, please refer to the explanatory notes in section C of the notes to the combined financial statements for the financial years ending on 31 December 2013, 31 December 2012 and 31 December 2011.

B Group of consolidated entities

By agreement dated 27 August 2014, Tele Columbus AG acquired BIG Medienversorgung GmbH, Mönchengladbach, (hereinafter referred to as ‘BIG’) as well as Medienwerkstatt GmbH, Mönchengladbach (hereinafter referred to as ‘Medienwerkstatt’). To this end, Tele Columbus AG acquired all shares in BIG and 40% of shares in Medienwerkstatt. BIG Medienversorgung GmbH holds the remaining 60% of shares in Medienwerkstatt. The shares correlate with voting rights.

To date, EUR 10.7 million of the provisional purchase price of EUR 13 million has been settled using cash. This included a loan to the Company. There is also a variable purchase price component contingent on future EBITDA, as defined by Tele Columbus, for which no material value has been recognized so far (with respect to the provisional nature of the values see below).

The BIG Group offers its customers a comprehensive service in respect of the supply of signals at network level four. The acquisition (mainly in the TV products segment) enables the Tele Columbus Group to strengthen its market presence in this segment.

Transaction costs of KEUR 73 are included in 'other expenses'.

The opening balance sheets for initial consolidation of the companies were, for time-related reasons, still provisional at the time of preparation of the financial statements and were prepared based on as yet unaudited German GAAP values (based on the German Commercial Code *HGB*) and a simplified transition to IFRS. The valuation of the acquired customer base has yet to be completed. Based on these provisional values, the acquired combined net assets for both companies amount to KEUR −874. This results in provisional goodwill of KEUR 12,246, containing the value of the acquired customer base and the value of the acquired current customer contracts.

The goodwill remaining after the exclusion of customer contracts largely reflects synergy effects and the value of BIG's business model.

Furthermore, the following statements can be made regarding the provisional values: the recognized receivables largely correlate with the fair values and gross amounts of the contractual receivables. Uncollectible receivables are not anticipated. Current insights indicate that there are no significant contingent assets and liabilities.

With revenue of KEUR 173, EBITDA of KEUR −13 and profit after tax of KEUR −170, BIG and Medienwerkstatt had relatively little impact on the consolidated financial statements in September (in other words since initial consolidation).

Given the provisional nature of all current values, information on the impact of BIG, had it been consolidated as of 1 January 2014, cannot be reliably provided and has therefore been omitted. The provisional non-consolidated financial statements of BIG and Medienwerkstatt, prepared in accordance with commercial law, present revenue of KEUR 1,893 and EBITDA of KEUR 108.

On 11 September 2014, Tele Columbus Multimedia GmbH, Berlin, purchased and acquired the remaining shares (49,5%) in the joint venture company BMB GmbH & Co. KG, Essen, and BMB Geschäftsführung GmbH, Essen, from Marienfeld Multimedia GmbH, Essen. The aggregate purchase price amounted to KEUR 21,280 and was funded from free cash flow. Both companies were already included in the consolidated financial statements in the course of full consolidation. The acquisition of the remaining shares in both companies is therefore recognized as a transaction directly in equity in accordance with IFRS 3. Non-controlling interests of KEUR 597 were eliminated and the difference between the purchase price and the minority share presented under the item 'transactions under common control'. Furthermore, the non-current liabilities eliminated from the redeemable non-controlling interests for the partnership BMB GmbH & Co. KG were recognized in this equity item (please refer to the explanatory notes in section E.4.2).

Apart from the acquisitions described above there were no further acquisitions or disposals in the first nine months of the 2014 financial year.

C Compliance with IFRS

The accounting standards used for preparing the consolidated interim financial statements are in accordance with those used for preparing the combined financial statements for the financial years as at 31 December 2013, 2012 and 2011, except for the following mandatory standards and amendments to

standards, which were adopted for the first time in the financial year commencing 1 January 2014 and had no material effects on the consolidated interim financial statements:

Standard/Interpretation	
IAS 32	Amendments to IAS 32, Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities
IAS 39	Amendments to IAS 39, Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Agreements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entity consolidation exemption
IFRS 10, IFRS 11, IFRS 12	Transition Guidance

The following standards were issued by the IASB and have not been adopted by the EU:

Standard/Interpretation		Adoption requirement	Impact
IFRIC 21	Levies: Accounting for liabilities to pay levies imposed by governments	01/07/2014	None
Various	Annual Improvements Project 2010 to 2012—Improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)	01/07/2014	Depending on the nature and scope of future transactions
Various	Annual Improvements Project 2011 to 2013—Improvements of IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40)	01/07/2014	Depending on the nature and scope of future transactions
IAS 19	Amendments to IAS 19 Employee Benefits	01/07/2014	Depending on the nature and scope of future transactions
IFRS 11	Changes to the accounting of joint ventures	01/01/2016	Depending on the nature and scope of future transactions
IAS 16, IAS 38	Changes clarifying accepted depreciation and amortisation methods	01/01/2016	The effects on the consolidated financial statements are currently being examined
IFRS 14	Regulatory Deferral Accounts	01/01/2016	None
IFRS 15	Revenue from Contracts with Customers	01/01/2017	The effects on the consolidated financial statements are currently being examined

D Explanatory notes to the consolidated income statement and to the consolidated statement of financial position

D.1 Revenue

	Nine months to 30/09/2014	Nine months to 30/09/2013
	KEUR	KEUR
TV business revenue	117,712	119,027
Internet and telephony business revenue	38,481	31,508
Other revenue	3,228	2,969
	159,421	**153,504**

D.2 Other income

	Nine months to 30/09/2014	Nine months to 30/09/2013
	KEUR	KEUR
Income from dunning fees	1,302	1,946
Income from asset disposals	780	1,174
Income from subsidies	760	0
Income from connection and disconnection costs	430	685
Income from services	353	221
Income from the derecognition of liabilities and the release of provisions	326	375
Miscellaneous other income	3,203	3,878
	7,154	**8,279**

D.3 Other expenses

Other expenses were incurred in particular for the following:

	Nine months to 30/09/2014	Nine months to 30/09/2013
	KEUR	KEUR
Legal and advisory fees	7,958	3,736
Advertising	6,285	5,224
Provisions for bad debts	3,870	3,636
Office space costs	3,260	2,535
IT expenses	2,077	1,786
Communication costs	906	969
Vehicle expenses	725	784
Ancillary costs for money transfer	591	554
Income from cancellations, prior year	414	1,143
Travel expenses	318	263
Losses from non-current asset disposals	290	594
Miscellaneous other expenses	1,203	972
	27,897	**22,196**

D.4 Net interest income/expenses

	Nine months to 30/09/2014	Nine months to 30/09/2013
	KEUR	KEUR
Interest income from third parties	16	64
Interest income from related parties	30	65
Interest and similar income	**46**	**129**
Interest expenses to third parties	−33,185	−21,114
Interest expenses to related parties	−55	−219
Interest and similar expenses	**−33,240**	**−21,334**
	−33,194	**−21,205**

The interest paid to third parties are mainly related to liabilities to banks. We refer to the explanations in section *D.13 Interest-bearing liabilities*.

D.5 Other financial income/costs

	Nine months to 30/09/2014	Nine months to 30/09/2013
	KEUR	KEUR
Expense from compounding of loans under the effective interest rate method	1,065	0
Changes in the value of financial instruments	83	72
	1,148	**72**

D.6 Deferred taxes

No material deferred tax assets and liabilities were reported in the period under report. Deferred tax assets for losses accrued in the interim were not capitalized in the interim financial statements. Objective evidence for recognition will be provided as of 31 December 2014.

D.7 Trade receivables

	30/09/2014	31/12/2013
	KEUR	KEUR
Trade receivables—gross	31,323	43,013
Impairments	−10,108	−24,082
Trade receivables—net	21,215	18,931

Impairment losses are recognised as other expenses. There were no overdue receivables that had not been written down.

D.8 Cash and cash equivalents

Cash and cash equivalents as at 30 September 2014 comprised cash and bank deposits as was the case at 31 December 2013.

Non-utilised credit lines of KEUR 28,267 with a term up to 30 June 2017 exist.

With regard to collateralised cash, we refer to the disclosures in section *D.13 Interest-bearing liabilities.*

D.9 Property, plant and equipment

The reductions in property, plant and equipment during the first nine months of 2014 and 2013 financial year mainly relate to depreciation and amortization. As in the comparison period no impairment losses took place in the reporting period. The additions in the first nine months of 2014 and 2013 mainly comprise home provisioning equipment and cabling as well as local cable networks.

D.10 Deferred expenses

As at 30 September 2014 KEUR 4,150 (2013: KEUR 0) were disclosed under the item current deferred expenses and capitalised as transaction costs incurred in connection with the intended initial public offering in accordance with IAS 32.35 and in association with IAS 32.37.

D.11 Equity

With regard to the development of equity, we refer to the consolidated statement of changes in equity.

Changes in equity for the period from 1 January 2013 to 30 September 2013 are presented using a combined structure. As of 30 September 2014, the spin-off is presented in equity. The net assets of shareholders of the Tele Columbus Group, which in the combined prior-year period had been presented in aggregate, are allocated to the individual components of equity. Tele Columbus AG's share capital amounts to KEUR 20,025 and its capital reserve to KEUR 8,324.

D.12 Provisions

Other provisions disclosed as at 30 September 2014 can be subdivided into short-term obligations amounting to KEUR 8,063 and long-term obligations amounting to KEUR 7,765.

Other provisions are still mainly related to provisions for potential losses in connection with a long-term signal delivery contract..

Due to a decrease in the interest rate level at 30 September 2014, compared to 31 December 2013, a discounting expense of KEUR 584 was recognised in equity, leading to a respective increase in the pension provisions.

D.13 Interest-bearing liabilities

	30/09/2014	31/12/2013
	KEUR	KEUR
Liabilities to banks—nominal values	620,396	43,507
Accrued interest expense	9,798	0
Non-current interest-bearing liabilities	630,194	43,507
Liabilities to banks—nominal values	2,263	568,357
Accrued interest expense	376	9,786
Current interest-bearing liabilities	2,639	578,143
	632,833	621,650

On 5 February 2014 it was agreed with the banks to comprehensively extend the loan agreements dated 19 January 2011 for the group of consolidated entities. The superior Senior A Facilities and the Mezzanine A Facilities transferring to Tele Columbus AG were each extended for three years. The Senior A Facilities have terms ending in 2017 and the Mezzanine A Facilities have terms ending in 2018.

There were further changes in the Senior A Facilities in respect of the interest margin which was increased by 0.5% per annum to 3.75% per annum + 6-month EURIBOR interest rate. In addition, a payment-in-kind (PIK) interest margin amounting to 2.75% per annum was introduced for this purpose and the option to suspend payment of the interest liabilities for 7.70% per annum + EURIBOR and further interest payments at 0.05% per annum after one interest period. The interest agreements not pertaining to the Senior A Facilities have remained unchanged; the loans have a 6-month EURIBOR interest rate of + 5.00%.

The comprehensive extension of the loan agreement on 4 February 2014 is not a substantial contractual amendment for the purposes of IAS 39.40 in conjunction with IAS 39.A62 and was therefore not recognised as a repayment. The transaction costs incurred resulted in an adjustment to the carrying amount of the liabilities of KEUR 5,524 and are amortised over the remaining term of the changed liability.

In 2011 the Tele Columbus Group was additionally given a "Super Senior Revolving Facility" for additional capital amounting to EUR 28.3 million as well as a "Super Senior New Term Tranche 2" in the amount of EUR 16.0 million, which were used to write off the liabilities of an interest rate swap. Both of these tranches take precedence. Since the implementation of the debt restructuring measures in 2009, there have been no swaps for hedging interest rate risks.

At the reporting dates the loan balances (including outstanding interest) of the Tranche A loans as well as the Super Senior obligations were as follows:

	30/09/2014	31/12/2013
	KEUR	KEUR
Senior Tranche A Loan (term ending on 30/06/2017; 31/12/2013: to 30/06/2014)	535,908	523,433
Second Lien Tranche A Loan (term ending on 31/12/2017, 31/12/2013: to 31/12/2014)	37,142	35,684
Mezzanine Tranche A Loan (term ending on 30/06/2018, 31/12/2013: to 30/06/2015)	35,171	33,790
Super Senior Tranche 2 (term ending on 30/06/2017, 31/12/2013: to 30/06/2014)	16,164	16,386
Super Senior Revolving Facility (term ending on 30/06/2017, 31/12/2013: to 30/06/2014)	212	212
	624,597	609,505

When compared to 31 December 2013, there were no material changes in the nature and extent of collateral.

E Other explanatory notes

E.1 Earnings per Share

The calculation of earnings per share is derived from the profit or loss apportionable to shareholders and the average number of shares outstanding. Dilutive effects such as those triggered by the issue of new shares, which have to be disclosed separately in the calculation, did not exist during the reporting period.

	01/01 - 09/30/2014	01/01 - 09/30/2013*
Earnings apportionable to shareholders in KEUR	−16,012	−15,039
Weighted average of ordinary shares outstanding (in units)	20,025,000	20,025,000*
Basic earnings per share in EUR	−0.80	−0.75
Diluted earnings per share in EUR	−0.80	−0.75

* The change of legal form to a stock corporation (AG) took effect on 12 September 2014. For the determination of comparative figures, we assumed the number of shares for the comparative period as in the reporting period.

E.2 Segment Reporting

Segment implementation

As part of the planned IPO, the management of the Tele Columbus Group introduced segmenting in August 2014 to be used as the basis for the future control of the Group. In connection herewith, segment information was also retroactively compiled for the first nine months of the 2013 financial year although the Group was not controlled in this manner during this period.

The Tele Columbus Group is centrally managed by the management board of Tele Columbus AG as the Chief Operating Decision Maker (CODM). The management is responsible for operating activities, and the following information outlines how management is to monitor each reportable segment of the Tele Columbus Group in the future.

Description of the segments

The Group divides its operating activities into two product segments: the cable TV business and the internet and telephony business. For these segments the management of the Group is, at a minimum, to review internal management reports on a monthly basis from August 2014 on.

TV

The Group provides basic as well as premium programmes in the TV segment. Basic programmes include analogue as well as digital TV and radio services. The premium programme range includes, among others, digital HD (plus HD), digital pay and pay-TV.

Revenue in the TV segment includes cable connection fees and recurring fees for service options of cable connection customers as well as revenue from the conclusion of new contracts and from installation services.

Internet and telephony

The Group subsumes internet and telephone services in the internet and telephony segment.

Revenue is composed of proceeds from the conclusion of new contracts and from installation services as well as from monthly contractual and service fees.

Reconciliation to the consolidated interim financial statements

Business activities and items not directly related to the reportable segments of the Group are reported in the item "Reconciliation to the consolidated interim financial statements".

Expenses and income not allocated to the operating segments are largely attributable to the central functions of management, the legal, personnel, finance, procurement and IT departments. Revenues of KEUR 3,228 (2013: KEUR 2,969) not assigned to the operating segments refer to other sales to third parties of a subsidiary. In determining the normalised EBITDA for each segment, personnel expenses of KEUR 8,689 (2013: KEUR 7,759), other income of KEUR 2,004 (2013: KEUR 2,204) as well as other expenses of KEUR 7,573 (2013: KEUR 6,611) attributable to the central functions were not considered.

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

In addition, non-recurring items (for a definition we refer to the comments under the heading *Segment information*) are partially reported in the reconciliation as they also cannot be allocated to both segments.

The accounting principles of the segment information, except for the elimination of non-recurring items, are in accordance with the principles applied to consolidated financial statements and are similar to IFRS as adopted by the EU. This applies unless the valuation methods and the identification of the segments change. No reconciliation is therefore required owing to differences between internal valuation and measurement in accordance with IFRS. It is only necessary for items not assigned to any reportable segments.

Segment information

Explanatory note on the standards used for the segments

For the management of the Tele Columbus Group, "normalised EBITDA" is the key financial performance indicator reported separately for each operating segment in the monthly reporting. "Normalised EBITDA" is the earnings before the financial result, income taxes, depreciation of tangible assets, and amortisation of intangible assets and of goodwill. Items comprising the financial result such as earnings from investments in associates, interest income, interest expenses and other financial results reported by using the equity method are not part of "normalised EBITDA".

Furthermore, it does not include so-called "non-recurring items". These are defined by the management as non-recurring, rare or extraordinary expenditures or income if the event is not likely to re-occur over the next two financial years or did not even occur during the past two financial years. Since these items are neither expenses incurred nor income mainly generated through operating activities nor related to restructuring, they cannot be used to assess an operating profit or loss.

Non-recurring expenses largely related to advisory expenses in the first nine months of the 2014 financial year incurred as part of the intended initial public offering, to other legal and advisory fees classified as non-recurring, as well as to a one-time rental expenditure that arose in the course of relocating the Company to the new head office. Non-recurring income was insignificant in the first nine months of 2014.

Non-recurring expenses incurred in the first nine months of 2013 mainly related to costs for an intended sale of Tele Columbus, severance payments and other one-time personnel costs.

30 September 2014	TV	Internet & Telephony	Reconciliation to interim financial statements	Group total
	KEUR	KEUR	KEUR	KEUR
Revenue	117,712	38,481	3,228	159,421
Normalised EBITDA	61,625	22,463	−11,143	72,945
Non-recurring expenses/income	−914	−97	−7,014	−8,025
EBITDA	60,711	22,366	−18,157	64,920

30 September 2013	TV	Internet & Telephony	Reconciliation to interim financial statements	Group total
	KEUR	KEUR	KEUR	KEUR
Revenue	119,027	31,508	2,969	153,504
Normalised EBITDA	63,996	12,754	−10,456	66,294
Non-recurring expenses/income	−428	−411	−2,733	−3,572
EBITDA	63,567	12,342	−13,189	62,721

Other segment disclosures

A secondary segmenting by geographical criteria was not performed as all revenue is generated exclusively in Germany.

Revenue is generated by a wide variety of customers such that no significant portion can be attributed to one or even a few external customers.

E.3 Contingent assets, contingent liabilities and other financial obligations

E.3.1 Contingent assets and liabilities

There were no contingent assets or liabilities as at 30 September 2014 or as at 31 December 2013.

E.3.2 Other financial obligations

Compared to the reporting date at 31 December 2013, there were no material changes in the nature and extent of other financial obligations. As of 30 September 2014 the purchase commitments for fixed assets amounted to KEUR 12,330 (as of 31 December 2013: KEUR 3,048).

E.4 Related party disclosures

E.4.1 Legal relationships

Tele Columbus AG is controlled by Tele Columbus Management S.à r.l., Luxembourg. The parent of Tele Columbus Management S.à r.l. is Tele Columbus Holdings S.A., Luxembourg, which was thereby the ultimate parent of Tele Columbus AG.

In principle, direct or indirect subsidiaries of Tele Columbus Holdings S.A., associates and joint ventures of the TC Holdings Group are regarded as related parties in the meaning of IAS 24. Furthermore, the managing directors and members of the management board of Tele Columbus AG, Tele Columbus Holdings S.A. as well as Tele Columbus Management S.à r.l. and their close family members are deemed to be the related parties of Tele Columbus AG.

E.4.2 Intra-group receivables and payables

The transactions included in the consolidated interim financial statements of the Group of consolidated entities of the Tele Columbus Group involving Tele Columbus AG as well as those involving its subsidiaries, which were not to be spun off from Tele Columbus Beteiligungs GmbH, represent business transactions concluded with related parties.

The following overview shows intra-group receivables and payables:

	30/09/2014	31/12/2013
	KEUR	KEUR
Receivables from related parties (current)	2,366	2,165
Receivables from related parties (non-current)	0	9,418
Liabilities to related parties (current)	3,574	2,602
Liabilities to related parties (non-current)	0	13,229

As of 31 December 2013 non-current receivables from related parties mainly comprised loan receivables of Tele Columbus Ost GmbH, of Tele Columbus Sachsen-Thüringen GmbH and of Tele Columbus Netze Berlin GmbH against Tele Columbus Beteiligungs GmbH. The corresponding loan payables of Tele Columbus Beteiligungs GmbH were not transferred to Tele Columbus AG in the spin-off.

Non-current liabilities to related parties as of 31 December 2013 largely comprised loan payables of Tele Columbus Ost GmbH, of Tele Columbus Sachsen-Thüringen GmbH and of Tele Columbus Netze Berlin GmbH to Tele Columbus Management S.à r.l.

Non-current loan payables to Tele Columbus Management S.à r.l.

	30/09/2014	31/12/2013
	KEUR	KEUR
TC Management S.à r.l. (tranche B loan)	0	9,299
TC Management S.à r.l. (formerly to Rudd S.à r.l.)	0	119
	0	9,418

Loan to Tele Columbus Management S.à r.l., Luxembourg (tranche B loan):

Since the "Amended Senior Tranche B Loan" was granted to Tele Columbus Management S.à r.l., the Tele Columbus Group reported this as liabilities to related parties as of 31 December 2013.

Loans overview tranche B		Interest	Term	Carrying amount including capitalised interest in KEUR	Repayment amount including capitalised interest in KEUR
30/09/2014	Amended Senior Tranche B Loan	0.5%	19/01/2021	0	0
31/12/2013	Amended Senior Tranche B Loan	0.5%	19/01/2021	9,299	9,299

In conjunction with debt restructuring measures implemented in 2011, the tranche B loans were recognised at their fair value.

Loan to Tele Columbus Management S.à r.l., Luxembourg (former loan to Rudd S.à r.l.)

Furthermore, Tele Columbus Management S.à r.l., Luxembourg, acquired the following loan from Rudd S.à r.l. (via Tele Columbus Holdings S.A., Luxembourg) in conjunction with debt restructuring, such that the liabilities to Tele Columbus Management S.à r.l., Luxembourg, were as follows at the reporting dates:

Loans overview (formerly Rudd)		Interest	Term	Carrying amount including capitalised interest in KEUR	Repayment amount including capitalised interest in KEUR
30/09/2014	Loan No. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec. 2017	0	0
31/12/2013	Loan No. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec. 2017	119	7,901

A restatement of the conditions was agreed upon for this loan on 29 December 2010, effective 1 January 2010, to a standard 1.0% and from the date of effectiveness of the debt restructuring to a standard 0.5% p.a. Changes in loan terms occurring in the course of restructuring the debt resulted in derecognising the previous liability and in recognising a new liability including the changed terms based on fair value as prescribed by IAS 39.40. Subordination of this loan was agreed upon. It was assumed that the fair value of this loan amounted to EUR 1. The loan is to be eliminated from liabilities and accounted for in equity.

On 19 August 2014 Tele Columbus Management S.à r.l. had repayment claims under the Senior Facility Tranche B Agreement against Tele Columbus Ost GmbH (EUR 6.8 million), Tele Columbus Sachsen-Thüringen GmbH (EUR 0.7 million) and Tele Columbus Netze Berlin GmbH (EUR 1.8 million). By shareholder resolution dated 19 August 2014, Tele Columbus Management S.à r.l. made a one-time contribution to the capital reserve of Tele Columbus Beteiligungs GmbH in accordance with § 272 (2) No. 4 of the German Commercial Code Handelsgesetzbuch (HGB). The additional contribution of EUR 9.3 million resulted from assigning the payment claims mentioned above.

Pursuant to the two loan agreements dated 18 June 2010 concluded by Tele Columbus Beteiligungs GmbH and by the three subsidiaries of Tele Columbus Beteiligungs GmbH mentioned above, the loan payable of Tele Columbus Beteiligungs GmbH amounted to EUR 6.8 million to Tele Columbus Ost GmbH, to EUR 0.7 million to Tele Columbus Sachsen-Thüringen GmbH and to EUR 1.8 million to Tele Columbus Netze Berlin GmbH on 19 August 2014.

The respective contracting parties agreed by netting agreements dated 19 August 2014 that the reciprocal receivables and payables mentioned above are to be offset.

By shareholder resolution dated 19 August 2014, Tele Columbus Management S.à r.l. resolved to pledge and to make a one-time contribution to the capital reserve of Tele Columbus Beteiligungs GmbH in the amount of EUR 7.9 million. The additional contribution is, under contract law, to be made to the Company's capital reserve in equity in accordance with § 272 (2) No. 4 of the HGB. The additional contribution of EUR 7.9 million is to be made by assigning it the repayment claimed by Tele Columbus Berlin-Brandenburg GmbH & Co. KG under a loan agreement.

Under the Automatic Cash Management System (ACMS) operated between Tele Columbus Beteiligungs GmbH and Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Tele Columbus Beteiligungs GmbH, inter alia, owes Tele Columbus Berlin Brandenburg GmbH & Co. KG a payment of EUR 9.5 million. Under a netting agreement dated 19 August 2014, both companies have agreed to offset the receivables and payables totalling EUR 7.9 million listed above.

Terminable non-controlling interests of BMB GmbH & Co. KG

Furthermore, as of 31 December 2013 the non-current liabilities show terminable non-controlling interests of KEUR 3,810 for the partnership BMB GmbH & Co. KG, in which non-controlling shareholders held an interest of 49.5%. These have been recognised as equity transactions with shareholders in the adjustment item and as non-controlling interests in the opening balance. Due to the acquisition of the remaining shares in BMB GmbH & Co. KG by Tele Columbus Multimedia GmbH in September 2014, the related liabilities were recognized directly in equity.

Relationships with members of the management board and the supervisory board

Apart from the compensation there were no other transactions, such as rendering of services or granting loans, between the entities of the Group and the members of the Management Board or the Supervisory Board of Tele Columbus AG or the board members of Tele Columbus Holdings S.A. and its direct and indirect subsidiaries, as well as their close family members in the reporting period and the comparison period.

E.5 Financial instruments

	Note	Measurement categories	30/09/2014	31/12/2013
			KEUR	KEUR
Financial assets				
Investments in non-consolidated subsidiaries		Available-for-sale financial assets	0	515
Receivables from related parties	E.4.2	Loans and receivables	2,366	11,583
Trade receivables	D.7	Loans and receivables	21,215	18,931
Other financial receivables		Loans and receivables	3,268	8,604
Cash and cash equivalents	D.8	Loans and receivables	36,101	70,539
Financial liabilities				
Interest-bearing liabilities	D.13	Financial liabilities measured at amortised cost	632,833	621,650
Liabilities to related parties	E.4.2	Financial liabilities measured at amortised cost	3,574	15,831
Trade payables		Financial liabilities measured at amortised cost	72,808	75,889
Thereof lease liabilities		*Financial liabilities measured at amortised cost*	*35,691*	*34,921*
Other financial liabilities		Financial liabilities measured at amortised cost	322	4,635

Measurement categories of financial instruments (IAS 39)	30/09/2014	31/12/2013
Available-for-sale financial assets	0	515
Loans and receivables	62,950	109,657
Financial liabilities measured at amortised cost	709,537	718,005

The principles and methods of fair value measurement used in preparing the financial statements for the period being reported are basically the same as those used in preparing the combined financial statements. Detailed explanations concerning measurement principles and methods can be found in the combined financial statements for the financial years as at 31 December 2013, 2012 and 2011.

In determining the fair value of an asset or liability, the Group uses data observable in the market insofar as possible, according to IFRS 13. Based on the input factors used in the valuation techniques, the fair value is allocated to different levels in the fair value hierarchy:

- Level 1: Listed (unadjusted) prices on active markets for the same asset or liability.
- Level 2: Valuation parameters are not related to listed prices recognised at level 1 but are observable for the asset or the liability either directly (i.e. as price) or indirectly (i.e. as derivation of prices).
- Level 3: Valuation parameters for assets or liabilities not based on observable market data.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. In the first nine months of the 2014 financial year no reclassifications between different levels of the fair value hierarchy occurred.

The available-for-sale financial assets as of 31 December 2013 include investments in non-consolidated subsidiaries. Since there is no active market for these companies and the fair values cannot be determined with reasonable effort, these assets are measured at cost pursuant to IAS 39.46c. If any indications of lower fair values arise, these are recognised. With economic effect as of 19 August 2014, Tele Columbus Multimedia GmbH sold and transferred any and all shares held in RFC Radio-, Fernseh und Computertechnik GmbH (RFC) to Tele Columbus Beteiligungs GmbH.

Short-term financial instruments such as trade receivables and payables as well as receivables from related parties are recognised at their carrying amount, which are reasonable estimates of the fair value due to the

relatively short-term maturity of these financial instruments. The carrying amounts of other financial receivables and other financial liabilities with short-term maturities correspond to their current market values.

Long-term financial instruments are presented at their present value in the statement of financial position. It is assumed that the present values of long-term receivables from and liabilities to related parties as well as other long-term financial receivables and liabilities essentially correspond to their fair values.

The carrying amounts of the interest-bearing liabilities to banks do not correspond to their fair values as the interest rates for these liabilities are eventually adjusted to the actual market conditions. Carrying amounts of leasing-liabilities also do not correspond to their fair values since they are not regularly adjusted to current market conditions.

The fair value of interest-bearing liabilities to banks amounted to KEUR 733,475 (31 December 2013: KEUR 619,683). The fair value of leasing-liabilities amounted to KEUR 34,512 (31 December 2013: KEUR 35,346). Additional finance leasing liabilities of BIG amount to a nominal value of 2,570 KEUR (provisional character of data see part "B Group of consolidated entities").

E.6 Events after the reporting date of the interim financial statements

The Group is currently considering an IPO. Associated with this intention is the reduction of the leverage. As part of this process a new financing agreement was agreed that depends on the occasion of an IPO before 31 December 2014.

No other major subsequent events occurred.

Berlin, 14 November 2014

Chief Executive Officer
- Ronny Verhelst -

Chief Financial Officer
- Frank Posnanski -

Combined Financial Statements
for the financial years as at December 31, 2013, 2012 and 2011

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

for the

Tele Columbus Group

I Combined income statement

For the financial years 2013, 2012 and 2011

	Note	2013	2012	2011
		KEUR	KEUR	KEUR
Revenue	E.1	206,222	205,292	204,661
Own work capitalised	E.2	6,877	6,968	6,692
Other income	E.3	26,068	60,023	20,589
Total operating performance		**239,167**	**272,283**	**231,942**
Cost of materials	E.4	−83,783	−91,397	−93,509
Employee benefits	E.5	−31,745	−30,999	−30,997
Other expenses	E.6	−32,473	−32,101	−33,494
EBITDA		**91,166**	**117,786**	**73,942**
Amortisation and depreciation	E.7	−62,832	−62,889	−57,445
EBIT		**28,334**	**54,897**	**16,497**
Profit from investments in associates	B.2	−20	0	65
Interest and similar income	E.8	447	615	506
Interest and similar expenses	E.8	−28,321	−32,252	−34,922
Other finance income/costs	E.9	−485	−51	−2,625
Profit before tax		**−45**	**23,209**	**−20,479**
Income tax expense	E.10	−8,593	−2,712	−1,082
Profit/loss for the year		**−8,638**	**20,497**	**−21,561**
Profit/loss attributable to owners of Tele Columbus Group		−11,963	17,567	−23,908
Profit/loss attributable to non-controlling interests		3,325	2,930	2,347

The following notes are an integral component of these Combined Financial Statements.

II Combined statement of comprehensive income

For the financial years 2013, 2012 and 2011

	Note	2013	2012	2011
		KEUR	KEUR	KEUR
Profit/loss for the year		**−8,638**	**20,497**	**−21,561**
Other comprehensive income				
Expenses and income that will never be reclassified to profit or loss				
Remeasurement of the defined benefit liability (after tax)	E.15	−278	−1,523	604
Total comprehensive income		**−8,916**	**18,974**	**−20,957**
Attributable to:				
Owners of Tele Columbus Group		12,241	16,044	−23,304
Non-controlling interests		3,325	2,930	2,347

The following notes are an integral component of these Combined Financial Statements.

III Combined statement of financial position

As of 31 December 2013, 2012, 2011 and 1 January 2011

	Note	31/12/2013	31/12/2012	31/12/2011	01/01/2011
		KEUR	KEUR	KEUR	KEUR
Assets					
Non-current assets					
Property, plant and equipment	E.11	207,822	206,893	204,476	177,181
Intangible assets and goodwill	E.12	372,172	380,673	386,116	393,091
Shares in non-consolidated subsidiaries	B.1	515	515	530	915
Investments in associates	B.1	283	303	303	42
Receivables from related parties	F.2.2	9,418	9,332	9,245	9,161
Other financial receivables	E.14	1,507	919	777	1,056
Deferred expenses		17	93	224	252
		591,734	598,728	601,671	581,698
Current assets					
Inventories	E.13	1,693	2,495	1,523	3,889
Trade receivables	E.14	18,931	18,488	16,320	16,036
Receivables from related parties	F.2.2	2,165	5,994	2,889	4,923
Other financial receivables	E.14	7,097	18,569	3,758	28,925
Other receivables	E.14	903	1,064	3,749	7,314
Income tax refund claims		1,179	1,271	1,757	1,817
Cash and cash equivalents	F.4	70,539	22,035	45,573	44,469
Deferred expenses		2,200	1,093	1,070	1,147
		104,707	71,009	76,639	108,520
		696,441	669,737	678,310	690,218
Equity and Liabilities					
Equity					
Equity attributable to owners of Tele Columbus Group	E.15	−68,225	−88,727	−107,540	−85,997
Non-controlling interests		6,690	6,147	5,766	5,511
Total equity		−61,535	−82,580	−101,774	−80,486
Non-current liabilities					
Pension plans and other long-term employee benefits	E.16	9,791	9,945	7,715	8,125
Other provisions	E.17	11,361	26,960	20,805	18,023
Interest-bearing liabilities	E.18	43,507	601,924	597,024	2,124
Liabilities to related parties	F.2.2	13,229	19,365	19,119	16,844
Trade payables	E.19	32,660	26,970	25,556	17,733
Deferred income/revenue	E.20	1,181	86	80	86
		111,729	685,250	670,299	62,935
Current liabilities					
Other provisions	E.17	4,751	2,792	3,185	2,846
Interest-bearing liabilities	E.18	578,143	11,197	13,692	585,152
Trade payables	E.19	43,229	27,885	30,573	36,458
Liabilities to related parties		2,602	8,670	2,259	2,384
Other financial liabilities	E.21	4,635	4,286	38,062	41,832
Other payables	E.21	8,042	7,180	15,627	32,856
Income tax liabilities		684	403	1,793	827
Deferred income/revenue	E.20	4,161	4,654	4,594	5,414
		646,247	67,067	109,785	707,769
		696,441	669,737	678,310	690,218

The following notes are an integral component of these Combined Financial Statements.

IV Combined statement of cash flows

For the financial years 2013, 2012 and 2011

	Note	2013	2012	2011
		KEUR	KEUR	KEUR
Cash flows from operating activities				
Earnings before interest and taxes (EBIT)		**28,334**	**54,897**	**16,497**
Amortisation and depreciation	E.7	62,832	62,889	57,445
Losses (+) / gains (-) on sale of property, plant and equipment		−1,336	−822	−1,378
Increase (-) / decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities		−5,522	−3,244	30,794
Increase (+) / decrease (-) in provisions, trade and other payables not classified as investing or financing activities		−4,505	−34,306	−23,919
Income tax paid		−7,503	−2,358	2,488
Net cash from operating activities		**72,300**	**77,056**	**81,927**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		4,565	1,918	2,549
Acquisition of property, plant and equipment	E.11	−41,413	−48,844	−61,507
Acquisition of intangible assets	E.12	−6,726	−7,559	−5,870
Acquisition of investment property		−750	0	−196
Interest received		361	528	422
Net cash used in investing activities		**−43,963**	**−53,957**	**−64,602**
Cash flows from financing activities				
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH		32,743	2,770	1,761
Payment of financial lease liabilities		−4,864	−3,008	0
Dividends paid		−2,783	−2,549	−2,092
Proceeds from loans, bonds or short-term or long-term borrowings from banks		8,223	2,900	47,765
Repayment of borrowings and short-term or long-term borrowings		−3,534	−1,765	−49,394
Interest paid		−24,031	−29,843	−14,542
Net cash from (used in) financing activities		**5,754**	**−31,495**	**−16,502**
Cash and cash equivalents at the end of the reporting period				
Net increase/decrease in cash and cash equivalents		34,091	−8,396	825
Cash and cash equivalents at the beginning of the reporting period		22,035	45,573	44,469
Cash and cash equivalents at the end of the reporting period		**56,126**	**37,177**	**45,294**
Less/plus release of restricted cash and cash equivalents in the financial year		14,413	−15,142	279
Cash and cash equivalents at the end of the period		**70,539**	**22,035**	**45,573**

The following notes are an integral component of these Combined Financial Statements.

V Combined statement of changes in equity

For the 2013, 2012 and 2011 financial years

	Note	Net assets attributable to Tele Columbus Group	Non-controlling interests	Total equity
Balance at 01/01/2011	**E.15**	**−85,997**	**5,511**	**−80,486**
Profit (+) / loss (−)		−23,908	2,347	−21,561
Other comprehensive income		604		604
Total Comprehensive Income				***−20,957***
Distributions			−2,092	−2,092
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH		1,761		1,761
Balance at 31/12/2011	**E.15**	**−107,540**	**5,766**	**−101,774**
Profit (+) / loss (−)		17,567	2,930	20,497
Other comprehensive income		−1,523		−1,523
Total Comprehensive Income				***18,974***
Distributions			−2,549	−2,549
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH		2,769		2,769
Balance at 31/12/2012	**E.15**	**−88,727**	**6,147**	**−82,580**
Profit (+) / loss (−)		−11,963	3,325	−8,638
Other comprehensive income		−278		−278
Total Comprehensive Income				***−8,916***
Distributions			−2,782	−2,782
Changes in net assets due to cash effective shareholder transactions with Tele Columbus GmbH		32,743		32,743
Balance at 31/12/2013	**E.15**	**−68,225**	**6,690**	**−61,535**

The following notes are an integral component of these Combined Financial Statements.

VI Notes to the combined financial statements

A General information

Introduction

The management of Tele Columbus GmbH is planning to float the operational business of Tele Columbus Group by making an initial public offering on the stock exchange. The Tele Columbus Group is being reorganised in preparation for a possible initial public offering. In connection with implementing the transaction steps required under company law for achieving the target structure, reference is hereby made to section *F.5 Events after the reporting date of the combined financial statements*.

As part of the reorganisation, all operating investments as well as certain assets and liabilities of Tele Columbus GmbH were spun off to Tele Columbus Holding GmbH (hereinafter referred to as Tele Columbus Group). The spin-off agreement between Tele Columbus GmbH and Tele Columbus Holding GmbH was signed on 19 August 2014. The spin-off was carried out with retroactive economic effect as of 1 January 2014. The entry in the Commercial Register was made on 22 August 2014.

Tele Columbus Holding GmbH was founded on 6 November 2012 and is originally a subsidiary of Tele Columbus GmbH. According to the spin-off agreement dated 19 August 2014, Tele Columbus Holding GmbH was transferred from Tele Columbus GmbH to Tele Columbus Management S.à r.l., the parent of Tele Columbus GmbH (we refer to our explanations in section *F.5 Events after the reporting date of the combined financial statements*). As a result of the reorganisation, Tele Columbus Holding GmbH including the operating investments and spun-off assets and liabilities of Tele Columbus GmbH has been created as a sister group of Tele Columbus GmbH containing its remaining investments and non-transferred assets and liabilities under the control of Tele Columbus Management S.à r.l. The spin-off is to be presented in the IFRS consolidated financial statements of Tele Columbus GmbH as at 31 December 2014, as a transaction between companies under joint control and will not result in the release of hidden reserves or the recognition of derivative goodwill.

Tele Columbus Holding GmbH shall subsequently function as the issuer in the course of the intended initial public offering after the legal form has been changed.

Description of operating activities

The companies in the Tele Columbus Group are cable network operators operating primarily in the eastern German federal states. Approximately 20% of their cable networks are in other areas of the Federal Republic of Germany. The core business is operating and managing broadband cable equipment using own satellite receiving equipment for providing residential apartment complexes of various housing companies and their tenants with television and radio signals, internet as well as telephony services. Operation of the equipment includes the provision of service, maintenance, customer care and collection.

Bases of accounting for the combined financial statements

The combined financial statements of the Tele Columbus Group as at 31 December 2013 present the combined financial position, financial performance and cash flows of Tele Columbus Holding GmbH and the operating investments spun off to it as well as certain assets and liabilities of Tele Columbus GmbH for the 2013, 2012 and 2011 financial years.

The combined financial statements of the Tele Columbus Group as at 31 December 2013, 31 December 2012 and 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). These combined financial statements are the first set of financial statements of Tele Columbus Holding GmbH and have been prepared in accordance with IFRS such that the regulations set out in IFRS 1 were applicable to the first-time adoption of IFRS.

Since Tele Columbus Holding GmbH and the operating investments and certain assets and liabilities of Tele Columbus GmbH for the 2013, 2012 und 2011 financial years, which were spun off to Tele Columbus Holding GmbH as part of the reorganisation, were included in the IFRS consolidated financial statements of Tele Columbus GmbH, Tele Columbus Holding GmbH has applied the simplification provisions set out in IFRS 1.D16(a) to the preparation of the combined financial statements and adopted the values of the assets and liabilities of Tele Columbus Holding GmbH and the operating investments recognised in the IFRS consolidated financial statements of Tele Columbus GmbH as well as certain assets and liabilities to be transferred.

The combined financial statements comprise a combined income statement, a combined statement of comprehensive income, a combined statement of cash flows, a combined statement of changes in equity, combined notes to the financial statements for the 2013, 2012 and 2011 financial years as well as a combined statement of financial position as of 31 December 2013, 2012 and 2011 and as of 1 January 2011.

In the course of the consolidation, all internal Group balances, revenues and expenses as well as all unrealised profits and losses from transactions within the reporting entity were eliminated when preparing the combined financial statements. Furthermore, capital was consolidated based on the existing parent-subsidiary relationships within the Tele Columbus Group. As the transaction in the course of the spin-off is a "common control" transaction, the goodwill capitalised from previous years is continued as before in the course of capital consolidation, as it is not apportionable to the companies not to be spun off. Transactions with companies no longer a part of the new group of consolidated companies are presented as transactions with related parties.

The functional currency of the combined financial statements is the euro. Amounts are stated in thousand euros (KEUR). Due to the rounding off to thousands of euros, there may be rounding differences of up to +/− one thousand euros between the individual disclosures.

The combined financial statements were prepared by the management of Tele Columbus Holding GmbH, Berlin, on 8 September 2014.

Presentation of the reorganisation in the combined financial statements

The spin-off and, by extension, the combined financial statements did not include investments in two non-operating direct subsidiaries of Tele Columbus GmbH and certain borrowings of the Tele Columbus Group from Tele Columbus Management S.à r.l. These shares relate to the following companies:

- NeBeG Media Netzbetreiber-Pool GmbH, Berlin
- Tele Columbus Netze GmbH, Berlin

As at 19 January 2011 the intra-group liabilities and the liabilities to banks were comprehensively restructured. On the basis of reorganisation and valuation expert opinions, bank liabilities were classified as "sustainable" and "non-sustainable". The portions of the loans categorised as non-sustainable, "Amended Senior Tranche B Loan", "Amended Second Lien Tranche B Loan" as well as "Amended Mezzanine Tranche B Loan", were acquired by Tele Columbus Management S.à r.l. from the banks in exchange for the issuance of so-called TPECs (Tracking Preferred Equity Certificates), so that all "B Tranches" were shown as intra-group liabilities.

The "B-tranches", which Tele Columbus GmbH disclosed as liabilities, should not be transferred by means of spin-off to Tele Columbus Holding GmbH. Therefore, they are not presented in the combined financial statements of the Tele Columbus Group.

Furthermore, as part of the debt reorganisation, Tele Columbus Management S.à r.l. assumed the loan liabilities of the Tele Columbus Group (so-called loans 1 to 3) from Rudd S.à r.l. (through Tele Columbus Holdings SA), which were also classified as "non-sustainable". An exception here is the "Super Senior IC Receivable", which represents a loan spin-off from the liabilities of EUR 6.7 million mentioned above and was fully repatriated in the 2013 reporting period and is presented in the combined financial statements.

With the exception of the loan between Tele Columbus Management S.à r.l. and Tele Columbus Berlin Brandenburg GmbH & Co. KG (so-called loan 3), the liabilities from loans 1 and 2 were also not part of the spin-off to Tele Columbus Holding GmbH. Therefore, they are not presented in the combined financial statements of the Tele Columbus Group.

Furthermore, other assets and some liabilities to related parties will remain with Tele Columbus GmbH. These are primarily loan payables to former subsidiaries of Tele Columbus GmbH as well as receivables from and liabilities to the tax authorities which remained with the taxpaying company. Furthermore, the receivables from related parties were in connection with claims for assuming costs incurred for a past due diligence process.

Similarly, the additions and withdrawals of cash and cash equivalents, which existed due to the existing profit and loss transfer agreements and loss transfers between Tele Columbus GmbH and the companies in the combined financial statements, have been recognised in equity as movements in net assets from cash-based owner transactions.

Furthermore, the indirect investment in ImmoMediaNet GmbH & Co. KG was not the subject of the combined financial statements, as it was sold as at 30 June 2013. The proceeds of the sale in 2013 and any distributions during the 2011 to 2013 reporting periods were thus recognised as an owner transaction in the combined financial statements, as these proceeds are attributable to the Tele Columbus Group. Existing claims of the direct investment (NeBeG Media Netzbetreiber-Pool GmbH, Berlin) against Tele Columbus GmbH, Berlin, in relation to the sale of the investment in ImmoMediaNet GmbH & Co. KG, will remain in the company and will not be the subject of the combined financial statements.

Income taxes

The current and deferred taxes presented in the combined financial statements are in accordance with the described reorganisation presented. The deferred taxes on items that were not transferred from Tele Columbus GmbH to Tele Columbus Holding GmbH were not included in the combined financial statements.

The combined financial statements do not include any deferred tax assets for loss and interest carryforwards that were actually incurred in the reporting entity of Tele Columbus GmbH up to 31 December 2013. These loss and interest carryforwards cannot be used by the companies included in the combined financial statements.

B Group of combined entities

B.1 Inclusion in full consolidation

In the 2012 and 2013 financial years, no companies were acquired which warranted inclusion in the combined financial statements in the course of full consolidation. Similarly, there were no disposals of subsidiaries.

In the 2011 financial year the Tele Columbus Group acquired all of the shares in the company Kew S.à r.l., Luxembourg, as well as (indirectly) in the companies Rudd S.à r.l, Luxembourg, and Cable Plus GmbH, Cottbus. The purchase price totalled KEUR 416 (thereof KEUR 400 for Cable Plus GmbH, Cottbus). Due to materiality considerations, Kew S.à r.l., Luxembourg, was not consolidated in 2011. The shares held in the holding company, Kew S.à r.l., valued at KEUR 16, as well as (indirectly) in Rudd S.à r.l., Luxembourg, were sold for a sales price of EUR 1 in the 2012 financial year.

On the whole, the following assets and liabilities were acquired in the course of acquisition of Cable Plus GmbH, Cottbus:

	2011
	KEUR
Property, plant and equipment	19
Liabilities / provisions	−33
Cash and cash equivalents	44
Net assets	30
Purchase price	400

The difference between the purchase price and net assets of KEUR 370 was capitalised as goodwill.

Tele Columbus Holding GmbH as well as the following list of (indirect) subsidiaries of Tele Columbus GmbH, which were transferred to Tele Columbus Holding GmbH by means of spin-off, have been included in the combined financial statements of the Tele Columbus Group.

	Equity share in %			
	31 December			1 January
	2013	2012	2011	2011
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51.00	51.00	51.00	51.00
BMB Geschäftsführung GmbH, Essen	52.00	52.00	52.00	52.00
BMB GmbH & Co. KG, Essen	50.50	50.50	50.50	50.50
Cable Plus GmbH, Cottbus	100.00	100.00	100.00	100.00
ewt TSS Immobilien GbR	99.90	99.90	99.90	99.90
MDCC Magdeburg City-Com GmbH, Magdeburg	51.02	51.02	51.02	51.02
Tele Columbus Baltic GmbH, Jena	0.00	0.00	100.00	100.00
Tele Columbus Bayern GmbH, Berlin	0.00	0.00	100.00	100.00
Tele Columbus Multimedia GmbH, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Kabel Service GmbH, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Cottbus GmbH, Cottbus	100.00	100.00	100.00	100.00
Tele Columbus Hessen GmbH, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Ost GmbH, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Sachsen-Anhalt GmbH, Köthen	100.00	100.00	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Jena	100.00	100.00	100.00	100.00
Tele Columbus Verwaltungs GmbH, Berlin	100.00	100.00	100.00	100.00
Tele Columbus Netze Berlin GmbH, Berlin	100.00	100.00	100.00	100.00

Due to its immaterial impact on the presentation of the financial position, financial performance and cash flows of the group of combined entities, the 100% investment in RFC Radio-, Fernseh- und Computertechnik GmbH, Chemnitz, of KEUR 515 is not fully consolidated but included at cost in the combined financial statements. It is reported under the item "Shares in non-consolidated subsidiaries". The investment is classified as an available-for-sale financial asset pursuant to IAS 39. For measurement, we refer at this point to the sections *D.2 Significant accounting policies and measurement methods* and *F.3.1 Carrying amounts and net profit from financial instruments*.

With effect as of 1 January 2012, Tele Columbus Bayern GmbH, Berlin, and Tele Columbus Baltic GmbH, Berlin, were merged to form Tele Columbus Multimedia GmbH, Berlin, at a carrying amount of KEUR 60 and KEUR 26, respectively.

B.2 Investments in associates

There are only insignificant investments in associates. The expenses relating to AproStyle AG, Dresden, which were stated as equity-accounted investees, amounted to KEUR 20 in the 2013 financial year (2012: KEUR 0). This investment generated gains of KEUR 65 in the 2011 financial year.

Furthermore, there are investments of 48%, respectively, in TV Produktions- und Betriebs GmbH & Co. KG and TV Produktions- und Betriebsverwaltungs GmbH, which were stated at cost in the combined financial statements due to their immateriality.

B.3 Investments in other entities

Due to lack of control or significant influence, the investment of 15.38% in Deutsche Netzmarketing GmbH is stated at cost in the combined financial statements pursuant to IAS 39. The investment was classified as an available-for-sale financial asset and was recognised at cost due to non-determinable fair values.

C Bases of accounting for the combined financial statements

Reporting date for the combined financial statements

The reporting date for all companies included in the combined financial statements is 31 December.

Disclosure and measurement

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

Business combinations

For acquisitions, capital is consolidated by applying the purchase method pursuant to IFRS 3. In the course of capital consolidation, the identified assets and liabilities of the subsidiaries are recognised and measured at fair value or in accordance with the respective IFRS regulations. Furthermore, identifiable intangible assets are capitalised, and contingent liabilities are recognised as liabilities as set out under IFRS 3.23. The remaining difference corresponds to goodwill. For each individual business combination, an entity has the option of measuring the non-controlling interests in the acquired entity either at the applicable share of identifiable net assets in the acquired entity or at fair value. Tele Columbus Group has selected the first option.

Goodwill is tested for impairment at least once a year or where circumstances or changes in circumstances indicate that the carrying amount may have been reduced. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

D Accounting policies and measurement methods

D.1 Significant judgements and estimates

The preparation of the combined financial statements in accordance with IFRS requires assessments, estimates and assumptions having a direct bearing on the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the reporting date as well as on the reported revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current results, actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which they occur, and in future relevant periods.

D.1.1 Significant judgements

In the course of preparing the combined financial statements, the management also made the following judgements in addition to estimates which significantly impact the amounts reported in the combined financial statements.

- Tele Columbus Group as lessor in operating leases:

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

- Tele Columbus Group as lessee in financing leases:

  The Tele Columbus Group leased parts of its network infrastructure for the purpose of signal transmission. IP and HFC connection based on fibre optics are mainly leased. IP connections are the section between the headends while HFC connections cover the section between the headend and the customer. A capacity of bandwidths is leased. The Tele Columbus Group determined in respect of these leases that certain rights were transferred to it and that the leasing period covers most of the economic useful lives of the assets. It therefore classified the leases as finance leases as defined by IAS 17.

D.1.2 Estimation uncertainties

An explanation of the most important forward-looking assumptions and other decisive factors in relation to estimation uncertainties as of the reporting date, which give rise to a significant risk of resulting in material adjustments to carrying amounts of assets and liabilities over the coming financial year is provided below. The carrying amounts are presented in the combined statement of financial position or in the additional explanatory notes to the relevant assets and liabilities.

- Asset retirement obligations:

  The Tele Columbus Group is occasionally required to remove all network facilities and infrastructures when rental agreements come to term. Expectations regarding the waiver of the lessor of the fulfilment of asset retirement obligations are included in the calculation of the best estimate for the obligation relating to the leased network facilities and infrastructures according to IFRS. The management anticipates a low probability of utilisation such that costs for asset retirement obligations were recognised in the financial statements. With regard to asset retirement obligations arising from the business premises rented by the Company, we refer to "*E.17 Other provisions*".

- Provision for onerous contracts:

  Provisions for onerous contracts have been recognised for a long-term signal delivery agreement (2013: KEUR 15,311, 2012: KEUR 28,654, 2011: KEUR 22,627). With regard to this point, we refer to section *E.17 Other provisions*. The signal delivery agreement has a term until 30 June 2018 and provides for minimum payments. In the event of non-compliance with these minimum payments, the Company must make up the difference. Based on the expected subscriber volume and contractually-agreed tiered pricing, the Tele Columbus Group has calculated the anticipated scope of the obligation and compared it with the minimum payments. This calculation indicates that there will be a loss overall.

- Impairments of non-financial assets:

  At each reporting date, the Group reviews whether there is evidence of impairment of its financial assets. Goodwill of KEUR 363,435 is not amortised but is subject to an impairment test each year. Further reviews are performed if there is evidence of impairment. As of 31 December 2013, 2012 and 2011, fair value less costs to sell was invariably used as the recoverable amount in accordance with IAS 36. The measurement of fair value based on non-binding purchase price offers for Tele Columbus GmbH and its subsidiaries was classified as fair value of level 3 pursuant to IFRS 13 based on the input factors of the measurement technique used. As, in the course of the planned reorganisation, all operating investments of Tele Columbus GmbH will be transferred to Tele Columbus Holding GmbH with retention of certain liabilities in a spin-off, the Tele Columbus Group assumes that the fair value can be derived from the respective non-binding purchase prices as well as from other internal measures. We refer to our explanations in section *A. General information* and *E.12 Intangible assets*.

- Recognition of deferred tax assets:

  Deferred taxes are capitalised if sufficient taxable income is expected in future periods that can be offset against already existing deferred asset differences. Judgements by the management concerning the amount and timing of income to be taxed in the future as well as future tax arrangements are necessary for the calculation of deferred tax assets. Based on current planning, deferred tax assets are only recognised for temporary differences in the amount of deferred tax liabilities. Any use of additional tax relief options is not expected during the planning horizon. Deferred taxes on loss and interest carryforwards were not recognised, as they cannot be used by the companies included in the combined financial statements following the planned reorganisation.

- Recognition of non-controlling interests in BMB GmbH & Co. KG:

  For the initial recognition of the liability in accordance with IAS 32.23 the present value of the possible redemption amount is classified as fair value. Subsequently, the financial liability is measured in accordance with IAS 39, also at fair value, whereby adjustments are recognised through profit in the income statement. The present value of the expected redemption amount is determined as the value of the minority interests through valuation multiples emanating from the entity value of the entire Group. For the recognition of the liability at fair value, an estimate must also be made regarding the point in time payment is expected to be made. On the basis of § 723 (2) of the German Civil Code (Bürgerliches Gesetzbuch (BGB)), Termination by Shareholder, the Tele Columbus Group assumes that this point in

time will be no sooner than in 25 years. Therefore discounting will be calculated by applying the equity discount rate emanating from the impairment test.

D.2 Significant accounting policies

Intangible assets

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

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

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

Expenses for the acquisition of new customers are capitalised as intangible assets if they are payments to external third parties directly connected with the conclusion of a contract and if they comply with the recognition and measurement criteria for intangible assets pursuant to IAS 38. Such expenses are amortised over an initial minimum contract term of 1 to 2 years.

Goodwill and intangible assets with indefinite useful lives are not amortised according to plan but are assessed by means of annual impairment tests for possible impairment. Further reviews are performed if there is evidence of impairment. The impairment test is carried out on the basis of the applicable cash generating unit to which goodwill is allocated.

Estimated economic lives are assessed at each reporting date and adjusted if necessary.

Amortisation expenses and impairments are recognised as amortisation expenses in the combined income statement.

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

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairments. Impairments are reversed when the reasons for these impairments have ceased to exist or if impairment has been reduced.

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

Property, plant and equipment are generally depreciated by the straight line method over a period of 3 to 15 years. The cable network infrastructure comprises technical facilities with estimated useful lives of between 8 and 15 years. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualified asset. If they are not attributable, they are expensed in the period incurred.

Customer terminals in the form of receivers are recognised as part of the network infrastructure under technical equipment and depreciated over their estimated useful life of three years. In case of impairments, an impairment loss is also recognised.

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

If there are any indications of impairment and if the recoverable amount is lower than the amortised cost, property, plant and equipment are written down. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In principle, an impairment test is carried out for each asset.

Costs for maintenance and repair are recognised in the period in which they are incurred. Significant subsequent acquisition costs are capitalised when it is sufficiently probable that future benefits expected to flow to the Company will be higher than the benefits previously expected.

Expenses from straight line depreciation and impairments are recognised as depreciation expenses in the combined income statement.

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

Leases

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

In the case of a finance lease, the significant risks and opportunities are transferred to the lessee such that the asset must be capitalised in the statement of financial position of the lessee. Finance lease assets are measured at the beginning of the lease term at the lower of the asset's fair value and the present value of minimum lease payments. The asset is written down straight line over its estimated useful life or the shorter lease term. Future lease payments are recognised as a lease liability under liabilities. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease agreements are also included in sale-and-lease-back agreements. Thus civil law sales transactions do not lead to a disposal of assets if the assets are leased back in conjunction with finance lease agreements and are to be capitalised. Any and all capital gains are deferred over the term of the finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made in connection with an operating lease are recognised in the combined income statement over the term of the lease using the straight line method.

The Tele Columbus Group also leases customer premises equipment (CPE) necessary for receiving digital television and broadband transmission packages to its customers. Such lease arrangements, in which the Tele Columbus Group is the lessor, are classified as operating leases. Consequently, the Company capitalises CPEs as property, plant and equipment at cost. It is not possible to provide information pursuant IAS 17.56 regarding future fees for the provision of CPEs as it is incorporated into the fees for all services provided to customers.

Finance leases, in particular, exist for rented building distribution equipment and leased local cabling on the basis of fibre optic connections. We refer to the explanations given in section *F.1.3 Finance leases*.

Inventories

Inventories are recognised at the lower of cost and net realisable value. The cost of inventories is determined on the basis of weighted average cost. The net realisable value is determined on the basis of appropriate discounts on normal market prices.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. As defined in IAS 32 and IAS 39, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

Financial assets and liabilities are recognised when a company enters into a contractual relationship with a corresponding contracting party.

A financial asset is derecognised when the contractual rights of the financial asset expire or the rights to the financial asset are transferred to another party.

A financial liability is eliminated from the combined statement of financial position when it is repaid, i.e. when the liabilities mentioned in the contract are settled or terminated, or when the financial liability expires.

If the terms of existing financial liabilities are changed significantly, the existing loan based on the previous terms is extinguished, and the loan based on the changed terms is recognised at fair value as required by IAS 39.40. Fair value is determined by discounting the contractually expected future cash flows using an interest rate consistent with the market situation. If the determined fair value deviates from the transaction price, the difference is amortised over the contract term. Financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments, or as available-for-sale financial assets.

The Group determines the classification of its financial assets on initial recognition and reviews this classification at the end of each financial year to the extent permitted and appropriate.

Financial assets are measured at fair value on initial recognition. In the case of other financial investments than those valued at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset are also taken into account. All customary purchases and sales of financial assets are recognised on the trading date, i.e. the date on which the Group commits to purchase the asset. Customary purchases and sales are purchases or sales of financial assets which stipulate the delivery of the asset within a period determined by market requirements or conventions.

This table is an overview of how the respective financial instruments are recognised and measured.

Financial assets	Measurement categories	Cost	Subsequent measurement	Recognition of change in value
1. Shares in non-consolidated subsidiaries	Available-for-sale financial assets	Fair value	Fair value[1]	Other income/other expenses
2. Trade receivables and other financial receivables	Loans and receivables	Fair value	Amortised cost	Other income/other expenses
3. Receivables from related parties	Loans and receivables	Fair value	Amortised cost	Other income/other expenses
4. Cash and cash equivalents	Loans and receivables	Fair value	Fair value	Finance income (costs)

Financial liabilities	Measurement categories	Cost	Subsequent measurement	Recognition of change in value
1. Interest-bearing liabilities	Financial liabilities measured at amortised cost	Fair value less transaction costs	Amortised cost[2]	Finance income (costs)
2. Trade payables and other financial liabilities	Financial liabilities measured at amortised cost	Fair value	Amortised cost	Other income/other expenses
3. Liabilities to related parties	Financial liabilities measured at amortised cost	Fair value	Amortised cost	Other income/other expenses

(1) The equity instruments classified as "available-for-sale financial assets" are reported at cost by the Tele Columbus Group pursuant to IAS 39.46c, as market prices do not exist for this purpose and it is difficult to reliably determine their fair value in the light of the expenditure of reasonable efforts. A disposal of shares is not planned at present. Dividends possibly received are recognised through profit or loss when a legal claim to payment has arisen. In this case, fair value changes are not recognised. According to IAS 39.55b, impairments are recognised through profit or loss.

(2) Amortised cost, including transaction costs, is determined by the effective interest rate method.

Financial instruments measured at amortised cost are impaired if the amortised cost exceeds the present value determined on the basis of the original effective interest rate.

Cash and cash equivalents include cash, demand deposits, checks and pledged cash and cash equivalents.

Available-for-sale financial assets are non-derivative financial instruments which are classified as available for sale and not in the categories: financial assets, which are measured at fair value through profit or loss, or loans and receivables. This category includes equity instruments of non-consolidated companies in which the company has a participating interest. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value pursuant to IAS 39.46, whereby unrealised gains and losses have to be recognised in other comprehensive income. Accumulated gains and losses on measurement at fair value previously recognised in other comprehensive income are recognised in profit or loss when the

financial asset is derecognised. Since the fair value of unquoted equity instruments cannot be determined reliably, the shares are measured at cost pursuant to IAS 39.46c.

We refer to the explanations in section *D.1 Significant judgements and estimates* for how non-controlling interests in partnerships were recognised.

Impairment of financial assets

All financial assets are assessed for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, e.g. the effective interest rate determined at original recognition. Objective evidence that a financial asset or group of assets is impaired includes:

- A default or delinquency of the issuer or obligor
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- Significant financial difficulty of the issuer or obligor
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets

The carrying amount of the asset is reduced by means of an adjustment account. The impairment loss is recognised through profit or loss. If there are any indications that a similar risk structure exists, trade receivables are checked for irrecoverability on a portfolio basis. A portfolio combines receivables with a similar risk structure. Specific loan loss provisions are determined based on the payables due dates of liabilities as well as experience with loan losses in the past.

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

If, in the case of trade receivables, there is objective evidence that not all amounts due are received in accordance with the originally agreed invoicing terms (such as probability of insolvency or significant financial woes of the debtor), impairment is recognised using an adjustment account. The receivables are derecognised if they are classified as irrecoverable.

With respect to shares in non-consolidated subsidiaries, objective evidence of impairment exists if there is a significant or permanent decrease in fair value falling below cost. In this case, fair value measurement is based on an appropriate assessment method if there is any objective evidence indicating such a decrease. Objective evidence includes, among others, significant changes in the technological, market-related, economic or legal environment of the non-consolidated subsidiary. The Group considers a decrease of 20% as significant and a period of nine months as permanent.

Pension plans and other long-term employee benefits

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

Post-employment benefits are classified as being defined benefit plans or defined contribution plans, depending on their economic substance as derived from their principle terms and conditions.

Defined contribution plans

Defined contribution plans are plans for benefits due after employment has been terminated. The Company pays fixed contributions to an independent institution and is not legally or actually obligated to pay additional contributions.

Defined benefit plans

Defined benefit plans are plans for benefits due after employment has been terminated. They do not fall under the definition of defined contribution plans; they are plans legally and actually obligating the Group's companies to pay the pension benefits agreed upon.

Defined benefit plans are measured by the projected unit credit method, which is based on certain assumptions and expectations regarding the increase of salaries and pension payments as well as employee turnover and death rates. The obligations are calculated on an annual basis by independent qualified actuaries. The accumulation of defined benefit retirement benefit obligations is recognised in personnel expenses, in interest expenses and in other comprehensive income.

Should any plan assets be deposited for defined benefit plans, which are used exclusively to secure retirement benefit obligations, such plan assets are to be measured at fair value and are to be recognised at the value of the pension provisions by using the projected unit credit method.

Actuarial gains and losses based on changes in actuarial assumptions as well as differences between standard interest rates for plan assets and the actual interest rates charged are to be recognised in other comprehensive income with no corresponding effect on profit or loss.

Partial retirement agreements

In certain cases employees of some companies are offered partial retirement agreements. These provisions are measured by considering the entitlements of employees arising from the number of years of service to the company.

Anniversary obligations

Employees of some companies are paid anniversary benefits upon having served the company as an employee for a certain number of years. Such provisions are measured by considering employee entitlements based on the number of years served.

Other provisions

A provision is a liability which is uncertain with regard to maturity and/or amount. IFRS requires a provision be set up when a company of the Tele Columbus Group has a current, legal or actual obligation because of a past event, an outflow of resources of economic benefit is likely to be needed to satisfy this obligation, and a reliable estimate of the amount of this obligation is possible. If the Tele Columbus Group expects a refund for a provision, the refund is recognised as a separate asset to the extent the inflow of the refund is as good as secured. If the compounding effect resulting from discounting is significant, provisions are reduced by discounting the prospective future cash flows at a pre-tax interest rate which reflects current market expectations with regard to the interest effect and, if necessary, the risks specific to the liability.

Provisions for onerous contracts

The Tele Columbus Group forms provisions for onerous contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract.

Other provisions

Other provisions were formed for all recognised obligations of the Group in accordance with IAS 37. The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligations at the reporting date.

Deferred income

Private grants and customer advance payments are recognised as deferred income. The amount will be released in accordance with the stipulated term under revenue and other income.

Recognition of income

Income is the gross cash inflow resulting from the ordinary activities of the Tele Columbus Group measured at the fair value of remuneration received or at the remuneration claimed. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating internal sales.

Income is recognised if the amount of income can reliably be determined, and if it is sufficiently likely that the company will gain an economic benefit, and if the criteria below have been fulfilled.

Revenue

The Tele Columbus Group generates revenue in the following key segments: analogue and digital cable television, additional digital services, internet and telephony and transmission fees.

Current proceeds from fixed charges are generally recognised on a straight line basis over the individual term of the contract.

New customers are partly gained through advertising offers, such as a certain number of free months for a contract term of 1 to 2 years. If the customer can terminate the contract within the first free months, no income is received during this period. If a customer has signed a contract with a minimum term, the subscription fees are realised for the minimum term including months free of charge by the straight line method.

All revenue is realised by the straight line method over the entire term. Fees for the use of modems at the beginning of contracts are received throughout a contract term of at least 12 months.

Income from installation charges are realised when they are incurred. This income is offset by corresponding internal and external processing costs for new customers.

Interest income

Interest income is recognised proportionally by using the effective interest method. If a receivable is impaired, its carrying amount is reduced to the recoverable amount. The recoverable amount is estimated by discounting future cash flows by applying the effective interest rate. Compound interest is recognised as interest income from impaired loans by applying the effective interest rate.

Licensing income

Licensing income is deferred as specified in each agreement.

Impairment of non-financial assets

An intangible asset or an item of property, plant and equipment is impaired when the carrying amount of its cash generating unit exceeds the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In the case of technical facilities, an individual building distribution system or satellite system is the cash generating unit.

The recoverable amount of goodwill was determined in the 2013, 2012 and 2011 financial years on the basis of fair value less costs to sell. Under this method the discernible fair value at the reporting date which materialised from sales negotiations with potential investors less costs to sell was used for audit. On this basis the value in use of the goodwill was derived and was compared with the carrying amount for possible impairment. We refer to the comments in section *D.1.2 Estimation uncertainties*.

Fair value measurement according to IFRS 13

The Tele Columbus Group generally measures available-for-sale financial assets at fair value if it can be reliably determined. These financial assets are all shares in non-consolidated subsidiaries that are recognised at cost due to non-determinable market values.

If there are indications of impairment, the fair value is determined based on a valuation model. In addition, plan assets within the meaning of IAS 19 are measured at fair value, however do not fall within the scope of IFRS 13. Furthermore, the fair value for financial assets and liabilities that are measured at amortised cost are stated in the notes. In addition, the latter is determined when testing goodwill for impairment. In this context we refer to our comments in section *D.1.2 Estimation uncertainties*.

The group has established a framework for the determination of fair value. The general responsibility for monitoring all significant measurements at fair value, including fair values of level 3, lies directly with the financial and accounting department of the company preparing the statements, which reports directly to management.

The financial and accounting department performs a regular review of the significant, non-observable input factors as well as valuation adjustments. If information from third parties such as quotes of exchange rate information services are used to determine fair value, the department reviews the evidence obtained from the third parties to conclude that such measurements comply with IFRS requirements including the fair value hierarchy level to which these measurements are classified.

In determining the fair value of an asset or liability, the Group uses data observable in the market insofar as possible. Based on the input factors used in the valuation techniques, the fair value is allocated to different levels in the fair value hierarchy:

- Level 1: Listed (unadjusted) prices on active markets for the same asset or liability.
- Level 2: Valuation parameters are not related to listed prices recognised at level 1, but are observable for the asset or the liability either directly (i.e. as price) or indirectly (i.e. as derivation of prices).
- Level 3: valuation parameters for assets or liabilities not based on observable market data.

If the input factors used to determine the fair value of an asset or liability can be classified at different levels of the fair value hierarchy, the valuation at fair value is allocated entirely to the level of the fair value hierarchy which corresponds to the lowest input factor ultimately significant for the valuation.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. Further information on the assumptions for determining fair value is included in the following disclosure in the notes: section *F.3.1 Carrying amounts and net profit from financial instruments*.

Income taxes

Current income taxes

Tax receivables and liabilities from income tax are determined on the basis of paid or due tax and not discounted. The computation of such tax is based on the tax rates and legal regulations applicable and in force at the reporting date.

Deferred taxes

Deferred taxes are generally considered for all temporary differences arising between the value of an asset or a liability recognised for tax purposes and the carrying amount as defined by IFRS. Deferred taxes for the temporary differences arising from goodwill are only considered if they are recognised for tax purposes.

Deferred tax assets from deductible temporary differences and from tax loss carryforwards are only recognised to the extent that it is reasonably certain the company concerned will earn sufficient taxable income to realise the corresponding benefit or temporary differences are reversed. However, if deferred taxes arise in a transaction, which is not a business combination, at the initial recognition of an asset or liability, which at the time of the transaction neither affects the accounting nor the taxable profit or loss, the tax is not deferred.

The value of deferred taxes is determined by taxable income generated in the future, and it is checked on an annual basis. If it is not reasonably likely that sufficient taxable income can be generated in the future to cover losses carried forward or generated by temporary differences, the deferred tax assets are adjusted by the corresponding amount.

Deferred taxes are measured by applying tax rates (and tax regulations) that are valid or have been enacted by the reporting date and whose application at the time of realising the deferred tax receivable or settling deferred tax liabilities is expected. Deferred tax is measured on a non-discounted basis.

Deferred taxes are recognised under non-current assets or liabilities. However, if changes in measuring assets and liabilities are recognised separately under equity, the change of the corresponding deferred tax asset or liability is also shown separately under equity.

D.3 Compliance with IFRS

Tele Columbus has adopted all IFRSs and IFRIC interpretations for the 2013, 2012 and 2011 financial years applicable to financial years commencing on or after 1 January 2013 and adopted by the EU.

These combined financial statements are the first set of financial statements of Tele Columbus Holding GmbH and have been prepared in accordance with IFRS such that the regulations set out in IFRS 1 were applicable to first-time adoption of IFRS.

Since Tele Columbus Holding GmbH and the operating investments and certain assets and liabilities of Tele Columbus GmbH for the 2013, 2012 und 2011 financial years, which were spun off to Tele Columbus Holding GmbH as part of the reorganisation, were included in the IFRS consolidated financial statements of Tele Columbus GmbH, Tele Columbus Holding GmbH has applied the simplification provisions set out in IFRS 1.D 16 (a) to the preparation of the combined financial statements and adopted the values of the assets and liabilities of Tele Columbus Holding GmbH and the operating investments recognised in the IFRS consolidated financial statements of Tele Columbus GmbH as well as certain assets and liabilities to be transferred.

The following table shows the new or revised standards (IAS/IFRS) or interpretations (IFRIC) that are not yet mandatory in their application in the 2013 financial year and their effects on the Group:

Standard/Interpretation		Mandatory	Adopted by the EU Commission	Impact
IAS 32	Amendments to IAS 32, Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities	01/01/2014	13/12/2012	No material effects
IAS 36	Amendments to IAS 36, Impairment of Assets: Recoverable Amount Disclosures	01/01/2014	20/12/2013	Recoverable amount disclosures in the notes in the event of actual impairment
IAS 39	Amendments to IAS 39, Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	01/01/2014	20/12/2013	No material effects
IFRS 9	Financial Instruments	01/01/2018	open	Subject to a review by management
IFRIC 21	Levies: Accounting for liabilities to pay levies imposed by governments	01/07/2014	13/06/2014	None
Various	Annual Improvements Project 2010 to 2012—Improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38)	01/07/2014	open	Depending on the nature and scope of future transactions

Standard/Interpretation		Mandatory	Adopted by the EU Commission	Impact
Various	Annual Improvements Project 2011 to 2013—Improvements of IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40)	01/07/2014	open	Depending on the nature and scope of future transactions
IAS 19	Amendments to IAS 19 Employee benefits	01/07/2014	open	Depending on the nature and scope of future transactions
IFRS 10	Consolidated Financial Statements	01/01/2014*	11/12/2012	Depending on the nature and scope of future transactions
IFRS 11	Joint Arrangements	01/01/2014*	11/12/2012	Depending on the nature and scope of future transactions
IFRS 11	Changes to the accounting of joint ventures	01/01/2016	open	Depending on the nature and scope of future transactions
IFRS 12	Disclosure of Interests in Other Entities	01/01/2014*	11/12/2012	Disclosures in the notes on interest in other entities, including subsidiaries
IAS 16, IAS 38	Changes clarifying the accepted depreciation and amortisation methods	01/01/2016	open	The effects on the consolidated financial statements are currently being examined
IAS 27	Separate Financial Statements	01/01/2014*	11/12/2012	None
IAS 28	Investments in Associates and Joint Ventures	01/01/2014*	11/12/2012	No material effects
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entity consolidation exemption	01/01/2014	21/11/2013	None
IFRS 10, IFRS 11, IFRS 12	Transition Guidance	01/01/2014	04/04/2013	The effects on the consolidated financial statements are currently being examined
IFRS 14	Regulatory Deferral Accounts	01/01/2016	open	None
IFRS 15	Revenue from Contracts with Customers	01/01/2017	open	The effects on the consolidated financial statements are currently being examined

* Adoption requirements in the EU presented here in deviates from IASB guidelines

Tele Columbus is planning to apply these new standards and interpretations for the first time as of the required effective dates for first-time adoption. Voluntary early adoption solely relates to the amendments to IAS 36, Impairment of Assets: Recoverable Amount Disclosures. The Group has already adopted the amendments to IAS 36 in the combined financial statements under which certain disclosures in the notes on the recoverable amount must be made in the event of an actual impairment.

E Explanatory notes to the combined income statement and to the combined statement of financial position

E.1 Revenue

	2013	2012	2011
	KEUR	KEUR	KEUR
Revenue analogue, ongoing	134,793	139,812	149,748
Revenue, analogue, one-time	1,035	1,161	894
Revenue, internet/telephony	41,546	32,270	26,975
Revenue, ancillary digital services	10,261	10,893	9,100
Revenue, other transmission fees	4,227	4,040	3,874
Revenue Sky	2,229	1,715	2,172
Revenue, shopping channels	1,768	2,245	1,859
Other	10,363	13,156	10,039
	206,222	205,292	204,661

The revenue of the Tele Columbus Group mainly comprises the monthly subscription fees and to a lesser extent the one-time installation and connection charges for basic analogue cable television as well as ancillary digital services. It also comprises fees for accessing high-speed internet and telephony charges. Other proceeds comprise other transmission fees and feed-in charges for Sky Deutschland AG, Unterföhring, as well as for various shopping channels payable to the Group in exchange for feeding in their programmes. Revenue is generated in Germany.

E.2 Own work capitalised

Own work capitalised in the amount of KEUR 6,877 in 2013 (2012: KEUR 6,968, 2011: KEUR 6,692) mainly comprises expenses for work performed by our own employees in connection with expanding our own cable network.

In the 2011 financial year, own work capitalised also comprised additional services in connection with the further development of the "Camelot" customer administration programme.

E.3 Other income

	2013	2012	2011
	KEUR	KEUR	KEUR
Income from the derecognition of liabilities and the release of provisions	14,448	44,832	8,074
Income from dunning fees	1,865	2,844	2,423
Income from subsidies	2,633	3,265	2,371
Income from asset disposals	2,090	1,413	1,651
Income from services	701	295	128
Miscellaneous other income	4,331	7,374	5,942
	26,068	60,023	20,589

Decisive for the increase in other income in 2012 was income from the derecognition of liabilities and the release of provisions of KEUR 44,832. Included herein was the derecognition of a liability for legal disputes in the amount of KEUR 38,000 owing to Kabel Deutschland AG, Unterföhring, having waived repayment claims from 2008.

E.4 Costs of materials

	2013	2012	2011
	KEUR	KEUR	KEUR
Cost of raw materials and consumables	2,092	2,236	3,824
Cost of purchased services/merchandise	81,691	89,161	89,685
	83,783	91,397	93,509

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

The cost of purchased services mainly relates to fees for the reception of signals, for maintenance costs, commissions and other services as well as for changes in inventory for modems and digital receivers.

E.5 Employee benefits

	2013	2012	2011
	KEUR	KEUR	KEUR
Wages and salaries	26,614	24,996	24,411
Social security, pension and other benefits	4,313	4,508	5,038
Other personnel expenses	817	1,495	1,548
	31,745	30,999	30,997

Regarding employee benefits, we refer to section *E.16 Pension plans and other long-term employee benefits*.

E.6 Other expenses

Other expenses were incurred in particular for the following:

	2013	2012	2011
	KEUR	KEUR	KEUR
Legal and advisory fees	7,410	7,964	6,949
Advertising	6,867	7,123	8,179
Office space costs	3,696	4,198	3,985
Provisions for bad debts	4,135	4,925	3,642
Communication costs	1,297	1,684	1,284
IT expenses	2,465	1,294	2,240
Vehicle expenses	1,083	1,069	1,073
Ancillary costs for money transfer	808	812	831
Losses from non-current asset disposals	1,375	590	928
Income from cancellations, prior year	1,471	438	1,181
Travel expenses	395	401	622
Miscellaneous other expenses	1,470	1,603	2,579
	32,473	32,101	33,493

E.7 Amortisation and depreciation

Depreciation relates to property, plant and equipment and amortisation relates to intangible assets. For more information, we refer to the movements in fixed assets in section *E.11 Property, plant and equipment*.

Regarding the impairment test for goodwill, we refer to the explanations in section *E.12 Intangible assets and goodwill*.

In the 2013 financial year impairments of KEUR 535 (2012: KEUR 789, 2011: KEUR 0) were recognised for property, plant and equipment.

E.8 Net interest income/expenses

	2013 KEUR	2012 KEUR	2011 KEUR
Interest income from third parties	360	528	422
Interest income from associates	87	87	84
Interest and similar income	**447**	**615**	**506**
Interest paid to third parties	−28,080	−31,704	−34,378
Interest paid to associates	−241	−548	−545
Interest and similar expenses	**−28,321**	**−32,252**	**−34,922**
	−27,874	**−31,637**	**−34,416**

The interest paid to third parties mainly relates to liabilities to banks. We refer to the explanations in section *E.18 Interest-bearing liabilities*.

E.9 Other finance income/costs

	2013 KEUR	2012 KEUR	2011 KEUR
Changes in the value of financial instruments	−618	−152	−2,518
Profit/loss transfer	133	101	−3
Miscellaneous finance income/costs	0	0	−104
	−485	**−51**	**−2,625**

Changes in the value of financial instruments primarily result from the subsequent measurement of the non-controlling interest in BMB GmbH & Co. KG, which has to be performed in the combined income statement based on the present access method used. In 2011 this was mainly reflected in the change in value of the Super Senior IC Receivable.

E.10 Income taxes

Deferred tax results

in KEUR (expense −, income +)	2013	2012	2011
Deferred tax result due to changes in temporary differences	−2,086	−9,378	−4,205
deferred tax result due to capitalization of deferred tax assets on loss and interest carryforwards	3,329	5,170	8,103
deferred tax result due to changes in value adjustments	−1,366	5,659	−3,610
deferred tax result due to effects from changes in tax rate*	0	−2,216	0
current tax expenses	−2,578	−2,229	−2,111
current tax expenses resulting from prior years	−5,892	281	740
Total tax result	**−8,593**	**−2,712**	**−1,082**

* Changes in tax rate for temporary differences and loss carryforwards

The following table shows the reconciliation between the income taxes and the annual profit multiplied by the applicable tax rate:

in KEUR	2013	2012	2011
Earnings before tax (EBT)	−45	23,209	−20,479
Group tax rate	31.05%	28.80%	31.51%
Expected tax expense (−) / -income (+)	**14**	**−6,684**	**6,453**
Adjustments for prior years	369	0	−2,952
Adjustments impairment/non-recognition	1,366	5,659	−3,610
Changes in tax rate	0	−188	0
Tax-exempt income	7	41	0
Trade tax additions/reductions	−1,042	−1,197	−1,829
Non tax-deductible expenses	−561	−574	−354
Corporate tax effects external shareholder	331	289	286
Non tax-deductible expenses for distributions	−19	−19	−19
Other consolidation effects	−21	−23	−87
Taxes for prior years	−5,892	281	740
Other differences	−414	−298	289
Reported tax expense (−) / -income (+)	**−8,593**	**−2,712**	**−1,082**

The Group's tax rate of 31.05% (2012: 28.80%, 2011: 31.51%) corresponds to the average tax rate of the Group's entities. The change in the average tax rate, in particular, relates to the change in the trade tax multipliers.

Deferred taxes are capitalised for the following types of temporary differences and loss carryforwards as well as for interest carried forward:

in KEUR	31.12.2013	31.12.2012	31.12.2011	01.01.2011
Property, plant and equipment	1,853	420	422	510
Financial assets	355	0	0	0
Intangible asssets	3,719	4,209	4,814	6,366
Receivables and other assets	634	549	587	147
Liabilities and provisions	17,447	18,498	28,944	25,386
Impairment / Non-recognition of deferred tax assets	−5,581	−7,544	−17,671	−22,164
Netting of deferred tax assets/liabilities	−18,429	−16,133	−17,096	−10,244
Deferred tax assets	**0**	**0**	**0**	**0**
Property, plant and equipment	−10,993	−9,489	−10,513	−5,672
Intangible asssets	−3,081	−3,649	−3,732	−1,482
Receivables and other assets	−168	0	0	0
Liabilities and provisions	−4,186	−2,995	−2,851	−3,090
Netting of deferred tax assets/liabilities	18,429	16,133	17,096	10,244
Deferred tax liabilities	**0**	**0**	**0**	**0**
Changes	***0***	***0***	***0***	
thereof recognized in profit or loss	*−123*	*−765*	*289*	
thereof recognized in equity	*123*	*765*	*−289*	

Deferred taxes recognised in equity resulted from provisions for pensions (IAS 19). We refer to section *E.15 Equity*.

Deferred tax assets for property, plant and equipment and intangible assets, in particular, relate to higher tax values in supplementary statements of financial position from business combinations in prior years. Deferred tax assets for liabilities and provisions, in particular, relate to provisions for onerous contracts that are not tax deductible and resulted from the recognition of lease liabilities.

Deferred tax liabilities in property, plant and equipment were recognised on assets capitalised in the Tele Columbus Group.

It is assumed that all deferred tax liabilities will only be reversed after a year and are therefore non-current.

Deferred tax assets and liabilities were offset in accordance with the provisions of IAS 12.74.

Deferred tax assets were only recognised on temporary differences in the amount of the deferred tax liabilities. Any excess in deferred tax assets on temporary differences were written down, as there is reasonable assurance that they will not be used in the foreseeable future. Due to the Company's history of losses and profit planning, recoverability can only be ensured to the extent they are able to be offset against deferred tax assets.

Deferred tax assets for interest carried forward were not recognised, as use of the interest carried forward is not expected in the foreseeable future for lack of sufficient interest income.

As at 31 December 2013, 31 December 2012 and 31 December 2011 the deferred tax assets on tax loss carryforwards and on interest carryforwards were not recognised, as the companies included in the combined financial statements will no longer be able to use all loss and interest carryforwards after the intended restructuring.

No deferred tax assets were recognised on the following deductible temporary differences, tax loss carryforwards and interest carried forward for the following reasons:

in KEUR	31.12.2013	31.12.2012	31.12.2011
temporary differences	17,973	26,194	56,087
loss carryforwards	23,218	16,706	12,597
interest carrfyforwards	28,263	24,055	13,331

No deferred taxes were recognised on 5% of the difference between the proportionate equity recognised in the consolidated statement of financial position for subsidiaries and the corresponding lower valuations of investments in the tax balance sheet totalling KEUR 12,352 in 2013, KEUR 11,079 in 2012 and KEUR 10,353 in 2011 as recognition is not planned at present. For disposals or distributions, 5% of the capital gains and of dividends paid would be subject to taxation in Germany.

E.11 Property, plant and equipment

The following tables show the development of the carrying amounts of property plant and equipment and of intangible assets for the periods from 1 January to 31 December 2013, from 1 January to 31 December 2012 as well as from 1 January to 31 December 2011.

With regard to assets and obligations arising from finance leases, we refer to the explanations in section *F.1.3 Finance leases*.

With regard to the obligations arising from operating leases, we refer to the explanations in section *F.1.4 Operating leases and other financial obligations*.

With regard to the purchase commitments for property, plant and equipment, we refer to the explanations in section *F.1.2 Purchase commitments*.

Development of Non-current Assets for the 2013 Financial Year: Group Totals

	Acquisition costs					Accumulated depreciation / amortisation					Net carrying amounts	
	01/01/2013 KEUR	Additions KEUR	Disposals KEUR	Reclassifications KEUR	31/12/2013 KEUR	01/01/2013 KEUR	Additions KEUR	Disposals KEUR	Impairments KEUR	31/12/2013 KEUR	31/12/2013 KEUR	31/12/2012 KEUR
I. Intangible assets												
1. Goodwill	511,746	0	0	0	511,746	148,310	0	0	0	148,310	363,436	363,436
2. Patents, licenses, similar rights and software	31,209	906	10	0	32,105	28,279	1,232	0	5	29,506	2,599	2,930
3. Internally generated software	398	136	0	0	534	269	163	0	0	432	102	129
4. Customer base	97,184	5,689	0	0	102,873	83,005	13,832	0	0	96,837	6,036	14,179
	640,537	6,731	10	0	647,258	259,863	15,227	0	5	275,085	372,173	380,674
II. Property, plant and equipment												
1. Real property	2,785	0	0	0	2,785	894	65	0	0	959	1,826	1,891
2. Technical facilities	743,360	49,715	44,729	−428	747,918	545,002	45,091	535	42,665	547,963	199,955	198,358
3. Other installations, operating and office equipment	27,173	2,042	3,328	0	25,887	23,494	1,914	0	2,181	23,227	2,660	3,679
4. Assets under construction	2,965	0	13	428	3,380	0	0	0	0	0	3,380	2,965
	776,283	51,757	48,070	0	779,970	569,390	47,070	535	44,846	572,149	207,821	206,893
	1,416,820	58,488	48,080	0	1,427,228	829,253	62,297	535	44,851	847,234	579,994	587,567

Development of Non-current Assets for the 2012 Financial Year: Group Totals

	Acquisitions costs					Accumulated depreciation / amortisation					Net carrying amounts	
	01/01/2012 KEUR	**Additions KEUR**	**Disposals KEUR**	**Reclassifications KEUR**	**31/12/2012 KEUR**	**01/01/2012 KEUR**	**Additions KEUR**	**Disposals KEUR**	**Impairments KEUR**	**31/12/2012 KEUR**	**31/12/2012 KEUR**	**31/12/2011 KEUR**
I. Intangible assets												
1. Goodwill	511,746	0	0	0	511,746	148,310	0	0	0	148,310	363,436	363,436
2. Patents, licenses, similar rights and software	30,300	909	0	0	31,209	27,269	1,010	0	0	28,279	2,930	3,031
3. Internally generated software	300	98	0	0	398	88	181	0	0	269	129	212
4. Customer base	90,632	6,552	0	0	97,184	71,195	11,810	0	0	83,005	14,179	19,437
	632,978	7,559	0	0	640,537	246,862	13,001	0	0	259,863	380,674	386,116
II. Property, plant and equipment												
1. Real property	2,785	0	0	0	2,785	829	65	0	0	894	1,891	1,956
2. Technical facilities	699,182	52,328	13,620	5,470	743,360	510,383	46,452	789	12,623	545,002	198,358	188,799
3. Other installations, operating and office equipment	26,290	1,073	406	216	27,173	21,220	2,581	0	307	23,494	3,679	5,070
4. Assets under construction	8,651	0	0	−5,686	2,965	0	0	0	0		2,965	8,651
	736,908	53,401	14,026	0	776,283	532,432	49,098	789	12,930	569,390	206,893	204,476
	1,369,886	60,960	14,026	0	1,416,820	779,294	62,099	789	12,930	829,253	587,567	590,591

Development of Non-current Assets for the 2011 Financial Year: Group Totals

	Acquistion costs						Accumulated depreciation / amortisation				Net carrying amounts	
	01/01/2011 KEUR	Merged additions KEUR	Additions KEUR	Disposals KEUR	Reclassifications KEUR	31/12/2011 KEUR	01/01/2011 KEUR	Additions KEUR	Disposals KEUR	31/12/2011 KEUR	31/12/2011 KEUR	31/12/2010 KEUR
I. Intangible assets												
1. Goodwill	511,376	370	0	0	0	511,746	148,310	0	0	148,310	363,436	363,066
2. Patents, licenses, similar rights and software	29,502	0	798	0	0	30,300	26,205	1,064	0	27,269	3,031	3,297
3. Internally generated software	0	0	300	0	0	300	0	88	0	88	212	0
4. Customer base	86,230	0	4,402	0	0	90,632	59,502	11,693	0	71,195	19,437	26,728
	627,108	370	5,500	0	0	632,978	234,017	12,845	0	246,862	386,116	393,091
II. Property, plant and equipment												
1. Real property	2,785	0	0	0	0	2,785	764	65	0	829	1,956	2,021
2. Technical facilities	656,153	0	66,773	19,739	– 4,005	699,182	487,304	42,001	18,922	510,383	188,799	168,849
3. Other installations, operating and office equipment	23,914	19	2,976	619	0	26,290	18,950	2,535	265	21,220	5,070	4,965
4. Assets under construction	1,346	0	3,300	0	4,005	8,651	0	0	0	0	8,651	1,346
	684,198	19	73,049	20,358	0	736,908	507,018	44,601	19,187	532,432	204,476	177,181
	1,311,306	389	78,549	20,358	0	1,369,886	741,035	57,446	19,187	779,294	590,591	570,272

E.12 Intangible assets and goodwill

With regard to movements in intangible assets and goodwill, we refer to the explanations in section *D.1 Significant judgements and estimates* as well as in section *E.11 Property, plant and equipment*.

The impairment tests for goodwill were carried out at the level of the cash generating unit, which is allocated to goodwill. As in prior years, the cash generating unit (CGU) is formed at the level of the entire Tele Columbus Group in accordance with internal planning.

If the carrying amount of the CGU including goodwill exceeds its recoverable amount, impairment exists as defined in IAS 36. As stated in IAS 36.18, the recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Impairment tests are performed in the Tele Columbus Group based on the relevant fair value less costs to sell and value in use.

Impairment testing is performed in the Tele Columbus Group on the basis of the respective fair value less costs to sell. For the years 2011 to 2013 purchase price offers were available for impairment testing. These purchase price offers respectively related to the Tele Columbus Group before its effort to restructure and spin-off certain assets and liabilities as described in section *A. General information*. Due to the fact that all operating investments of Tele Columbus GmbH will be spun off to Tele Columbus Holding GmbH, the original purchase price offer is still deemed appropriate as the minimum recoverable amount of the Tele Columbus Group.

The measurement at fair value, on the basis of the purchase price offer available, was based on the input factors of the measurement technique used, classified as fair value of level 3. In this context we refer to section *D.2 Significant accounting policies and measurement methods*.

Relevant measures for the impairment tests were, among others, especially EBITDA multiples derived from a group of publicly-listed national and international cable operators. Thereby the EBITDA for the most recent period as well as analyst forecasts were used. The aforementioned purchase price offers in combination with the internal calculations are overall the best estimates. On the basis of the respective purchase price offers available, a recoverable amount results which is higher than the carrying amount of the CGU. The Tele Columbus Group therefore does not see the need for any impairment.

Regarding the internal calculation of the fair values less costs to sell for the CGU, the management is of the opinion that no reasonable change in EBITDA could lead to a scenario where the carrying amount of the net assets of the CGU exceed the recoverable amount of the CGU. However, a significant decrease in EBITDA or a EBITDA-multiple of more than 14% (2012: 13%; 2011: 10.9%) or 23% (2012: 20.8%; 2011: 10.9%) could lead to an impairment of goodwill.

There are therefore no indications of impairment as defined in IAS 36.

Included in intangible assets with a carrying amount as at 31 December 2013 of KEUR 372,173 in 2013 (2012: KEUR 380,674; 2011: KEUR 386,116) are goodwill with a carrying amount of KEUR 363,436 (2012: KEUR 363,436; 2011: KEUR 363,436) and other intangible assets KEUR 8,737 (2012: KEUR 17,238; 2011: KEUR 22,680) that are recognised. Thereby these are essentially capitalised expenses for acquiring new customers as well as for capitalised licenses, similar rights and software. For further detail regarding the respective development of non-current assets we refer to *E.11 Property, plant and equipment*. Due to the finite useful life of the intangible assets, impairment tests are only performed if there has been a triggering event. In this conjunction no expenses for write-downs were realised in the period under review.

E.13 Inventories

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Modems and receivers	1,342	2,394	1,036	3,835
Other inventories	351	101	487	54
Inventories	1,693	2,495	1,523	3,889

The inventories comprised digital receivers, modems, network materials, and spare parts for repairs. Depending on their intended use, customer terminals that are reported in inventories are recognised as investment or expense upon start-up. The Group reclassifies the customer terminals as property, plant and equipment if they are transferred to the customer for use. The Group recognises customer terminals as

costs of materials, if they are acquired by the customer. Cost of maintenance and the replacement of customer terminals are also expensed.

In the 2013 financial year, impairment losses amounted to KEUR 30 (2012: income of KEUR 47, 2011: expenditure of KEUR 17). Corresponding losses and income from the release of provisions for bad debts are disclosed in costs of materials.

E.14 Trade receivables, other receivables and other financial receivables

	31/12/2013	31/12/2013	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Trade receivables—gross	43,013	43,046	40,028	37,983
Impairments	−24,084	−24,558	−23,709	−21,947
Trade receivables—net	18,930	18,488	16,320	16,036

In addition, trade receivables to related parties exist, in this regard we refer to the comments made in section *F.2.2 Intra-group receivables and payables*.

Impairment losses are recognised under other expenses. We refer to the explanations in *F.3.1 Carrying amounts and net profit from financial instruments*.

With regard to trade receivables pledged at their carrying amounts as security for liabilities, we refer to the explanations in section *E.18 Interest-bearing liabilities*.

Development of provisions for bad debts at Group level:

	2013	2012	2011
	KEUR	KEUR	KEUR
1 Jan	24,558	23,709	21,947
Allocation to (specific) bad debt provision	4,191	3,670	3,596
Utilisation / Reversals	−4,665	−2,821	−1,834
31 Dec	24,084	24,558	23,709

There were no overdue receivables that had not been written down.

Other financial receivables primarily consisted of advance payments and reinsurance claims. As at 1 January 2011, there were also additional purchase price claims from the sale of inventories amounting to KEUR 23,825.

Other receivables are mainly VAT receivables.

E.15 Equity

With regard to the development of equity and distributions to non-controlling interests, we refer to the combined statement of changes in equity.

With regard to the management of capital and debt, we refer to the explanations in section *F.3.2 Risk management of financial instruments*.

The valuation reserve consists of the following components:

31 December 2013	Gross value	Deferred taxes	Net value
	KEUR	KEUR	KEUR
Valuation reserve for employee benefits as defined by IAS 19	−1,944	606	−1,338
	−1,944	606	−1,338

31 December 2012	Gross value	Deferred taxes	Net value
	KEUR	KEUR	KEUR
Valuation reserve for employee benefits as defined by IAS 19	−1,542	480	−1,062
	−1,542	480	−1,062

31 December 2011	Gross value	Deferred taxes	Net value
	KEUR	KEUR	KEUR
Valuation reserve for employee benefits as defined by IAS 19	677	−216	461
	677	−216	461

1 January 2011	Gross value	Deferred taxes	Net value
	KEUR	KEUR	KEUR
Valuation reserve for employee benefits as defined by IAS 19	−210	67	−143
	−210	67	−143

E.16 Pension plans and other long-term employee benefits

All pension claims are exclusively derived from "old regulations" for acquired companies. New retirement benefits have not been granted. Entitled employees or (former) managers can claim their pensions from the age of 60 onwards if they were employed by the same company for at least 5 years. The possible retirement age when the pensions can first be claimed is between 60 and 65 years of age; however, it is in some cases possible to claim a pension earlier if a reduction is accepted.

Pension benefits may either be determined beforehand as fixed pension benefits or they may also include pension benefits dependent on the salary development of the person eligible for the benefits. In addition, the pension benefits may also include benefits for occupational disability or for surviving dependants. In some cases it is prescribed that the pension benefits be secured by plan assets, which in the event of insolvency may only be utilised to satisfy the claims of the persons eligible for pension benefits. Employees do not make individual contributions to such pension benefit plans.

The amount of future payments is, in particular, dependent on the increase in pension benefits after the beneficiary has become eligible for payments as well as on interest on plan assets. The defined benefit plans subject the Tele Columbus Group to actuarial risks such as longevity risk and interest rate risk. The commitments resulting from the plans are mainly financed exclusively by the relevant subsidiary. Plans assets as defined by IAS 19 exist only at the subsidiaries BMB GmbH & Co. KG, Essen, and Tele Columbus Multimedia GmbH, Berlin. Pension provisions, which are funded exclusively from internal resources, are matched by sufficient assets with a corresponding term.

Payments are determined by the contractual stipulations. The point in time when payments commence is not pre-determined insofar as the person eligible for the benefits has the possibility to influence commencement within a certain framework. The period assumed for benefit payments is set by the 2005 G mortality tables of Dr. Klaus Heubeck, Cologne. The development of salaries and wages assumed does not have any significant influence on the amount of the provisions or the amount of the payments, as the majority of the persons eligible for benefits have already started receiving them.

The obligations from long-term employee benefits comprise pension provisions, provisions for partial retirement for older employees, and provisions for anniversary benefits. In this case IAS 19 (rev. 2011) was adopted for all years.

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Employee benefits	8,945	8,745	6,802	7,268
Obligations from partial retirement and anniversaries	846	1,200	913	857
	9,791	9,945	7,715	8,125

The employee benefits and the obligations from partial retirement and anniversaries falling due in the subsequent financial year amount to KEUR 573 (2012: KEUR 555, 2011: KEUR 475).

The following table shows the reconciliation of the present value of defined benefit obligations (DBO) to their carrying amounts:

	31/12/2013	31/12/2013	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Present value of defined benefit obligations (DBO)	11,143	10,933	8,976	9,678
Unrealised losses	0	0	0	−210
Plan assets	−2,198	−2,188	−2,174	−2,200
Employee benefits	8,945	8,745	6,802	7,268

The present value of the defined benefit obligations is divided into capital-backed and non-capital-backed pension plans:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Present value of defined benefit obligations (DBO)— capital-backed plans	3,424	3,314	2,746	2,899
Present value of defined benefit obligations (DBO)— non-capital-backed plans	7,720	7,619	6,230	6,779
	11,144	10,933	8,976	9,678

Movements in the present value of defined benefit obligations during the reporting period:

	2013	2012	2011
	KEUR	KEUR	KEUR
Present value of defined benefit obligations as at 1 January	10,933	8,976	9,678
Current service cost	26	11	5
Interest expense	352	461	451
Actuarial gains due to experience adjustments	−77	−80	−168
Actuarial losses due to financial adjustments	494	2,200	−364
Benefits paid	−584	−635	−626
Present value of defined benefit obligations as at 31 December	11,144	10,933	8,976

The present value is calculated on the basis of a weighted average duration of 14 years (2012: 15 years, 2011: 16 years). The duration is the weighted average remaining term for which pension benefits are paid to eligible persons.

The following table shows the movements in plan assets:

	2013	2012	2011
	KEUR	KEUR	KEUR
Plan assets as at 1 January	2,188	2,175	2,200
Interest income from plan assets	64	97	132
Return on plan assets excluding income from standard interest	14	−16	3
Employer contributions	13	13	10
Benefits paid	−81	−81	−170
Plan assets as at 31 December	2,198	2,188	2,175

Plan assets consist of reinsurance, whose management and capital investment are completely and exclusively the responsibility of the insurance companies. Insurance companies predominantly invest in fixed-interest securities and also to some extent in shares and real estate. There is no particular concentration of risk in plan asset investment classifications. The employer contributions expected in the following year amount to KEUR 13 (2012: KEUR 13, 2011: KEUR 13). Plan asset payments expected in the following year amount to KEUR 81 (2012: KEUR 81, 2011: KEUR 76).

The pension expenses incurred were as follows:

	2013	2012	2011
	KEUR	KEUR	KEUR
Current service cost	−26	−11	−5
Net interest paid	−288	−364	−319
	−314	−375	−324

The ongoing service costs are recognised within employee benefits. The net interest expenses are recognised within interest expenses.

Calculation of the present value of employee benefits is based on the following significant assumptions:

	2013	2012	2011
	%	%	%
Interest rate	3.0 - 3.5	3.3 - 3.4	4.67 - 5.4
Anticipated increase in salaries and wages	0.0	0.0 - 2.5	0.0
Future pension increase	1.0 - 2.0	1.0 - 2.0	1.8 - 2.0
Fluctuation	0.0	0.0	0.0

In assuming constancy of the other assumptions, a reasonably expected potential change in one of the determining actuarial assumptions would have changed the defined benefit obligation as follows:

Sensitivity analysis[1]

In thousand euros	Defined benefit obligation	
	Increase	Decrease
Discount rate (1.00% change)	−1,238	1,549
Future pension increase (0.25% change)	68	−65

The fluctuation and the expected increase in salary are considered insignificant valuation assumptions in relation to sensitivity. The anticipated fluctuation and the increase in salary do not have a significant effect due to the low share of active employees.

The 2005 G mortality tables of Dr. Klaus Heubeck, Cologne, continued to be applied as the basis of calculation.

The expenses for the defined contribution plans in 2013 amounted to KEUR 1,927, in 2012 KEUR 1,932 and in 2011 KEUR 1,729.

E.17 Other provisions

The following table shows the development of other provisions in the 2013 financial year:

	01/01/2013	Utilisation	Release	Additions	Compounding	31/12/2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Onerous contracts	29,092	2,738	11,910	1,277	−232	15,490
Asset retirement obligations:	613	0	1	0	0	612
Litigation provisions	39	2	37	10	0	10
Other	8	0	8	0	0	0
	29,752	2,740	11,955	1,287	−232	16,112

Non-current provisions amounted to KEUR 11,361.

The following table shows the development of other provisions in the 2012 financial year:

	01/01/2012	Utilisation	Release	Additions	Compounding	Reclassification	31/12/2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Onerous contracts	23,053	2,435	190	8,522	143	0	29,092
Asset retirement obligations:	573	0	0	21	19	0	613
Litigation provisions	80	42	0	1	0	0	39
Other	284	0	0	0	0	−277	8
	23,990	2,477	190	8,544	162	−277	29,752

Non-current provisions amounted to KEUR 26,960.

1 Pursuant to IAS 19.173(b), the Company has elected to forego disclosure of comparative information for the sensitivity analysis. This therefore refers only to the employee benefits as at 31/12/2013.

The following table shows the development of other provisions in the 2011 financial year:

	01/01/2011	Utilisation	Release	Additions	Compounding	31/12/2011
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Onerous contracts	20,652	−1,943	−663	3,789	1,218	23,053
Asset retirement obligations:	0	0	0	573	0	573
Litigation provisions	177	−1	−96	0	0	80
Other	40	0	0	244	0	284
	20,869	−1,944	−759	4,606	1,218	23,990

Non-current provisions amounted to KEUR 20,805.

Provisions for onerous contracts were recognised in connection with a long-term signal delivery contract (2013: KEUR 15,311, 2012: KEUR 28,654, 2011: KEUR 22,627) and for a lease (2013: KEUR 179, 2012: KEUR 438, 2011: KEUR 425). The high release of provisions in 2013 chiefly resulted from classifying a portion of the provisions as trade payables. It is expected that non-current provisions will mainly be utilised within the next eight years. Discounting was based on the yield curve applicable on the reporting date for interest on German government bonds, which led to a discounting of non-current provisions in line with market rates.

Provisions for asset retirement obligations were formed in conjunction with the expected dismantling measures at leased premises.

Current provisions will be utilised within one year.

It is also likely that the amount of the actual utilisation of the provisions will match the amounts reserved in the provisions at the reporting date.

E.18 Interest-bearing liabilities

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Liabilities to banks	43,507	601,924	597,024	2,124
Non-current interest-bearing liabilities	43,507	601,924	597,024	2,124
Liabilities to banks	568,357	1,044	913	585,152
Accrued interest	9,786	10,153	12,778	0
Current interest-bearing liabilities	578,143	11,197	13,692	585,152
	621,650	613,122	610,716	587,276

In 2011 a comprehensive restructuring of the intra-group liabilities and of the liabilities to banks took place. On the basis of reorganisation and valuation expert opinions, the senior facility and the mezzanine facility were split into "sustainable" and "non-sustainable" parts at the effective date of 19 January 2011. The sustainable part of the senior facility and the mezzanine facility were, in turn, transformed into the "Amended Senior Tranche A Loan", the "Amended Second Lien Tranche A Loan" as well as the "Amended Mezzanine Tranche A Loan", which were allocated to the combined group.

In 2011 the Tele Columbus Group was additionally given a "Super Senior Revolving Facility" for additional capital amounting to EUR 28.3 million as well as a "Super Senior New Term Tranche 2" in the amount of EUR 16.0 million, which were used to write off the liabilities of the interest rate swap. Both of these tranches take precedence. Since debt restructuring in 2009 there have been no swaps for hedging interest rate risks.

At the reporting dates the loan balances (including outstanding interest) of the Tranche A loans as well as the Super Senior obligations were as follows:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Senior Tranche A Loan (term ending on 30/06/2014)	523,433	524,596	527,143	516,685
Second Lien Tranche A Loan (term ending on 31/12/2014)	35,684	33,821	31,797	30,000
Mezzanine Tranche A Loan (term ending on 30/06/2015)	33,790	32,026	30,107	28,300
Super Senior Tranche 2 (term ending on 30/06/2014)	16,386	16,425	16,502	16,000
Super Senior Revolving Facility (term ending on 30/06/2014)	212	218	215	0
	609,505	607,086	605,764	590,985

The interest rate of the Senior Tranche A Loan is the 6-month EURIBOR + 3.25%, and the remaining loans listed have a 6-month EURIBOR interest rate of + 5.00%.

To secure the liabilities to banks, the Tele Columbus Group assigned, or mainly pledged, the following types of collateral:

- Pledge of bank accounts
- Global and separate assignment of receivables, in particular assignment of all existing and future trade receivables
- Pledge of the shares in affiliated companies and associates
- Security transfer of essentially its own head ends, cable networks and office equipment and real property.

Value of the loan collateral pledged as of the respective reporting dates:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Property, plant and equipment	175,937	171,098	146,315	139,493
Shares in affiliated companies	797	818	834	957
Trade receivables	17,085	17,050	15,114	14,928
Cash and cash equivalents	70,539	22,035	45,573	44,469
	264,358	211,001	207,836	199,847

E.19 Trade payables

The increase in non-current trade payables was essentially due to recognising debts from the finance lease relationship for the use of infrastructure facilities (for this we refer to the information given in section *F.1.3 Finance leases*). Current and non-current lease liabilities amount to KEUR 40,225 as at 31/12/2013, KEUR 34,146 as at 31/12/2012 and KEUR 34,620 as at 31/12/2011.

E.20 Deferred income/revenue

Non-current deferred income/revenue under liabilities comprised subsidies received for construction costs and investments. Current deferred income/revenue, in particular, consisted of deferred revenue from customers for prepaid annual fees.

E.21 Other financial payables and other payables

Other financial liabilities are primarily composed of debtors with credit balances. As at 31 December 2011 and 1 January 2011, they also included a liability in the amount of KEUR 38,000 for legal disputes. The provision thereof was released in the 2012 financial year owing to Kabel Deutschland AG, Unterföhring, having waived repayment claims. We refer to our explanations in *E.3. Other income*.

Other payables chiefly included provisions for employee bonuses, the preparation of the financial statements and administration costs.

F Other explanatory notes

F.1 Contingent assets, contingent liabilities and other financial obligations

F.1.1 Contingent assets and liabilities

There were no contingent assets or liabilities as of the 2013, 2012 and 2011 reporting dates.

F.1.2 Purchase commitments

At the reporting dates, the purchase commitments for fixed assets amounted to KEUR 3,048 in 2013, KEUR 6,215 in 2012 and KEUR 16,467 in 2011.

F.1.3 Finance leases

The finance leases within Tele Columbus Group consist of the following contractual components:

Leased asset	Term	Renewal option	Call option	Contingent rent
Technical equipment	1 - 15 years	To some extent	No	To some extent

The following table shows the reconciliation of the future minimum lease payments to the present values of liabilities from the finance lease for office and operating equipment as well as for setting up infrastructures:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Future minimum lease payments	40,225	34,146	34,620	25,747
Finance costs	−5,304	−5,427	−6,274	−5,544
	34,921	28,719	28,346	20,203

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

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Less than one year	7,025	4,819	4,192	2,835
Between one and five years	25,310	19,539	17,639	12,233
More than five years	7,889	9,788	12,789	10,679
	40,225	34,146	34,620	25,747

The maturities of liabilities under finance leases are as follows:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Less than one year	5,501	3,451	2,830	1,781
Between one and five years	21,700	15,760	13,538	8,719
More than five years	7,721	9,507	11,978	9,703
	34,921	28,719	28,346	20,203

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

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Technical equipment	32,195	26,178	25,405	17,794
Operating and office equipment	0	0	0	91
	32,195	26,178	25,405	17,886

With regard to the repayment of finance lease liabilities, we refer to the information provided in the combined statement of cash flows.

F.1.4 Operating leases and other financial obligations

The operating leases within Tele Columbus Group consist of the following contractual components:

Leased asset	Term	Renewal option	Call option	Contingent rent
Buildings	1 - 12 years	To some extent	No	No
Technical equipment	1 - 10 years	To some extent	No	No
Operating and office equipment	1 - 3 years	No	No	No

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

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Less than one year	4,469	2,207	2,678	2,182
Between one and five years	9,164	1,488	2,687	2,299
More than five years	559	44	37	2
	14,192	3,738	5,402	4,483

In the 2013 financial year the expenses incurred for operating leases amounted to KEUR 2,271 (2012: KEUR 2,847, 2011: KEUR 2,369).

The future minimum obligations are based on contractual agreements with regard to future lease payments, for which no liabilities were recognised in the combined statement of financial position. Contractually agreed adjustments (e.g. for inflation) were included in the values described above.

The total of all minimum lease payments under operating and finance leases amounted to KEUR 54,417 in 2013, KEUR 37,884 in 2012 and KEUR 40,022 in 2011.

F.2 Related party disclosures

F.2.1 Legal relationships

The shares held in Tele Columbus Holding GmbH were sold by Tele Columbus GmbH to Tele Columbus Management S.à r.l., Luxembourg, before the intended spin-off. The parent of Tele Columbus Management S.à r.l. is Tele Columbus Holdings S.A., Luxembourg, which was thereby the ultimate parent of Tele Columbus at the reporting dates.

In principle, direct or indirect subsidiaries of Tele Columbus Holdings S.A., as well as associates and joint ventures of the Tele Columbus Holdings Group are regarded as related parties as defined by IAS 24. Furthermore, the managing directors and members of management of Tele Columbus Holding GmbH, Tele Columbus Holdings S.A. as well as Tele Columbus Management S.à r.l. and their close family members are considered related parties of the Tele Columbus Group.

F.2.2 Intra-group receivables and payables

The transactions included in the combined financial statements of the group of consolidated entities of the Tele Columbus Group involving Tele Columbus Holding GmbH as well as involving its subsidiaries that are not to be spun off from Tele Columbus GmbH represent business transactions concluded with related parties.

The following overview shows intra-group receivables and payables:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Receivables from related parties (current)	2,165	5,994	2,889	4,923
Receivables from related parties (non-current)	9,418	9,332	9,245	9,161
Payables to related parties (current)	2,602	8,670	2,259	2,384
Payables to related parties (non-current)	13,229	19,365	19,119	16,844

Current receivables from related parties primarily comprise receivables from RFC Radio-, Fernseh- und Computertechnik GmbH, from Marienfeld Multimedia GmbH and also from NeBeG GmbH as at 1 January 2011. The receivables from RFC Radio-, Fernseh- u. Computertechnik GmbH relate to old accumulated payments from profit or loss transfer agreements, while the receivable from Marienfeld Multimedia GmbH originated from revenue that Marienfeld Multimedia GmbH had invoiced for BMB GmbH & Co. KG. As at 31 December 2012, a receivable from Tele Columbus Management S.à r.l., Luxembourg, in the amount of KEUR 4,784 was accounted for that had resulted from claims against Tele Columbus Management S.à r.l., Luxembourg, because of recharged costs in conjunction with the planned takeover of shares in Tele Columbus by Kabel Deutschland Holding AG, Unterföhring.

Non-current receivables from related parties mainly comprised loan receivables of Tele Columbus Ost GmbH, of Tele Columbus Sachsen-Thüringen GmbH and of Tele Columbus Netze Berlin GmbH from Tele Columbus GmbH. The corresponding loan payables of Tele Columbus GmbH were not transferred to Tele Columbus Holding GmbH in the spin-off.

Current liabilities to related parties essentially refered to liabilities to RFC Radio-, Fernseh- und Computertechnik GmbH. As at 31 December 2012 and 1 January 2011, liabilities from a cash transfer to NeBeG GmbH of KEUR 6,300 and KEUR 686, respectively, were also present.

Non-current liabilities to related parties largely comprised loan payables of Tele Columbus Ost GmbH, of Tele Columbus Sachsen-Thüringen GmbH and of Tele Columbus Netze Berlin GmbH to Tele Columbus Management S.à r.l.

Non-current loan payables to Tele Columbus Management S.à r.l.

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
TC Management S.à r.l., (tranche B loan)	9,299	9,253	9,206	9,161
TC Management S.à r.l. (previously to Rudd S.à r.l.)	119	79	39	0
Super Senior IC Receivable	0	6,733	6,733	4,970
	9,418	16,065	15,978	14,131

Loan to Tele Columbus Management S.à r.l., Luxembourg (tranche B loan):

The "Amended Senior Tranche B Loan" is repayable to Tele Columbus Management S.à r.l. such that the Tele Columbus Group reports this loan as liabilities to related parties as of the respective reporting dates.

Loans overview tranche B		Interest	Term	Carrying amount including capitalised interest in KEUR	Repayment amount including capitalised interest in KEUR
31/12/2013	Amended Senior Tranche B Loan	0.5%	19/01/2021	9,299	9,299
31/12/2012	Amended Senior Tranche B Loan	0.5%	19/01/2021	9,253	9,253
31/12/2011	Amended Senior Tranche B Loan	0.5%	19/01/2021	9,206	9,206
01/01/2011	Amended Senior Tranche B Loan	0.5%	19/01/2021	9,161	9,161

In conjunction with debt restructuring in 2011, the tranche B loans were recognised at their fair values.

The loans and the interest accrued are to be repatriated at the end of the term.

Loan to Tele Columbus Management S.à r.l., Luxembourg, (former loan to Rudd S.à r.l.)

Furthermore, Tele Columbus Management S.à r.l., Luxembourg, acquired the following loan from Rudd S.à r.l. (via Tele Columbus Holdings S.A., Luxembourg) in conjunction with debt restructuring, such that the liabilities to Tele Columbus Management S.à r.l., Luxembourg, were as follows as of the reporting dates:

Loans overview (formerly Rudd)		Interest	Term	Carrying amount including capitalised interest in KEUR	Repayment amount including capitalised interest in KEUR
31/12/2013	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec. 2017	119	7,901
31/12/2012	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec 2017	79	7,861
31/12/2011	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec. 2017	39	7,821
01/01/2011	Loan no. 3 (thereof TC Berlin-Brandenburg)	0.5%	Dec. 2017	0	7,782

Retroactive adjustment of the terms was agreed upon for this loan on 29 December 2010 with effect as of 1 January 2010 to a standard 1.0% and from the date of effectiveness of debt restructuring to a standard 0.5% p.a. The loan is repayable at maturity. Pursuant to IAS 39.40, changes in loan terms in conjunction with debt restructuring resulted in a derecognition of the previous liability and a re-recognition of the liability with the changed terms based on fair value.

Subordination of this loan was been agreed upon. For this loan it was assumed that the fair value amounts to EUR 1. The loan is to be eliminated from liabilities and accounted for in equity.

Loan to Tele Columbus Management S.à r.l., Luxembourg, (Super Senior IC Receivable)

As at 1 January 2011, there was a liability from a depreciated loan of KEUR 4,970 (Super Senior IC Receivable) which bore interest at a rate of 5.5% plus 6 month EURIBOR. In 2011, this loan was revalued through profit or loss to a nominal value of KEUR 6,733. This loan was repaid in the 2013 financial year.

With regard to the interest income and interest payable to related parties, we refer to the explanatory notes to interest income/loss in Section *E.8 Net interest income/expenses*.

Terminable non-controlling interests of BMB GmbH & Co. KG

Furthermore, terminable non-controlling interests of KEUR 3,810 (2012: KEUR 3,300, 2011: KEUR 3,140) are stated under non-current liabilities for the partnership BMB GmbH & Co. KG, with non-controlling interests of 49.5%. These have been recognised in equity as shareholder transactions in the adjustment item and as non-controlling interests in the opening balance.

Expenses and income from transactions with related parties:

	2013	2012	2011
	KEUR	KEUR	KEUR
Sale of merchandise and services			
Associates	786	234	851
Purchases of goods and services			
Associates	2,951	937	1,075
Other			
Parent company			
Income from recharged expenses	0	4,783	0

There were no significant transactions with the associate Aprostyle AG.

F.2.3 Disclosures on management

Composition of management

The management of Tele Columbus is made up as follows:

	2013 financial year	Member of management since/until
Ronny Verhelst	Chief Executive Officer	since January 2011
Dietmar Schickel	Chief Sales Officer	since April 2007 until December 2013
Frank Posnanski	Chief Financial Officer	since August 2011

	2012 financial year	Member of management since/until
Ronny Verhelst	Chief Executive Officer	since January 2011
Dietmar Schickel	Chief Sales Officer	since April 2007
Frank Posnanski	Chief Financial Officer	since August 2011

	2011 financial year	Member of management since/until
Ronny Verhelst	Chief Executive Officer	since January 2011
Dietmar Schickel	Chief Sales Officer	since April 2007
Frank Posnanski	Chief Financial Officer	since August 2011
Andrew James MacCallum	Chief Financial Advisor	from October 2009 until February 2011
Paul Mary Taaffe	Chief Financial Officer	from December 2009 until June 2011

The remuneration of the members of management was as follows:

	2013	2012	2011
	KEUR	KEUR	KEUR
Ongoing remuneration	2,398	1,570	2,091*

* Data include expenses incurred vis-a-vis external third parties

One member of management was granted a loan at an interest rate of 5.0% in 2010. At the reporting date the loan balance was KEUR 62 (2012: KEUR 65, 2011: KEUR 81).

There were no other material transactions, such as rendering of services or granting loans, between the entities of the Tele Columbus Group and members of management of the Tele Columbus Group, the Tele Columbus Management Group and Tele Columbus Holdings Group, respectively, as well as their close family members in the financial years. No business relations were maintained with the managing directors of Tele Columbus Management S.à r.l. and Tele Columbus Holdings S.A.

Share-based payment

The management and other certain senior executives hold shares in Tele Columbus Holdings S.A., Luxembourg, and therefore indirectly in the Tele Columbus Group. The Tele Columbus Management Equity Plan (MEP) is consistent with the incentive plan for management that was envisioned at the time of the restructuring of the Tele Columbus Group on 19 January 2011. The incentive plan is structured so as to give senior managers an initial equity stake in Tele Columbus Holdings S.A. (Topco) with the stake increasing depending on EBITDA hurdles achieved at exit. The MEP has been implemented for two tiers: the first tier being the Topco Board, and the second tier being other senior management. The range of the Topco Board's ownership is 1.6% - 3.6%. The range of the second tier ownership is to be determined by the Board with the maximum aggregate ownership of the two tiers not to exceed 10% of the total equity of Topco. All management is to pay fair value for the equity under the plan.

Each Topco Board member invests directly, holding shares in Topco, and each director's percentage ownership is based on that individual's offer letter agreement. Each director is permitted to purchase additional shares if EBITDA has reached the predetermined hurdles prior to 1 January 2013 or 1 January 2012.

The shares granted to second tier senior managers are completely held by a trustee in the legal form of a limited partnership with a limited liability company as a general partner that is wholly owned by Tele Columbus Management S.à r.l. Each of the second tier managers receives an initially vested stake equal to 20% of their total potential holding. The remaining equity vesting at 20% can increase up to four times per each EBITDA hurdle described above.

MEP participants are only allowed to transfer their management equity to a family trust or pursuant to a tag-along or drag-along sale, to a public offering of Topco or to any of its subsidiaries. Another possibility to sell the shares is a call option in favour of Topco or its authorised representatives. The MEP also includes typical leaver provisions whereby bad leavers (those terminated for cause) shall receive only a nominal amount in consideration for buyback of their equity securities, and good leavers shall receive the fair market value for their initially vested securities (those that are not dependent on exit EBITDA levels).

F.3 Financial instruments and risk management

F.3.1 Carrying amounts and net profit from financial instruments

The following table presents the carrying amounts of the financial instruments included in specific items of the statement of financial position according to the classifications given in IAS 39:

	Note	Measurement categories	31/12/2013	31/12/2012	31/12/2011	1/1/2011
			KEUR	KEUR	KEUR	KEUR
Financial assets						
Investments in non-consolidated subsidiaries		Available-for-sale financial assets	515	515	530	915
Receivables from related parties	F.2.2	Loans and receivables	11,583	15,326	12,134	14,084
Trade receivables	E.14	Loans and receivables	18,931	18,488	16,320	16,036
Other financial receivables	E.14	Loans and receivables	8,604	19,489	4,534	29,981
Cash and cash equivalents	F.4	Loans and receivables	70,539	22,035	45,573	44,469
Financial liabilities						
Interest-bearing liabilities	E.18	Financial liabilities measured at amortised cost	621,650	613,121	610,716	587,276
Liabilities to related parties	F.2.2	Financial liabilities measured at amortised cost	15,831	28,035	21,378	19,228
Trade payables	E.19	Financial liabilities measured at amortised cost	75,889	54,855	56,129	54,191
Thereof lease liabilities	*F.1.3*	*Financial liabilities measured at amortised cost*	*34,921*	*28,718*	*28,345*	*20,203*
Other financial liabilities	E.21	Financial liabilities measured at amortised cost	4,635	4,286	38,062	41,832

Measurement categories of financial instruments (IAS 39)	31/12/2013	31/12/2012	31/12/2011	1/1/2011
Available-for-sale financial assets	515	515	530	915
Loans and receivables	109,657	75,338	78,561	104,570
Financial liabilities measured at amortised cost	718,005	700,297	726,285	702,527

The three-tiered "fair value" hierarchy under IFRS 13 classifies the financial assets and liabilities recognised at fair value based on the data used for fair value determination. The levels of the "fair value" hierarchy and its application to the assets and liabilities of the Tele Columbus Group are as follows:

Level 1: Listed market prices on active markets for the same asset or liability;

Level 2: Information other than listed market prices that, directly or indirectly, is observable price data, and

Level 3: Information on assets or liabilities that are not based on observable market data.

No reclassifications of level 3 to level 2 or level 1 were performed from 2011 to 2013. The financial instruments are measured at amortised cost.

The available-for-sale financial assets include fully investments in subsidiaries that were not consolidated. As market prices do not exist for these subsidiaries and their fair values cannot be determined with reasonable effort, they are measured at cost pursuant to IAS 39.46c. If there are any indications for impairment, they are measured at these lower values. A disposal of these financial assets is not planned at present.

The change in the present value of the available-for-sale financial assets wholly relate to the change in the group of consolidated entities. At this point we refer to section: *B.1 Inclusion in full consolidation*. A need for impairment was not ascertained in the relevant periods.

Due to the short terms of cash and cash equivalents, trade receivables, receivables from related parties, trade payables, and liabilities to related parties and other financial receivables as well as miscellaneous other financial liabilities, it is assumed that their carrying amounts correspond to their fair values.

The fair value of interest-bearing liabilities (including other payables from finance leases) is calculated at the present values of the future expected cash flows. Market interest rates are used for discounting in relation to the corresponding maturities. As the majority of the interest-bearing liabilities have variable interest rates at current market interest rates, their fair values closely correspond to their carrying amounts. The fair value of interest-bearing liabilities to banks amounted to KEUR 619,683 (31 December 2012: KEUR 630,980; 31 December 2011 KEUR 656,786). The fair value of leasing obligations amounted to KEUR 35,346 (31 December 2012: KEUR 29,484; 31 December 2011 KEUR 29,079).

With regard to liabilities to related parties, it was assumed that because the repayment amount was discounted by applying market rates, the amortised costs approximated their fair values.

The table below shows the net profit in relation to the corresponding financial instrument classification:

	Gains/losses through profit or loss			
	Interest	**Impairment**	**Profit/loss from recognition at fair value**	**Net profit**
2013 financial year in KEUR	**Net interest income/expenses**	**Other expenses**	**Other finance income/costs**	
Disclosure in the income statement				
Loans and receivables	447	−4,135	0	−3,688
Financial liabilities measured at amortised cost	−28,321	0	−618	−28,939
Total	−27,874	−4,135	−618	−32,627

	Gains/losses through profit or loss			
	Interest	**Impairment/ derecognition**	**Profit/loss from recognition at fair value**	**Net profit**
2012 financial year in KEUR	**Net interest income/expenses**	**Other expenses/ income**	**Other finance income/costs**	
Disclosure in the income statement				
Loans and receivables	615	−4,925	0	−4,310
Financial liabilities measured at amortised cost	−32,252	38,000	−152	5,596
Total	−31,637	33,075	−152	1,286

	Gains/losses through profit or loss			
	Interest	**Impairment**	**Profit/loss from recognition at fair value**	**Net profit**
2011 financial year in KEUR	**Net interest income/expenses**	**Other expenses**	**Other finance income/costs**	
Disclosure in the income statement				
Loans and receivables	506	−3,642	−107	−3,243
Financial liabilities measured at amortised cost	−34,922	0	−2,518	−37,440
Total	−34,416	−3,642	−2,625	−40,683

Impairments in the form of write-downs of available-for-sale financial assets which are required to be recognised in the income statement pursuant to IAS 39.55b were not performed in the reporting periods.

F.3.2Risk management of financial instruments

Different financial risks arise from the operating activities of the Tele Columbus Group, in particular liquidity risks, risks from changes in interest rates as well as risks from defaults on receivables. The risk management of Tele Columbus is designed to identify possible risks and to mitigate their negative impact on the financial development of the Group. For this purpose, the Tele Columbus Group uses financial instruments to hedge certain risks.

Risk management is handled by the treasury in accordance with the principle of segregation of duties and monitoring. Financial risks are thereby identified, evaluated and secured in collaboration with the operating units. Management has prepared written risk management rules and has defined rules for certain areas such as interest risks, credit risks, the use of derivatives and other financial instruments as well as for the use of excess liquidity.

In the past derivative instruments were solely used for hedging uncertain cash flows due to the risk of changing interest rates. Since debt restructuring in 2009 there have been no interest rate swaps.

Non-derivative financial instruments result from operating activities as well as from investing and financing activities. They include:

Activity	Significant financial instruments
Operating activities	Trade receivables
Investing activities	Non-current receivables
Financing activities	Cash and cash equivalents
	Bonds and loans

F.3.2.1 Liquidity risks

The liquidity risk is the risk that existing liquidity reserves are not sufficient to meet the financial obligations on time. Liquidity risks may also develop when cash flows become necessary owing to operating or investment activities. Furthermore, liquidity risks may develop from financing activities. This would be the case if short-term cash outflows are needed to repay liabilities due to deferred payments, but the operating activities are not generating sufficient cash inflows, and at the same time sufficient liquid funds are not at the Company's disposal for such repayments.

Liquidity projections for specific planning periods and non-utilised credit lines within the Tele Columbus Group with a term until 30 June 2017, are intended to continually ensure a supply of liquidity. As at 31 December 2013 the Tele Columbus Group had at its disposal non-utilised credit lines totalling KEUR 28,267 (2012: KEUR 28,267, 2011: KEUR 28,267). These revolving credit lines were not utilised.

The following table shows the contractually agreed due dates for financial obligations:

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
	KEUR	KEUR	KEUR	KEUR
Less than one year	595,360	11,762	11,866	628,132
Between one and five years	43,202	631,988	641,315	2,297
More than five years	1,563	683	1,917	0
	640,125	644,433	655,097	630,428

Payment obligations for trade payables as well as other payables are shown in the Group's statement of financial position, whereby there are non-current liabilities of this type due within one and five years. With regard to the comprehensive extension of loan agreements, we refer at this point to section *F.5 Events after the reporting date of the combined financial statements*.

Under the financing agreements, a variety of regulations have to be met. In the case of non-compliance, lenders have the opportunity to call in the loans (especially with ING Bank N.V., Amsterdam and Credit Suisse, London Branch). Observance of these covenants is continuously monitored by management. The liquidity risk at non-compliance of these regulations at the respective reporting dates amounted to KEUR 621,650 for 2013, to KEUR 613,122 for 2012, to KEUR 610,716 for 2011 and to KEUR 587,276 for 1 January 2011. The prognostic calculations of the applicable financial covenants prepared by Tele Columbus as a contracting party to the loan agreements indicate for the 2014 financial year that all financial conditions will be fulfilled for 2014 and 2015 due to the suspension of the financial covenants in

2014. The risk of non-compliance with these covenants and the corresponding financing regulations may still have a negative impact on the availability of credit and the assumption of going concern in 2014 and in the following years.

F.3.2.2 Interest risks

The identified risks from interest rate fluctuations mainly refer to loans with variable interest rates.

Non-current financial instruments with variable interest rates, for which the interest rate is linked to a market interest rate, such as EURIBOR, are exposed to risks arising from future cash flows. In the case of financial instruments with fixed interest rates, there is a risk with regard to measurement. Liabilities with fixed and variable interest rates and the corresponding hedge instruments are explained in section *E.18 Interest-bearing liabilities*. At present there are no procedures for hedging or controlling variable interest-bearing liabilities. Market interest rates are monitored in order to take the necessary measures should the need arise to hedge or control interest.

The table below shows how the EURIBOR fluctuations affect the combined income statement:

	2013	2012	2011
	KEUR	KEUR	KEUR
Increase in Euribor by 1%	−6,021	−5,985	−5,930
Decrease in Euribor by 1%	6,021	5,985	5,930

The calculation is based on the portfolio of variable-interest liabilities as at the reporting date multiplied by the respective interest rate adjustment. As the Tele Columbus Group does not use derivative financial instruments, it is exposed to the risks from interest rate fluctuations and consequent cash flows. Therefore, a significant increase in the EURIBOR would directly lead to a significant increase in the interest expense of the Tele Columbus Group. Consequently, the Tele Columbus Group monitors the interest rate environment meticulously and is ready to execute interest hedging transactions, if any, in the appropriate case.

Non-current liabilities at fixed interest rates are measured at amortised cost. The fair value of non-current liabilities can significantly differ from their carrying amounts as the fair value of these liabilities may change depending on how interest rates and the market situation develop in general.

F.3.2.3 Credit risks

There are credit risks with regard to trade receivables, other receivables and cash and cash equivalents. There are trade receivables due from other companies as well as from private customers. Credit risks are based on the default risk of the contracting party concerned.

Preventative and other measures have been taken, and debt-collecting agencies have been involved to mitigate the credit risk of trade receivables.

A part of the preventative measures is to assess the creditworthiness of a customer with regard to credit standing, past experiences and other factors before any contractual relationship is entered into.

Receivables outstanding are impaired at different percentages depending on the dunning level. The percentage rates take into account management's assessment on the respective amount that is likely to be collected. These are primarily based on past experience. In the respective reporting periods only trade receivables were written down. Therefore, Tele Columbus assumes that all unimpaired receivables are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. Wholesale customers are sent reminders on an individual basis. The responsible departments decide whether a reminder is to be sent by considering the special agreements made with these customers. If a customer then does not settle the outstanding payments, the case is referred to a debt-collecting agency, and in the case of commercial customers, solicitors are involved and/or the service to the customer is discontinued.

Trade receivables are written down to the expected amount likely to be collected in accordance with the procedure to determine the specific bad debt charges. Therefore, there is a maximum default risk in the amount of the (active) carrying amounts of these financial assets. Current other financial receivables are assessed individually. Concerning non-current other financial receivables estimated cash flows are discounted using the original effective interest rate.

There have been no swap transactions since the implementation of debt restructuring measures in 2009.

It can be assumed that the impaired carrying amount of trade receivables serves as an approximation of the fair value.

F.4 Explanatory notes to the combined statement of cash flows

Cash and cash equivalents comprise cash and bank deposits.

With regard to unused credit lines, we refer to our explanations in section *F.3.2.1 Liquidity risks*.

With regard to the amount of the collateralised cash and cash equivalents for loans, we refer to our explanations in section *E.18 Interest-bearing liabilities*.

F.5 Events after the reporting date of the combined financial statements

Extension of loan agreements

On 5 February 2014 it was agreed with the banks to comprehensively extend the loan agreements dated 19 January 2011 for the group of consolidated entities. The superior Senior A Facilities and the Mezzanine A Facilities transferring to Tele Columbus Holding GmbH were each extended for three years. The Senior A Facilities have terms ending in 2017 and the Mezzanine A Facilities have terms ending in 2018.

There were further changes in the Senior A Facilities in respect of the interest margin which was increased by 0.5% per annum to 3.75% per annum + 6-month EURIBOR interest rate. In addition, a payment-in-kind (PIK) interest margin amounting to 2.75% per annum was introduced for this purpose and the option to suspend payment of the interest liabilities for 7.70% per annum + EURIBOR and further interest payments at 0.05% per annum after one interest period. The interest agreements not pertaining to the Senior A Facilities have remained unchanged.

Due to margin increases and term extensions, loan covenants such as cash cover, interest cover, debt cover and senior debt cover were suspended until September 2014 and March 2015, respectively. In the case of non-compliance, the lenders may call in the loans. The forecast calculations for adhering to the financial covenants issued by Tele Columbus as the contracting party of the loan agreements show in relation to the 2014 financial year that all financial terms will be complied with due to suspension of the financial covenants for 2014 and 2015 effected in 2014. The risk of non-compliance with the terms of the financial covenants would have negative impacts on the availability of credit for the Company.

Segment Implementation

In connection with the intended IPO, the management of the Tele Columbus Group introduced a segmentation that is intended to be used as the basis for the future control of the Group. In this context, segment information was compiled for the 2013 financial year in retrospect although the Group was not controlled in this manner in the financial year. Compilation of segment information for the 2011 and 2012 financial years, as among other things, there was a product change in the service portfolio of the Group between the 2012 and 2013 financial years and a retrospective reliable classification, especially of costs in 2011 and 2012, would therefore only involve disproportionate expense and a lack of comparability.

The Tele Columbus Group will likely use the segment information explained in the following section as prior year comparative figures for the consolidated financial statements of the Group as at 31 December 2014.

The Tele Columbus Group is managed centrally by the management board of Tele Columbus Holding GmbH as the Chief Operating Decision Maker, (CODM). The management is responsible for operating activities, and the following information will identify how it monitors this reportable segment of the Tele Columbus Group in the future.

Description of the segments

The Group divides its operating activities into two product segments: the cable TV business and the internet and telephony business. For these segments the management of the Group is, at a minimum, to review internal management reports on a monthly basis from August 2014 on.

Relations within individual segments have been eliminated.

TV

The Group offers basic as well as premium programmes in the Cable TV segment. Basic programmes include analogue as well as digital TV and radio services. The premium programme range includes, among others, digital HD (plus HD), digital pay and pay-TV.

Revenue in the TV segment includes cable connection fees and recurring fees for service options of cable connection customers as well as revenue from the conclusion of new contracts and from installation services.

Internet and telephony

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

Revenue is composed of proceeds from the conclusion of new contracts and from installation services as well as monthly contractual and services fees.

Reconciliation to combined financial statements

Business activities and items not directly related to the reportable segments of the Group are reported in the item "Reconciliation to combined financial statements".

Expenses and income not allocated to the operating segments are largely attributable to the central functions of the management and the legal, personnel, finance, procurement and IT departments. Revenues in the amount of KEUR 4,093, which cannot be allocated to operating segments, are related to other revenues to third parties of one subsidiary. With respect to determining the normalised EBITDA of the respective segments, personnel expenses of KEUR 10,927, other revenues of KEUR 3,662 as well as other expenses amounting to KEUR 9,537 were not considered as these expenses are attributable to central functions.

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

In addition, non-recurring items (for a definition we refer to the comments in Segment information) are partly reported in the reconciliation, as they also cannot be allocated to both segments.

The accounting principles of the segment information, except for the elimination of non-recurring items, are in accordance with the principles applied to consolidated financial statements and are similar to IFRS as adopted in the EU, as long as the accounting methods and the criteria used for segmentation are not subject to changes.

Therefore, there is no need for a reconciliation due to differences between internal measurement and measurement with respect to the IFRS, but only the accounts not allocated to reportable segments.

Segment information

Explanation of the standards used for the segments

For the management of the Tele Columbus Group, "normalised EBITDA[1]" is the key financial performance indicator reported separately for each operating segment in the monthly reporting. "Normalised EBITDA" is the earnings before the financial result, income taxes, depreciation of tangible assets, and amortisation of intangible assets and of goodwill. Items comprising the financial result such as earnings from investments in associates, interest income, interest expenses and other financial results reported by using the equity method are not part of "normalised EBITDA".

Furthermore, it does not include "non-recurring items". These are defined by the management as non-recurring, rare or extraordinary expenditures or income if the event is not likely to re-occur over the next two financial years or did not even occur during the past two financial years. Since these items are neither expenses incurred or income mainly generated through operating activities nor related to restructuring, they cannot be used to assess an operating profit or loss.

[1] "Normalised EBITDA is an internal controll parameter defined by the Management of Tele Columbus".

Non-recurring expenses in 2013 mainly related to an intended sale of Tele Columbus as well as severance payments and other personnel costs. Non-recurring income related mainly to the reversal of provisions for one onerous contract for long-term signal delivery.

Financial year 2013	TV	Internet & telephony	Reconciliation to combined financial statements	Group total
	KEUR	KEUR	KEUR	KEUR
Revenue	158,875	43,254	4,093	206,222
Normalised EBITDA	79,452	21,335	−12,710	88,077
Non-recurring expenses/income	9,412	−572	−5,751	3,089
EBITDA	88,864	20,763	−18,461	91,166

A secondary segmenting by geographical criteria is not performed as all revenue is generated exclusively in Germany.

Revenue is generated by a wide variety of customers such that no significant portion is attributable to one or a few external customers.

Share purchase and transfer agreement regarding all shares in Tele Columbus Holding GmbH

With economic effect as of 19 August 2014, Tele Columbus GmbH sold and transferred any and all shares in the Tele Columbus Holding GmbH to Tele Columbus Management S.à r.l. The purchase price for the sold shares amounted to EUR 20,000.00.

Implementation of transaction steps required under company law for achieving the target structure

With economic effect as of 1 January 2014, Tele Columbus GmbH transferred the segments Cable TV and Internet & Telephony to Tele Columbus Holding GmbH, and by extension, largely its entire assets by means of spin-off. The contribution was made as part of a capital increase amounting to EUR 20 million in return for issuance of new shares in Tele Columbus Holding GmbH, which were granted to the shareholder, Tele Columbus Management S.à r.l., free of charge.

Additional contribution of the shareholder to the capital reserve and netting agreements to eliminate shareholder loans

On 19 August 2014, Tele Columbus Management S.à r.l. had repayment claims under the Senior Facility Tranche B Agreement against Tele Columbus Ost GmbH (EUR 6.8 million), against Tele Columbus Sachsen-Thüringen GmbH (EUR 0.7 million) and against Tele Columbus Netze Berlin GmbH (EUR 1.8 million). By shareholder resolution dated 19 August 2014, Tele Columbus Management S.à r.l. made a one-time contribution to the capital reserve of Tele Columbus GmbH. The additional contribution is made under contract law to the capital reserve of the company in accordance with § 272 (2) No. 4 of the German Commercial Code (Handelsgesetzbuch (HGB)). The additional contribution of EUR 9.3 million resulted from assigning the payment claims mentioned above.

Pursuant to the two loan agreements dated 18 June 2010 concluded by Tele Columbus GmbH and by the three subsidiaries of Tele Columbus GmbH mentioned above, the loan payable of Tele Columbus GmbH amounted to EUR 6.8 million to Tele Columbus Ost GmbH, to EUR 0.7 million to Tele Columbus Sachsen-Thüringen GmbH and to EUR 1.8 million to Tele Columbus Netze Berlin GmbH on 19 August 2014.

The relevant contracting parties agreed by netting agreements dated 19 August 2014 that the above reciprocal receivables and payables are to be offset.

By shareholder resolution dated 19 August 2014, Tele Columbus Management S.à r.l. resolved to pledge and make a contribution to the capital reserve of Tele Columbus GmbH in the amount of EUR 7.9 million. The additional contribution is, under contract law, to be made to the Company's capital reserve in accordance with § 272 (2) No. (4) of the HGB. The additional contribution of EUR 7.9 million is to be made by assigning the repayment claimed by Tele Columbus Berlin-Brandenburg GmbH & Co. KG under a loan agreement.

Under the Automatic Cash Management System (ACMS) operated between Tele Columbus GmbH and Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Tele Columbus GmbH, inter alia, owes Tele Columbus Berlin Brandenburg GmbH & Co. KG a paymentof EUR 9.5 million. Under a netting agreement dated 19 August 2014, both companies have agreed to offset the receivables and payables of EUR 7.9 million listed above. The carrying amount of the receivable and the payable was EUR 0.1 million at 31 December 2013 in the combined financial statements.

Share purchase and transfer agreement regarding all shares in RFC Radio-, Fernseh und Computertechnik GmbH

With economic effect as of 19 August 2014 Tele Columbus Multimedia GmbH sold and transferred any and all shares in RFC Radio-, Fernseh und Computertechnik GmbH (RFC) to Tele Columbus GmbH. In order not to indirectly transfer the shares of Tele Columbus Multimedia GmbH in RFC to Tele Columbus Holding GmbH, the parties intend to sell and transfer the shares in RFC to Tele Columbus GmbH.

On 19 August 2014 RFC terminated without notice the control and profit and loss transfer agreement between Tele Columbus Multimedia GmbH and the RFC dated 4 December 2003 with immediate effect. This immediate termination was approved at the extraordinary general meetings of Tele Columbus Multimedia GmbH and of RFC.

Intercompany agreement between Tele Columbus GmbH and Tele Columbus Holding GmbH

With effect as of the date Tele Columbus GmbH transfers its business segments Cable TV and Internet & Telephony to Tele Columbus Holding GmbH by way of a spin-off, Tele Columbus Holding GmbH intends to render certain services to Tele Columbus GmbH and to grant Tele Columbus GmbH a right of use regarding certain premises in order to enable Tele Columbus GmbH to carry out its day-to-day business. On 19 August 2014 an intercompany agreement was signed between both parties. Tele Columbus will receive a yearly consideration of EUR 33,000 for the provided services and the right of use regarding certain premises.

Purchase of all shares in BIG Medienversorgung GmbH

With purchase agreement and loan entry pledge as of 27 August 2014, Tele Columbus Holding GmbH purchased all shares of BIG Medienversorgung GmbH and (indirectly) of Medienwerkstatt GmbH with its legal seat in Mönchengladbach with economic effect as of 1 January 2014. The transfer of shares was subject to the condition of a preliminary payment of the purchase price in the amount of EUR 10.2 million.

Berlin, 8 September 2014

Chief Executive Officer	*Chief Financial Officer*
- Ronny Verhelst -	- Frank Posnanski -

Independent Auditor's Report

To Tele Columbus AG, Berlin

We have audited the accompanying combined financial statements of Tele Columbus Group, which comprise the combined statement of financial position, the combined income statement, combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity and notes to the combined financial statements for the financial years from 1 January to 31 December, 2011, from 1 January to 31 December, 2012 and from 1 January to 31 December, 2013. The reporting entity for the combined financial statements of Tele Columbus Group, which provides cable network services, including the associated service, maintenance, customer care and collection activities, is described in more detail in Section "A General Information" of the notes to the combined financial statements. The notes specify further that the combined financial statements contain an aggregation of financial information of Tele Columbus Group and were prepared based on the books and records of Tele Columbus AG as well as those of the other combined entities. The notes also explain the basis for combining the entities in the combined financial statements.

Management's responsibility for the combined financial statements

The management of Tele Columbus AG is responsible for the preparation of these combined financial statements. This responsibility includes preparing these combined financial statements in accordance with IFRS, as adopted by the EU, to give a true and fair view of the net assets, financial position and results of operations of Tele Columbus Group in accordance with these requirements. The management is also responsible for the internal controls that management determines are necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Section 317 of the German Commercial Code (HGB) and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the combined financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tele Columbus Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit of the combined financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the combined financial statements comply, in all material respects, with IFRS as adopted by the EU, and give a true and fair view of the net assets and financial position of Tele Columbus Group as at 31 December 2011, 31 December 2012, and 31 December

2013 as well as the results of operations for the financial years then ended, in accordance with these requirements.

Berlin, 24 September, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

(original German version signed by:)

Neumann Wirtschaftsprüfer (German Public Auditor)	Büchin Wirtschaftsprüfer (German Public Auditor)

Tele Columbus Holding GmbH, Berlin

Audited Unconsolidated Financial Statements of Tele Columbus Holding GmbH (now the Company)

Prepared in Accordance with the German Commercial Code *(Handelsgesetzbuch)*

as of and for the Financial Year Ended December 31, 2013

I Balance Sheet as at 31 December 2013

	31/12/2013	31/12/2012
Assets		
Current Assets		
Cash and cash equivalents	20,822.85	24,262.07
	20,822.85	**24,262.07**
Equity and Liabilites		
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
II. Loss carryforward	−737.93	
III. Net loss for the financial year	−7,249.22	−737.93
	17,012.85	**24,262.07**
B. Provisions		
Other Provisions	3,810.00	0.00
	3,810.00	**0.00**
	20,822.85	**24,262.07**

II Income Statement for the year from 1 January 2013 until 31 December 2013

	1 Jan. to 31 Dec. 2013	6 Nov. to 31 Dec. 2012*
Other operating income	51.33	0.00
Other operating expenses	7,300.55	737.93
Profit/loss on ordinary activities (EBT)	−7,249.22	−737.93
Net loss for the financial year	−7,249.22	−737.93

* The Company was established with entry in the commercial register on 6 November 2012.

III Statement of cash flows

	2013	2012*
	KEUR	KEUR
Profit/loss for the period	−7,249.22	−737.93
Increase in provisions	3,810.00	0.00
Cash flows from operating activities	**−3,439.22**	**−737.93**
Proceeds from issue of share capital	**0.00**	**25,000.00**
Cash flows from financing activities	**0.00**	**25,000.00**
Net increase/decrease in cash and cash equivalents	−3,439.22	24,262.07
Cash and cash equivalents at the beginning of the period	24,262.07	0.00
Cash and cash equivalents at the end of the period	**20,822.85**	**24,262.07**

* The Company was established with entry in the commercial register on 6 November 2012.

VI Statement of changes in equity

	Tele Columbus Holding GmbH			
	Share capital	Loss carryforward	Net loss for the year	Total equity
	(in €)			
Balance at 6 November 2012	25,000.00*	0.00	0.00	25,000.00
Net income for the year			−737.93	−737.93
Balance at 31 December 2012	25,000.00	0.00	−737.93	24,262.07
Reclassifications		−737.93	737.93	0.00
Additions			−7,249.22	−7,249.22
Balance at 31 December 2013	25,000.00	−737.93	−7,249.22	17,012.85

*) The share capital was already paid in with entry in the commercial register.

Tele Columbus Holding GmbH, Berlin

Notes to the Financial Statements for the 2013 Financial Year

(1) General information

Tele Columbus Holding GmbH was formed on 6 November 2012 with conclusion of the articles of association and entry in the commercial register on 6 November 2012. Accordingly, the comparative period must be considered a short financial year and is therefore only comparable to the reporting period to a limited extent. The share capital was already paid in full at the time of entry in the commercial register.

Tele Columbus Holding GmbH's main purpose is the acquisition and administration of investments as well as the assumption of personal liability and management of trading companies as well as investments in companies of an equal or similar nature.

These financial statements are based on the going concern assumption.

(2) Contents and structure of the financial statements

The financial statements as of 31 December 2013 were prepared in accordance with the provisions of the German Commercial Code (*HGB*) applicable to small corporations and in compliance with the provisions of the German Limited Liability Companies Act (*GmbHG*). Tele Columbus Holding GmbH is a micro-entity limited by shares as defined under Section 267a HGB. In this regard, size-related reporting simplifications were partially applied in accordance with Sections 264 (1) and 288 (1) HGB.

The income statement was prepared using the total cost method in accordance with Section 275 (2) HGB.

(3) Accounting and valuation principles

The following accounting policies were applied unchanged in preparing the financial statements.

Accounting methods

These financial statements include all assets and liabilities as well as expenses and in-come, unless otherwise provided by law.

Current assets, equity and provisions are stated separately in the balance sheet and are sufficiently classified. Provisions are recognised exclusively as specified under Sec-tion 249 HGB.

Valuation methods

Assets and liabilities were valued individually as of the balance sheet date.

Valuation is conservative. In particular, all foreseeable risks and losses that arise as of the reporting date are taken into account.

Cash and cash equivalents are stated at nominal value.

Other provisions take account of all identifiable risks, contingent liabilities and onerous contracts. They are recognised at the settlement value deemed necessary according to prudent commercial judgement.

(4) Explanatory notes to the balance sheet

Currency translation

Assets and liabilities denominated in foreign currency are valued at the exchange rate prevailing on the date of the transaction. Items denominated in foreign currency are translated as of the reporting date in accordance with the provisions of Section 256a HGB.

Equity and Liabilities

Equity

The Company's share capital amounts to EUR 25,000.00.

The net loss for 2012 of EUR 737.93 was carried forward to the following year by shareholder resolution dated 30 August 2013.

Due to the loss carryforward of EUR 737.93 and net loss for the 2013 financial year of EUR 7,249.22 equity amounts to EUR 17,012.85.

Provisions

Other provisions

Other provisions were recognised for tax advisory expenses in the amount of EUR 3,810.00.

Contingent liabilities

As of the reporting date, there were no contingent liabilities to third parties or associated companies.

Other financial obligations

As of the reporting date, there were no other financial obligations from investments (purchase commitments) or rental and lease commitments.

(5) Explanatory notes to the income statement

Other operating income

The other operating income of EUR 51.33 results from exchange rate differences for advisory services obtained in the 2013 financial year.

Other operating expenses

The other operating expenses mainly consist of legal and advisory fees (EUR 7,178.75), of which EUR 3,810.00 stems from allocation to the provision for tax advisory expenses.

(6) Other disclosures

Group structure

Tele Columbus Holding GmbH's parent company is Tele Columbus GmbH, Berlin. The company was not required to prepare consolidated financial statements. The financial statements of Tele Columbus Holding GmbH are included in the consolidated financial statements prepared by Tele Columbus GmbH, which are available at the registered office of the parent company.

Governing bodies

Shareholder:

Tele Columbus GmbH

Management:

Frank Posnanski
Managing director of Tele Columbus Holding GmbH, Berlin

Ronny Verhelst
Managing director of Tele Columbus Holding GmbH, Berlin

Dietmar Schickel
Managing director of Tele Columbus Holding GmbH, Berlin (until 31 December 2013).

The managing directors are exempt from the restrictions of Section 181 of the German Civil Code (BGB).

Proposed appropriation of profit

The management's proposal to carry forward the net loss for the year to the following year was already approved by shareholder resolution on 3 July 2014.

Subsequent events

By agreement dated 19 August 2014, Tele Columbus GmbH sold and transferred all its shares in Tele Columbus Management S.à r.l., Luxembourg.

In another agreement dated 19 August 2014, Tele Columbus GmbH—as the transferring entity—transfers by way of an absorption-type demerger pursuant to Section 123 (2)(1) of the German Transformation of Companies Act (*UmwG*) all assets and liabilities attributable to the divisions Cable TV and Internet & Telephony, including all rights and obligations, in their entirety to Tele Columbus Holding GmbH—as the receiving entity—for the issue of shares in Tele Columbus Holding to Tele Columbus Management S.à r.l. The assets to be spun off comprise the entire assets of Tele Columbus GmbH with the exception of individual explicitly precluded assets, liabilities, obligations, liabilities, responsibilities and legal relationships of Tele Columbus GmbH. The demerger will take retroactive effect from 1 January 2014 midnight.

Berlin, 27 August 2014

Tele Columbus Holding GmbH, Berlin

Managing Director
- Ronny Verhelst -

Managing Director
- Frank Posnanski -

Auditors' Report

To Tele Columbus Holding GmbH, Berlin

We have audited the financial statements of Tele Columbus Holding GmbH, Berlin, comprising the balance sheet, the income statement, the notes to the financial statements, the statement of cash flows and the statement of changes in equity, together with the bookkeeping system, for the financial year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the financial statements in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements affecting the presentation of the net assets, financial position and results of operations in accordance with German generally accepted accounting principles. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. An audit includes examining, primarily on a test basis, evidence supporting the amounts and disclosures in the accounting records and financial statements, and the effectiveness of the internal control system. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Berlin, 27 August 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Neumann
Wirtschaftsprüfer
(German Public Auditor)

Büchin
Wirtschaftsprüfer
(German Public Auditor)

(This page has been left blank intentionally).

RECENT DEVELOPMENTS AND OUTLOOK

Recent Developments

In November 2014, we launched our new triple play products comprising broadband Internet, telephony and cable television (CATV and Premium TV). We offer our customers three different kinds of products: a "Kombi 50 HD" package (including a telephone flat rate, Internet access at 50 Mbit/s as well as more than 100 digital TV programs, thereof 37 in HD quality); a "Kombi 50 Extra HD" package (including our Kombi 50 HD package and 30 additional Premium TV programs, thereof 10 in HD quality); and a "Kombi 50 Sky" package (including our Kombi 50 HD package and the Sky World package). This allows our customers to benefit from three services in one bundle for a lower price.

In April 2015, we plan to launch our new Internet offering comprising download rates of up to 400 Mbit/s which is double the speed of currently available download rates in the German market. This new offering will initially be started in the city area of Potsdam and apply for approximately 40 thousand homes connected.

In the period until November 30, 2014, our year-on-year revenues growth and Normalized EBITDA margin profile was broadly in line with the first three quarters of 2014 of 3.8% and 45.8%, respectively. The number of RGUs decreased slightly by 11 thousand from 1,846 thousand on September 30, 2014 to 1,835 thousand on November 30, 2014 primarily driven by the expiration of a housing association contract, which was not renewed as planned reflecting regular churn. Due to this expiry we lost approximately 27 thousand homes connected, but part of the loss was offset by new homes contracted. Due to the same reason, our unique subscribers decreased by 13 thousand from 1,291 thousand on September 30, 2014 to 1,278 thousand on November 30, 2014. At the same time we continued our growth track with regards to Internet and telephony products. The number of Internet and telephony RGUs increased from 197 thousand and 166 thousand on September 30, 2014 to 199 thousand and 168 thousand on November 30, 2014. The ratio of RGUs per subscriber reached l.44 as at November 30, 2014.

Outlook

We expect that the growth rate for revenues and total operating performance (excluding non-recurring items) for the full year 2014 was slightly below the growth rate in the nine-month period ended September 30, 2014 of 3.8% and 4.3%, respectively. The Normalized EBITDA margin for the full year 2014 is expected to have been broadly in line with the Normalized EBITDA margin for the nine-month period ended September 30, 2014, which was 45.8%.

Non-recurring items in 2014 will include one-off transaction costs which are expected to have been around €15 million. Income tax expenses and cash taxes are expected to decline to a low level.

Tele Columbus will continue to invest in its network to support the growth and margin expansion opportunity that is core to the business plan. Capital expenditures for the full year 2014 (including the amounts spent on the acquisitions of BIG and BMB) amounted to between €80 million and €85 million. In the period until September 30, 2014 total capital expenditures amounted to €40 million (including €11 million spent on the BIG acquisition but excluding €20 million spent on the BMB minority acquisition).

For the medium term we expect that our homes connected and subscriber base will remain broadly stable. The percentage of homes connected migrated to our "own" L3 networks and upgraded to two-way communication is expected to further increase to c. 70%. We aim to achieve CATV signal fees of less than 10% of revenues. Churn in CATV is expected to be reduced and CATV RGUs are expected to remain broadly stable with remaining churn to be offset with new customer wins. Higher Internet penetration and continued growth in Internet and telephony RGUs (we target 1.7 RGUs per subscriber in the medium term) resulting in an improved product mix with a higher share of higher margin products should continue to be the key drivers of our revenue and Normalized EBITDA growth. In the medium term, we expect our blended ARPU to gradually migrate towards €17 mainly driven by product mix and stable ARPUs at the segment level. On this basis, we expect our revenues to grow medium term at a high single digit rate. Normalized EBITDA margin is expected to trend towards the high forties to low fifties in the medium term.

In 2015, we intend to raise our capital expenditures by approximately €30 million to €35 million compared to the capital expenditures in 2014, in order to continue our strategy of migration and upgrades of our networks. Thereafter, we expect capex to gradually trend towards levels observed for our competitors in

Germany. In addition, we are willing to invest in add-on acquisitions if we identify appropriate targets at acceptable price levels to expand our existing clusters of subscribers or to build up new ones. Investments may even be higher in case of new wins of a number of large housing association contracts.

The higher rate of investments will be funded out of increased free cash flow. After reduction of our net debt out of the proceeds of the offering and our refinancing upon the completion of the offering our financing costs will be significantly reduced. In the medium term, we intend to maintain a target leverage of 3.0-4.0 times Normalized EBITDA, although our leverage may temporarily increase in case of accelerated investments or acquisitions.

The number of employees on an FTE basis is expected to further increase in 2015 due to our investment program and the expansion of our sales force. Our listing and the resulting disclosure obligations will require additional hires for the accounting, controlling and administration.

In 2015, we expect non-recurring items related to the offering between €15 million to €20 million. For 2015 we also expect low tax payments. In the medium term, our tax rate will increase towards statutory levels.

Berlin, London, Hamburg, in January 2015

Tele Columbus AG

signed	signed
Ronny Verhelst	Frank Posnanski

Goldman Sachs International	**J.P. Morgan Securities plc**
signed	signed
Christoph Stanger	Stefan Weiner

Merrill Lynch International	**Joh. Berenberg, Gossler & Co. KG**
signed	signed
Andreas Matthaeus	Marc Gei Stefan Ries