Annual Report 2018

3U HOLDING

Summary of Group results

3U Group (IFRS)		Year-on-year comparison 1 January – 31 December 2018	2017
Sales	(in EUR million)	47.97	46.89
EBITDA (earnings before interest, taxes and amortisation)	(in EUR million)	6.72	6.67
EBIT (earnings before interest and taxes)	(in EUR million)	2.71	2.99
EBT (earnings before tax)	(in EUR million)	1.83	1.90
Net earnings for the period	(in EUR million)	1.93	1.07
Earnings per share total (undiluted)	(in EUR)	0.06	0.03
Earnings per share total (diluted)	(in EUR)	0.06	0.03
Equity ratio (as of 31 December)	(in %)	55.63	49.20

3U Group (IFRS)		Quarterly comparison 1 October – 31 December 2018	2017
Sales	(in EUR million)	12.76	11.32
EBITDA (earnings before interest, taxes and amortisation)	(in EUR million)	1.00	1.49
EBIT (earnings before interest and taxes)	(in EUR million)	0.00	0.63
EBT (earnings before tax)	(in EUR million)	-0.26	0.39
Net earnings for the period	(in EUR million)	-0.02	0.29
Earnings per share total (undiluted)	(in EUR)	0.00	0.01
Earnings per share total (diluted)	(in EUR)	0.00	0.01
Equity ratio (as of 31 December)	(in %)	55.63	49.20

Target achievement and forecast 3U Group (in EUR million)	Forecast 2019	2018 as is	Last forecast 2018	2017 as is
Sales	51.0–55.0	48.0	46.0–50.0	46.9
EBITDA	7.0–9.0	6.7	6.5–8.0	6.7
Net earnings	1.0–2.0	1.9	1.0–2.0	1.1

Rounding differences may occur in tables and charts for arithmetic reasons.

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Letter to our shareholders

Dear Shareholders

"Pick up the receiver!" How long ago is it since the days when we used to replace the receiver and turn the dial?

How long ago is it since 3U was forced to reinvent itself in a difficult transformation process?

Our position today is a very different one. We have successfully mastered the time of necessary change. We have been profitable for three years and increased our profit after tax each time round. For the third time in succession, we wish to let you share in our success by way of a dividend.

How did this become possible?

We have no doubt made one or two decisions that were not so clever – and you have been quick to point this out to us. But by and large we have laid the foundations in the right direction.

We operate successful business models in all three segments, with our three most forward-looking business models addressing three megatrends – cloud computing, e-commerce and renewable energies.

Are we among the largest in the sector? No.

Do we have the ambition to reduce the gap? Of course.

And increasingly we actually are occupying leading positions – not least because we deploy leading technologies.

That is why we are enthusiastically striking out to drive forward topics such as artificial intelligence (AI) at 3U.

There are clear success criteria for our forward-looking business models cloud computing and e-commerce. In terms of visibility, price and availability we need to retain and expand our competitive advantages as this is the only way for our products and services to prevail on a sustainable basis.

For example, our e-commerce products must at all times be placed very close to the top by search engines so that customers come to us in the first place. While we are very successfully fostering this with a high level of quality today, the procedures currently used still remain complex and laborious. AI will no doubt enormously facilitate our work in the future and we will become significantly faster and more successful.

What applies to us also applies to our customers, for example in cloud computing: They too will increasingly wish to take advantage of procedures such as AI because their success also depends on how well they make use of leading technologies.

The Management Board of 3U HOLDING AG (from left): Christoph Hellrung, Michael Schmidt and Andreas Odenbreit

What are we doing to place ourselves at the top here?

We will not only acquire artificial intelligence technologies but also engage in research and development ourselves and participate in networks that are at the forefront of technological research and development. The future of 3U depends on the future viability of our technologies and products.

And for this we naturally also need the right employees, the right managers — and we also need to count on entrepreneurial thinking and actions at all levels.

Have we gone far enough yet? No, certainly not!

Are we on the right track? Yes, because we do find good people. The staff increase in cloud computing is the best example of this. And we are also constantly improving our recruiting throughout the Group.

We are creating the basis for a new chapter in the history of 3U. We are already planning a further acceleration in the speed of growth for the current year 2019. This won't be easy. But a large number of initiatives in sales, marketing and the supply chain will enable us to advance operationally. We are seeking opportunities in a targeted manner that will enable us to grow stronger through acquisitions. And we are consistently tapping financing options for exponential growth — through to a possible IPO of subsidiaries.

We would like to thank our employees for enabling us to progress so much in 2018. And we also thank you, our esteemed shareholders, for your critical feedback and for your trust with which you challengingly support us on our way. We have many plans for 2019 and the years to follow and we invite you to accompany us.

Marburg, March 2019

Your Management Board

Michael Schmidt Christoph Hellrung Andreas Odenbreit

Report of the Supervisory Board

Dear Shareholders,

The following is to inform you about the work of the Supervisory Board in the 2018 financial year.

Cooperation between the Supervisory Board and Management Board

The Supervisory Board once again continuously monitored the Management Board's conduct of business in the 2018 financial year and regularly advised it on management of the Company. We were satisfied at all times that the Management Board's actions were lawful, appropriate and correct. The Management Board fulfilled its duty to keep us informed and briefed us regularly, promptly and comprehensively, both verbally and in writing, on all matters of relevance to the Company and the Group relating to strategy, planning, business performance, the risk situation, development of risks and compliance. This also included information on discrepancies between actual development and targets that had previously been announced and between business performance and planning. The members of the Supervisory Board always had sufficient opportunity for critical discussion of the reports and proposed resolutions submitted by the Management Board and to contribute their own suggestions. In particular, we held intensive discussions on all transactions of importance to the Company on the basis of verbal and written reports by the Management Board and subjected them to plausibility checks. The Supervisory Board looked many times in depth at the Company's risk situation, liquidity planning and the equity situation. It granted its approval for individual transactions where required by law, the Articles of Association or the rules of procedure for the Management Board.

The Supervisory Board Chairman also engaged in a close and regular exchange of information and views with the Management Board between board meetings and was informed of any major developments.

There were no indications that any members of the Management or Supervisory Board were involved in any conflicts of interest that would have to be disclosed to the Supervisory Board immediately and reported to the Annual General Meeting.

Meetings and attendance

A total of seven Supervisory Board meetings were held in the 2018 financial year (11 January 2018, 15 March 2018, 3 May 2018, 23 August 2018, 18 October 2018, 15 November 2018 and 13 December 2018), each of which was attended by all members of the Supervisory Board. The members of the Management Board participated in meetings of the Supervisory Board unless the Supervisory Board Chairman had specified otherwise.

The Supervisory Board consists of three members and has not formed any committees. Resolutions of the Supervisory Board were passed both at meetings and in written documents circulated to each member. All resolutions of the Supervisory Board were adopted with no dissenting votes. The Supervisory Board was also in close contact with the Management Board outside Supervisory Board meetings and was kept informed of the course of business and of key events.

Main points of Supervisory Board discussions

The Supervisory Board looked in detail at the Group's strategic development and orientation in the last financial year. It exchanged views with the Management Board on any measures that were required at subsidiaries in a timely manner and debated them critically with the Management Board. The Supervisory Board was also continuously informed by the Management Board of opportunities to increase efficiency in the Renewable Energies segment and discussed these with the Management Board.

Major topics of the Supervisory Board's discussions with the Management Board and of internal discussions within the Supervisory Board also included in particular the development of the Group's sales, earnings and business and the Company's financial position. Key developments at the various affiliated companies were discussed. In particular, the Management Board explained any instances where business performance had deviated from the budgeted figures and defined targets to the Supervisory Board in detail and stated the reasons for this.

In the context of discussions on the Group's strategic development, the Supervisory Board dealt with the constantly changing framework, particularly for telephony and renewable energy projects, and the associated adjustments. The main points of discussions included regulatory decisions by the Federal Network Agency, opportunities and risks in the wholesale market and the data centre services portfolio.

Developments in cloud computing and IT licensing business were also discussed in depth. The Supervisory Board gave particular attention to the strong growth in sales and earnings at the subsidiary weclapp GmbH. It held in-depth discussions on the Management Board's plans for the subsidiary's market positioning, its strategic focus on accelerated organic and inorganic growth and options for financing this.

In the Renewable Energies segment, the Supervisory Board dealt with plans to expand business with "wind farm projects". Various options were examined in detail and discussed in depth between the Supervisory Board and Management Board. Both the wind farm projects developed within 3U ENERGY PE and the purchase of external wind farms played an important part in this. In particular, the Management Board kept the Supervisory Board regularly informed about the acquisition of the Klostermoor wind farm and the sale of the Lüdersdorf wind farm, which in the end did not go ahead despite careful preparation. The Supervisory Board approved the associated measures and steps. In addition, the Supervisory Board discussed with the Management Board the consequences of the plans of the state of Brandenburg to suspend the approval of new wind power projects for two years where regional plans have proved ineffective.

Other major topics of discussion included the expansion of the SHAC (Sanitary, Heating and Air Conditioning Technology) segment, particularly the development of online trade and the measures commenced there to increase efficiency and improve margins.

The Supervisory Board also discussed and approved the sale of the commercial property in Hanover based on detailed information provided by the Management Board.

Other subjects discussed at Supervisory Board meetings included issues relating to compliance and corporate governance, particularly the efficiency audit of the Supervisory Board in line with the principles of corporate governance.

The German Corporate Governance Code suggests that the Supervisory Board Chairman should be prepared, within reason, to talk to investors about subjects that are specific to the Supervisory Board. The Supervisory Board Chairman repeatedly fulfilled this duty in the last financial year and will continue to do so to the best of his abilities in future.

As well as being examined by the Supervisory Board, the Company's risk management system was the subject of an audit in the 2018 financial year by BDO AG Wirtschaftsprüfungsgesellschaft, Essen, which was appointed to audit the financial statements for the 2017 financial year. A further audit was conducted by Ebner Stolz GmbH & Co.KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bonn, which was appointed to audit the financial statements for the 2018 financial year. In both cases, the audits confirmed that the Management Board of the Company has appropriately implemented the necessary measures in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) and that the existing monitoring system is capable of identifying, at an early stage, any developments that could jeopardise the Company's continued existence.

Corporate governance

The members of the Supervisory Board continued to deal with the German Corporate Governance Code in the reporting year. The Management Board and Supervisory Board issued a declaration of conformity in accordance with Section 161 AktG in March 2019. The declaration of conformity is available to view at any time on the website of 3U HOLDING AG (www.3u.net) at "Investor Relations/ Corporate Governance". The declaration on corporate governance in accordance with Section 289 a of the German Commercial Code (HGB) can be viewed there as well.

The Management Board also reports on corporate governance at 3U HOLDING AG on behalf of the Supervisory Board in the corporate governance report and in the declaration on corporate governance.

Audit of the 2018 annual and consolidated financial statements

Ebner Stolz GmbH & Co.KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bonn, was elected as the auditor by the Annual General Meeting on 3 May 2018 and accordingly was instructed by the Supervisory Board to audit the annual and consolidated financial statements. The Supervisory Board requested a declaration of independence from the auditor and received it, dated 19 March 2018.

The auditor audited the annual financial statements of 3U HOLDING AG prepared by the Management Board in accordance with the rules of the German Commercial Code and the consolidated financial statements and combined management report prepared in accordance with IFRS for the 2018 financial year and issued an unqualified auditor's opinion in each case. The aforementioned documents and the audit reports of the auditor were forwarded to all members of the Supervisory Board in good time and were discussed in detail at the accounts review meeting on 19 March 2019. The responsible auditors reported at this meeting on the key findings of their audit and were available to provide further information. The Supervisory Board thoroughly examined the annual financial statements of 3U HOLDING AG, the consolidated financial statements and the combined management report for 3U HOLDING AG in accordance with Section 171 AktG and raised no objections. The Supervisory Board approved the results of the audits of both sets of financial statements by the auditor and also approved the annual financial statements of 3U HOLDING AG and the consolidated financial statements as at 31 December 2018; the annual financial statements are thus adopted.

The Supervisory Board would like to thank the members of the Management Board and all employees of the Group for their performance and commitment in the 2018 financial year.

Marburg, 19 March 2019

The Supervisory Board

Ralf Thoenes
Chairman of the Supervisory Board

Corporate governance report

The German Corporate Governance Code has been in force since 2002. It was last updated in February 2017 and contains rules, recommendations and suggestions for appropriate and responsible corporate governance. The code serves to create more transparency in order to increase the confidence of investors, customers, employees and the public in the corporate governance of German companies. 3U HOLDING AG welcomes the provisions of the German Corporate Governance Code (GCGC), which consider the interests both of the company and of investors.

Good and sustainable corporate governance is particularly significant for 3U HOLDING AG as a Group with a large number of equity investments. The Management Board and the Supervisory Board are convinced that good corporate governance that considers company- and sector-specific aspects is an important foundation for 3U HOLDING AG's success. The implementation and observance of these principles are seen as key management tasks.

In the 2018 financial year, the Management Board and the Supervisory Board again considered the corporate governance of 3U HOLDING AG and the Group and the content of the German Corporate Governance Code in depth. As in the previous years, 3U HOLDING AG complied with nearly all of the German Corporate Governance Code's recommendations in the reporting period.

The Supervisory Board and the Management Board of 3U HOLDING AG submitted the declaration of compliance required by the German Stock Corporation Act (AktG) in the reporting period on 14 March 2018 and most recently on 12 March 2019. It is available to view at any time on the company's website (www.3u.net) under "Investor Relations/Corporate Governance".

Declaration of the Management Board and the Supervisory Board of 3U HOLDING AG on the recommendations of the "Commission of the German Corporate Governance Code" in accordance with Section 161 AktG.

Since the last declaration of compliance of 14 March 2018, 3U HOLDING AG has complied with the recommendations of the "Commission of the German Corporate Governance Code" in the current version of the German Corporate Governance Code of 7 February 2017 with the exceptions listed below, and will continue to do so:

- No. 3.8: The company's D&O policy does not include a deductible for the Supervisory Board. In this regard, 3U HOLDING AG believes that the responsibility and motivation with which the members of the Supervisory Board carry out their tasks cannot be improved by such a deductible.

- No. 4.1.5: When filling managerial positions, the Management Board is guided by the requirements of the position in questions and looks for the best possible person who meets these requirements. If several equally qualified candidates are available, the Management Board takes diversity and an appropriate consideration of women into account without making these criteria an overriding principle.

- No. 5.1.2: When making appointments to the Management Board, the Supervisory Board is guided by aptitude and qualification and looks for the best possible candidates for Management Board positions. In the company's opinion, the special weighting prescribed by the Code for other criteria would limit the selection of possible candidates for the Management Board.

- No. 5.4.1: Aptitude, experience and qualification are also the decisive selection criteria when making appointments to the Supervisory Board. Being tied to targets regarding its future composition would limit flexibility without providing any other advantages of the company. This applies all the more because the Supervisory Board comprises only three members.

Düsseldorf/Marburg, 12 March 2019

For the Supervisory Board	For the Management Board
Ralf Thoenes	Michael Schmidt

Enhancement of corporate governance

3U HOLDING AG continues to develop its understanding of good and responsible corporate governance. Professional and efficient corporate management and control in the Group are based on governance, risk and compliance systems.

Risks must chiefly be prevented where they can arise. If this is not possible, they must be identified and minimised. In order to guarantee this, preferably automated internal controls are implemented in the business processes. As this is not entirely feasible in every case, the effectiveness of the control system must be ensured with additional control measures by the management.

The second line of defence, to which functions such as Group-wide risk management and compliance are allocated, provides the framework for the configuration of the internal control system, the risk management system and the compliance management system, for example with guidelines and work instructions. The close integration of the internal control system, risk management system and compliance management system guarantees the greatest possible effectiveness when it comes to preventing and managing risks.

The Group's risk manager performs independent reviews to monitor the appropriateness and effectiveness of the processes and systems implemented for risk management in the broadest sense. The risk manager reports directly to the Management Board Chairman and the Supervisory Board. The model is rounded off by the external monitoring of the auditor, which includes the results of the risk manager's reviews in its assessment.

Appropriate control and risk management

Corporate governance at 3U HOLDING AG includes the responsible handling of risk. Continuous and systematic management of business opportunities and risks is of fundamental importance for professional corporate governance. It helps to identify risks early, evaluate them, and take measures to manage them. The Management Board regularly reports to the Supervisory Board about the current development of the Group's material risks.

The Supervisory Board regularly focuses on monitoring the effectiveness of the accounting process and the internal control and risk management system. 3U HOLDING AG continuously enhances the individual systems and adapts them to changing conditions. Key features of our control and risk management system can be found in the report on opportunities and risks.

Compliance

Compliance is a Group-wide measure for adherence to laws and internal guidelines and is a key management and monitoring task at 3U HOLDING AG. There is a clear commitment to compliance with laws and internal guidelines: There is zero tolerance for violations. All indications of misconduct are investigated.

Objectives of the Supervisory Board and the Management Board regarding their respective composition and the composition of the management levels below the Management Board

The Supervisory Board currently comprises three male members. They were appointed until the end of the Annual General Meeting that approves their conduct for the 2022 financial year. The Supervisory Board remains committed to its stipulation of 30 September 2015 that the target for the proportion of women on 3U HOLDING AG's Supervisory Board is 0 %.

The Management Board currently comprises three male members. The Supervisory Board is of the opinion that the Management Board positions are currently filled by the best possible people and that enlarging the Management Board is not advisable in light of the company's size and structure. The Supervisory Board therefore remains committed to its stipulation of 30 September 2015 that the target for the proportion of women on 3U HOLDING AG's Management Board is 0 %.

There is currently only one management level below the Management Board at 3U HOLDING AG, which presently comprises two male members. The Management Board remains committed to its stipulation of 30 September 2015 that the target for the proportion of women at the management level below the Management Board is 0 %.

Avoidance of conflicts of interest

There were no significant advisory or other service agreements and contracts for work between Supervisory Board members and the company in the reporting year. The contractual relationships in the reporting year are presented in the remuneration report. Conflicts of interest of Management Board or Supervisory Board members, which have to be disclosed immediately to the Supervisory Board, did not arise.

The related party disclosures are made under Note 8.3 of the notes to the consolidated financial statements.

Shareholders and Annual General Meeting

The shareholders of 3U HOLDING AG exercise their rights at the company's Annual General Meeting, which is led by the Chairman of the Supervisory Board in accordance with the Articles of Association. The Annual General Meeting is held once a year. Each share carries one vote.

The shareholders can exercise their voting rights at the Annual General Meeting either themselves or via a proxy of their choosing or via a proxy appointed by the company who is bound by the shareholder's instructions. All documents and information on the Annual General Meeting are available to shareholders at an early stage on the company's website. Shareholders can also address questions to employees of the Investor Relations department by telephone or e-mail.

Transparency due to high quality of information

Our dialogue with the capital market aims to inform all target groups comprehensively, equally and in a timely manner, providing facts relevant to the share price in the highest possible quality.

The presentations made to analysts and investors are uploaded very quickly for free viewing on the website, where our Investor Relations department also provides extensive data and facts to help analysts and investors better understand and assess our businesses and their value prospects.

We announce recurring events such as the date of the Annual General Meeting or the publication dates of the interim reports in a financial calendar, which is published in the annual report, in the interim reports and on the company's website.

Our website also provides information about the latest developments in the Group. All of 3U HOLDING AG's press releases and ad hoc disclosures are published in German and English under Investor Relations/IR News and Press.

The company's Articles of Association, consolidated financial statements, interim reports and information on the implementation of the recommendations and suggestions of the German Corporate Governance Code can also be viewed there. All interested parties can also visit the website to sign up to an IR mailing list, which keeps them constantly informed about the latest news from the Group.

Corporate governance statement

The 3U HOLDING AG Management Board's current corporate governance statement in accordance with Section 289 f HGB is publicly available to view at any time on 3U HOLDING AG's website (www.3u.net) under "Investor Relations/Corporate Governance/Corporate Governance Statement". The statement explains the relevant corporate governance practices that are applied beyond legal requirements. In addition, it describes the operating principles of the Management Board and Supervisory Board and the composition of the Management Board and Supervisory Board.

Remuneration report

The remuneration report in the Group management report, which is both part of the Group management report and part of the corporate governance statement, contains remarks on the remuneration of the Management Board and the Supervisory Board. Since 2018, the Management Board's remuneration has also included share options as a long-term incentive instrument. Further information on the 2018 stock option plan can be found in the Group management report, in particular the remuneration report contained therein, and in the notes to the consolidated financial statements.

Notifiable securities transactions and Management Board and Supervisory Board's shareholdings

In accordance with Article 19 of the EU Market Abuse Regulation, members of the Management Board and the Supervisory Board and persons closely associated with them are obliged to disclose notifiable transactions in shares of 3U HOLDING AG or related financial instruments if the total value of the transactions reaches or exceeds EUR 5,000 within a calendar year. In the 2018 financial year, the company was notified of the following transactions:

Transaction date	Reporting person	Type of transaction	Quantity	Exercise price in EUR	Total volume in EUR
08 May 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	20,000	1.200	24,000.00
15 May 2018	Stefan Thies (Supervisory Board)	Purchase	6,330	1.235	7,817.55
15 May 2018	Stefan Thies (Supervisory Board)	Purchase	3,170	1.240	3,930.80
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	4,000	1.250	5,000.00
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	2,241	1.255	2,812.46
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	6,759	1.260	8,516.34

As of 31 December 2018, the following Management Board and Supervisory Board members held the following shares in the company's capital:

Name	Function	Number of shares	Percent
Michael Schmidt	Speaker of the Management Board	8,999,995 shares	25.49 %
Andreas Odenbreit	Management Board	20,500 shares	0.06 %
Ralf Thoenes	Chairman of the Supervisory Board	25,000 shares	0.07 %
Stefan Thies	Deputy Chairman of the Supervisory Board	33,083 shares	0.09 %
Jürgen Beck-Bazlen	Supervisory Board	1,548,000 shares	4.38 %

The 3U share

Overview of the 3U share

International Securities Identification Number (ISIN)	DE0005167902
Wertpapierkennnummer (WKN) *[Securities Identification Number]*	516790
Stock exchange symbol	UUU
Transparency level	Prime Standard
Designated sponsor	BankM – Repräsentanz der Fintech Group Bank AG
Initial listing	26 November 1999
Registered share capital in EUR at 31 December 2018	EUR 35,314,016.00
Registered share capital in shares at 31 December 2018	35,314,016
Share price at 31 December 2018*	EUR 0.944
Share price high in period from 1 January to 31 December 2018*	EUR 1.330 (23 May 2018)
Share price low in period from 1 January to 31 December 2018*	EUR 0.880 (28 December 2018)
Market capitalisation at 31 December 2018	EUR 33,336,431.10
Earnings per share (undiluted) at 31 December 2018	EUR 0.06

*On Xetra

The shares of 3U HOLDING AG are no-par bearer shares and are listed in the Prime Standard of the Frankfurt Stock Exchange. As well as in Frankfurt on Xetra and the trading floor, the share is also traded on the open market in Berlin, Düsseldorf, Munich and Stuttgart and on Tradegate.

General market development

After the highs reached in early 2018, the equities markets lost significant ground in the second half of the year, not only in Germany. Uncertainties in international politics, the unpredictable course of the US government, the arguments over the United Kingdom's exit from the European Union, risks for world trade, and the emerging signs of an end to zero-interest policy have all at least temporarily encouraged investors to reduce their equity positions. Outflows from small cap funds in particular put a lot of pressure on small caps towards the end of the year. However, heavy losses were also suffered by the previously highly traded shares of some leading electronics and information and telecommunications technology companies.

The DAX, the German benchmark index that reached its all-time high of 13,560 points on 23 January 2018, had fallen by more than 23 % to its low for the year of 10,382 points by 27 December 2018. The special index DAXsector All Telecommunications fell by as much as nearly 30 % over the course of the year. The Prime All Share Index also followed the trend of the other German indices and lost nearly 17 % from the start of 2018 until close of trading at the end of December 2018.

Performance of the 3U share

Happily, the 3U share was able to distinguish itself positively from these market trends (prices stated on the basis of Xetra closing prices). It had closed 2017 at EUR 0.885 on Xetra. Thanks to a good news flow and an interim forecast increase, it put down a strong first half of the year and reached its annual high of EUR 1.31 on 22 May 2018 with high trading volumes. However, the high volatility that accompanied this upswing persisted for the entire year. Our share could not fully escape the pressure of the overall market. Although it ceded most of its gains, it closed at the end of the trading year on 28 December 2018 at a slightly improved EUR 0.944, a rise of nearly 7 %.

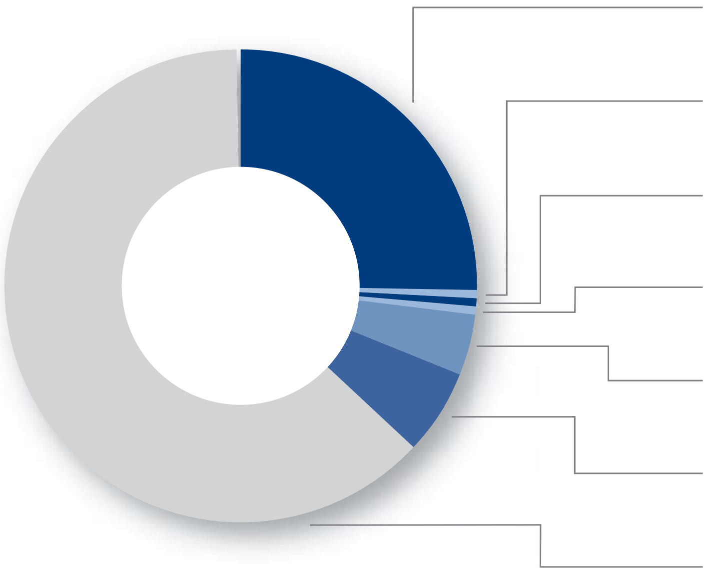
Liquidity in the 3U share continued to improve. On the German stock exchanges and the trading platform Tradegate, around 44,000 shares were traded per day on average in 2018. In 2017, around 36,000 shares were traded per day.

Performance of the 3U share* from 1 January 2018 to 31 December 2018 compared to the Prime All Share Index

Source: EquityStory AG/Interactive Data Managed Solutions AG

*Daily closing price Xetra

Shareholder structure as at 31 December 2018



Michael Schmidt (Speaker of the Management Board)	25.49 %	8,999,995 shares
Andreas Odenbreit (Management Board)	0.06 %	20,500 shares
Ralf Thoenes (Chairman of the Supervisory Board)	0.07 %	25,000 shares
Stefan Thies (Deputy Chairman of the Supervisory Board)	0.09 %	33,083 shares
Jürgen Beck-Bazlen (Supervisory Board)	4.38 %	1,548,000 shares
3U HOLDING AG (treasury shares)	6.18 %	2,183,640 shares
Remaining free float	63.72 %	22,503,798 shares

Investor Relations

Dialogue with our shareholders is very important to us. The Investor Relations department is available to all capital market participants for information and discussion throughout the financial year. Our extensive capital market consulting is guided by the principles of currentness, continuity, credibility and equality.

The fixed dates for regular reporting provide the framework for capital market communication. The year starts with the publication of the consolidated financial statements for the preceding financial year. The most important consolidated key figures of the past financial year and a forecast for the subsequent year might be published in advance.

3U HOLDING AG informs the capital market about the past quarter just after six weeks after the end of said quarter. The associated information is available on the Investor Relations pages of 3U HOLDING AG's website.

We notify investors and the public of the latest advancements, events and developments with press releases, which we make sure to distribute via popular channels and media. We provide context and background information for our shareholders in a newsletter.

3U HOLDING AG's online Investor Relations pages are a central and practical port of call for all shareholders. The website is being continually modernised and updated and, among other things, offers information on strategy and business performance, all current publications and an archive of annual reports going back to the founding of 3U HOLDING AG in 1999. It also provides the option to contact the Investor Relations department directly.

We conduct intensive, regular dialogue with our shareholders. Private investors are currently the most important shareholder group for 3U HOLDING AG. In the medium term, institutional investors are also expected to find greater representation among 3U HOLDING AG's shareholders again. In 2018, we therefore took various opportunities to provide information about business performance, to highlight the attractiveness of our share, and to present our company at conferences and in one-to-one conversations.

The Annual General Meeting gives all shareholders the opportunity to gain an insight into 3U HOLDING AG and to see the Management Board in person. The Investor Relations department is also on hand to talk to investors during the Annual General Meeting.

Combined Management Report

Fundamentals

Business model

3U HOLDING AG is the operating management and investment holding company at the head of the 3U Group. It manages and monitors all material activities within the Group. Its tasks include defining the corporate strategy and directing the 3U Group's development. It is responsible for accounting and controlling in the 3U Group, operates the Group-wide risk and opportunity management system and manages the Legal, Investor Relations and Corporate Communications departments. 3U HOLDING AG is also in charge of allocating financial resources, e.g. for investments of acquisitions. It is responsible for HR policy, HR development and supporting the Group's senior management. The members of the 3U HOLDING AG Management Board have operational responsibility in dual roles as Managing Directors of subsidiaries.

The 3U Group, which originated in the telecommunications industry, has evolved considerably over the past financial years. The Group's core business now comprises the ITC (Information and Telecommunications Technology), Renewable Energies and SHAC (Sanitary, Heating and Air Conditioning Technology) segments.

The 3U Group's business activities are focused mainly on Germany and its neighbouring countries in Europe.

The ITC segment comprises the development, sale and operation of the cloud-based CRM and ERP solution weclapp and the Voice Retail, Voice Business and Data Centre Services & Operation activities. The open call-by-call, pre-selection and call-through products are offered under Voice Retail. The voice termination (wholesale, resale) and value-added services products are pooled under Voice Business. Data Centre Services & Operation comprises the colocation, infrastructure as a service (IaaS) and telecommunications services products as well as the operation of networks and technical facilities. This segment also trades in IT licences.

In the Renewable Energies segment, the 3U Group primarily develops wind power projects and generates electricity with its own power plants using wind and solar energy.

Besides installing air conditioning components in buildings, the SHAC segment sells sanitary, heating and air conditioning technology products to wholesalers, tradespeople and DIYers. These sales are primarily made via the Group's own online stores.

Management system

The structure and organisation of the 3U Group are subject to continuous review and improvement. Ongoing adjustments to the organisational structures guarantee clear responsibilities, so that responsibilities within the monitoring, planning and management system are precisely defined. The monitoring and planning system primarily comprises monthly management information reporting and risk reporting. In addition, there is regular coordination between the Management Board and Managing Directors and monthly forecast/liquidity development.

The management system is guided by revenue planning and targets for EBITDA and consolidated net profit for the subsequent twelve months. Planning for the subsequent two financial years is based on the detailed planning of the first planning year. The assumptions for revenue planning are analysed at the level of the respective company; at market level, they include regulation projects, capital market outlooks and industry trends. Changes relevant to income are communicated directly between the Management Board and Managing Directors in the form of ad hoc reports. The organisational structures and elements of the management system therefore form an integrated mechanism between strategic and operating company levels.

Economic report

Macroeconomic and sector-specific conditions

Development of the macroeconomic environment

According to the Federal Ministry for Economic Affairs and Energy, the German economy slowly got into gear again in the fourth quarter of 2018. The slight 0.2 % decline in economic output in the third quarter of 2018 was primarily attributable to the one-off effect from the introduction of the worldwide harmonised test procedure for measuring fuel consumption and exhaust gas emissions in the automotive industry. This temporary one-off effect is gradually diminishing, but is still clearly visible in the production data at the beginning of the fourth quarter.

Notwithstanding the above, the headwind from the external economic environment increased palpably over the course of 2018. Trade conflicts, currency turbulence in emerging countries and geopolitical conflicts are putting strain on the global economy and have increased the general uncertainty about economic development. Due to the postponement of the British parliament's vote on the Brexit deal, the risk of a disorderly exit of the United Kingdom from the European Union has not yet been averted.

On the other hand, additional economic stimuli enacted by politicians have been taking effect since the start of the year. All in all, the German economy is likely to perform well overall in this difficult environment. It underlying economic momentum remains on the up, albeit weakened.

The good development of the labour market and substantial wage growth provide favourable conditions for private consumption. The labour market continues to develop positively. In the fourth quarter of 2018, employment surpassed the high of 45.1 million people. Companies' demand for workers remains very high in many sectors, but there are signs that the pace is slowing somewhat.

Adjusted for seasonal effects, the number of employed declined by 16,000 people in November 2018, falling below the 2.2 million mark. The unemployment rate therefore fell to 4.8 %.

Development of the financial market

According to Germany's Federal Statistical Office, consumer prices in Germany rose by an annual average of 1.9 % in 2018 compared to 2017 and therefore somewhat more sharply than in the last few years. From 2014 to 2016, annual inflation rates were actually below 1 %. The sharp rise in the annual inflate rate in 2018 was chiefly due to the increase in prices for housing and energy.

The European Central Bank (ECB) lowered the main refinancing operations rate to its current level of 0.00 % on 10 March 2016. The yield on ten-year German government bonds remained at a very low level in 2018. At the start of the year, the yield was 0.43 %. It then rose to 0.77 % at the beginning of February, before falling with considerable fluctuations to 0.24 % at the end of the year.

The DAX closed the 2018 trading year at 10,559 points, which equates to a loss of nearly 18 % since the start of the year. The MDAX and the SDAX performed no better, likewise suffering heavy losses.

Development of conditions in the ITC segment

The telecommunications market in Germany

Average prices for fixed line, internet and mobile telecommunications services for private households in Germany were again down year on year in 2018. According to the Federal Statistical Office (DeStatis), the consumer price index for telecommunications services in 2018 was 0.7 % below the level of 2017 in the annual average.

According to a study by the German Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten, VATM) and Dialog Consult on the telecommunications market in 2018, telecommunications providers' revenue in 2018 reached a similarly high level as in 2017. While total revenue with telecommunications services in Germany was EUR 59.3 billion in 2017, it came to around EUR 59.4 billion in 2018. The cable market will continue to grow (+3.6 % to EUR 5.7 billion); total revenue remained practically constant at Deutsche Telekom (–0.5 % to EUR 21.8 billion) and its competitors (EUR 31.9 billion unchanged to previous year). There is a similar picture for revenue in the mobile communications market, which came to around EUR 26.6 billion in 2018 (2017 : EUR 26.5 billion) – EUR 18.6 billion (+1.1 % year on year) is attributable to competitors and EUR 8.0 billion to Deutsche Telekom (–0.1 %). For the first time, revenue with data traffic makes up more than half of mobile communications revenue at 53 % (EUR 14.1 billion; 2017 : EUR 13.2 billion, 49.8 %).

With revenue of EUR 32.8 billion in 2018, the fixed line market had a similar volume as in the previous year. As in the previous year, EUR 13.8 billion of this is attributable to Deutsche Telekom, while competitors accounted for EUR 13.3 billion (2017 : EUR 13.5 billion/ –1.5 %). The cable network operators' growth continues.

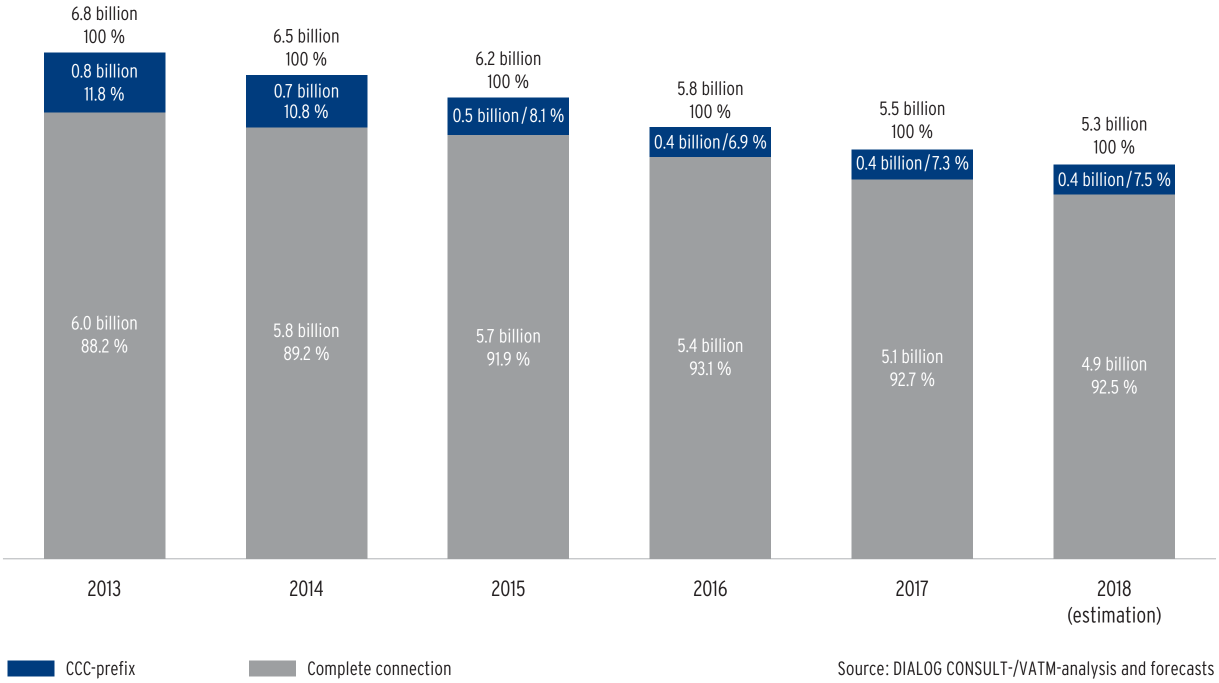
The number of telephony minutes also continues to decline. The total voice volume has been declining slightly since 2012 at an average rate of 1.8 % per year. Despite a wide prevalence of voice flat rates, voice telephony is now being substituted by other forms of communication such as OTT calls (instant messaging, e.g. WhatsApp). In 2018, fixed line voice volume shrank from 340 to 325 million minutes per day (–4.4 %) and mobile voice volume fell slightly from 309 to 306 million minutes per day (–1.0 %).

Fixed line telephony in Germany

In 2018, customers of Deutsche Telekom competitors made an average of around 5.3 billion minutes of fixed line calls per month (2017 : 5.5 billion). The voice minutes transmitted by the competitors have been declining continuously for some years. The shares of call-by-call and pre-selection have also declined accordingly. In 2018, users of these services made approximately 0.4 billion minutes of calls per month, which equates to a voice minutes volume of 7.5 % for the competitors. The volume of call-by-call minutes has recently stabilised at around 0.4 billion minutes per month.

Competitors' overall market : voice services from fixed lines in Germany by connection minutes

(Overall market incl. local, short-distance, long-distance, international and mobile connections; in billion minutes per month)

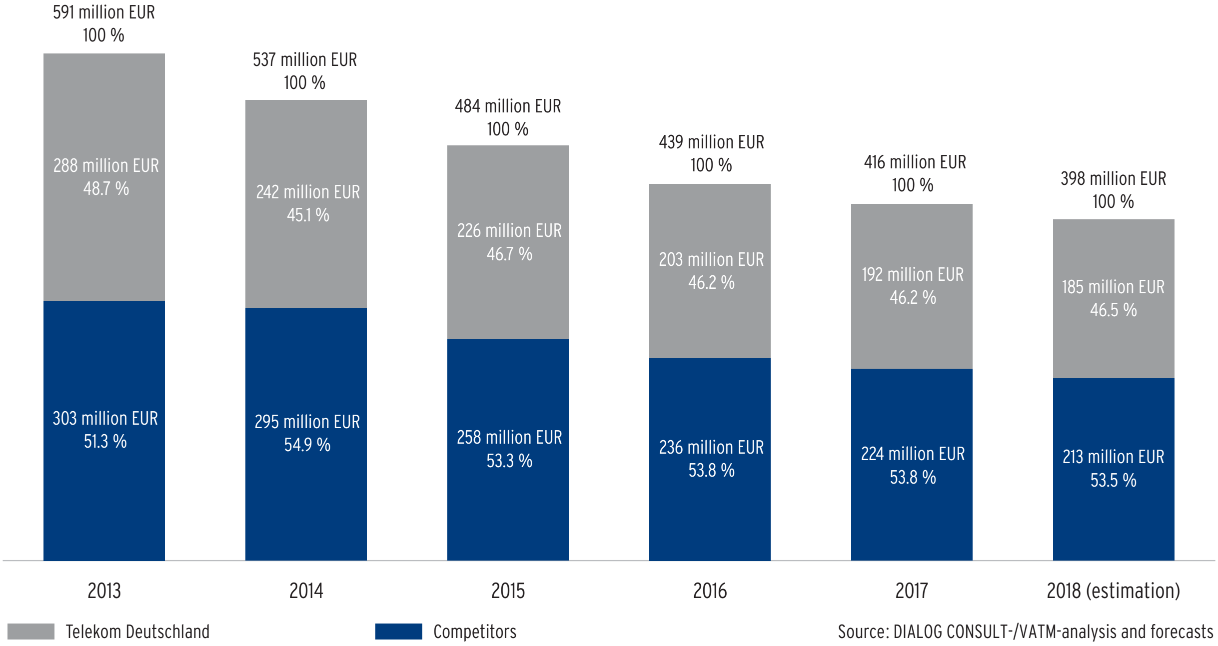


Source: DIALOG CONSULT-/VATM-analysis and forecasts

However, looking only at Deutsche Telekom's non-flat rate fixed line connections, the use of economy pre-selection codes in terms of the potential users is increasing by 8.7 % at 88.6 minutes per connection and month.

For all competitors together, revenue with information and value-added services comes to EUR 213 million and thus 53.5 % of the total revenue of EUR 398 million. Revenue with service numbers therefore decreased once again in 2018 (–4.3 %). This development is due firstly to the increasing supply of information on the (largely free) internet and secondly to the increasing emergence of chat tools for direct contact on service providers' websites.

Revenue with service numbers



Source: DIALOG CONSULT-/VATM-analysis and forecasts

These include geographical numbers, IN numbers* (0137, 0180, 0700, 0800 0900, 018 [2-9]) and inquiries numbers (118).
IN and inquiries numbers are always billed by the network provider and can not be used by call-by-call or preselection.
*IN = Intelligent Networks

The competitors generate over half of their revenue (56.3 %) with geographical and 0800 service numbers.

The data centre market in Germany

The importance of data centres is growing all the time.

Germany is still the third-largest data centre market in the world and the largest in Europe. Its advantages as a location include legal certainty and data privacy, efficient connection to internet nodes and a reliable energy supply. However, energy and human resources are also relatively expensive in Germany, while there is a palpable shortage of IT experts. Experts are currently talking of nothing less than a boom in the construction of data centres in Germany, as the continuing acceleration of the digitalisation of business and society is requiring more and more central data processing and storage capacity in data centres. The requirement of many professional users to store and process data within Germany is also accelerating this growth.

In previous years, calculations by Borderstep (which have not been updated since) showed that the number of servers in German data centres increased by 18 % to approximately 1.9 million between 2013 and 2016. The IT space in Germany's data centres therefore amounted to a good 2 million square metres in 2017.

Data center category	Number of data center in Germany 2007	2013	2017
Rack (3–10 m^2)	33,700	30,500	30,500
Server room (11–100 m^2)	18,100	18,100	19,900
Small data center (101–500 m^2)	1,700	2,150	2,500
Mid size data center (501–5,000 m^2)	210	280	330
Large data center (more than 5,000 m^2)	45	70	90

Source: Borderstep 2017 (no current data available)

Cloud computing in Germany

Cloud computing has become established: According to a representative survey by Bitkom Research on behalf of KPMG AG, two-thirds of all businesses (66 %) used computing services from the cloud in 2017. Another roughly 21 % of businesses are planning or at least discussing the use of cloud computing. Only a small minority of businesses (around 13 %) describe the subject of cloud computing as not playing a role.

Cloud computing is a fundamental technology for the digital transformation. The technology allows enormous gains in efficiency and is very frequently the basis of new business models in the digital economy. From the user's perspective, cloud computing means the use of IT services such as software, storage capacity and processing power as required via data networks. The data network can be a company's or organisation's internal intranet (private cloud computing) or the public internet (public cloud computing). In 2017, for example, half of businesses (51 %) used private cloud applications, while nearly a third (31 %) opted for public cloud solutions. But more and more businesses are entertaining the idea of the public cloud. While more than half (55 %) would not consider the public cloud in 2016, only 42 % still said this in 2017.

Concern over data security is one of the main reasons why some businesses are not yet opting for the public cloud. Nearly two-thirds of non-users (63 %) are afraid of unauthorised access to sensitive company data. More than half (56 %) worry that data in the cloud could be lost. One in two non-users (50 %) presumes an uncertain legal situation. On balance, however, businesses' scepticism against the cloud is diminishing somewhat.

For those using or planning to use cloud applications, data protection is the top criterion when it comes to selecting a cloud service provider. Virtually all businesses (97 %) claim that it is vital to them that cloud solutions conform to the General Data Protection Regulation. For eight in ten (79 %), it is essential to have an exit strategy from cloud services. Three-quarters (76 %) say that their cloud provider must be based in the EU.

The fact remains that, in the long term, very few companies will be able to get by without using cloud technology.

ERP systems in the cloud

Enterprise resource planning (ERP) refers to a company's task of planning and managing resources such as capital, people, equipment, materials, and information and communication technology as and when required in the interests of the company's purpose. It is intended to guarantee an efficient operational value-adding process and the continuously optimised management of company and operating processes.

Cloud-based ERP systems are some of the most important offerings in cloud computing. While the ERP market used to be dominated by on-premises solutions, i.e. solutions based on the company's own servers, cloud-based solutions are increasingly gaining market share.

Traditional ERP systems are complex, proprietary platforms, the implementation of which usually used to require a team of consultants and specialists. Even then it was often unavoidable that users had to change individual details of their business processes instead of the software adapting to their specific requirements. Such implementations were naturally time consuming and expensive. This is no longer necessarily the case, especially as cloud computing has made implementation easier and made ERP systems accessible even for smaller firms. It has significantly simplified the provision of software, as cloud applications do not usually require trained internal IT staff and there are no longer any maintenance tasks such as rolling out updates and patches.

ERP systems from cloud have many advantages in terms of performance and functionality. Proprietary IT infrastructure is no longer necessary. Installation is usually very simple. The ERP system can be deployed immediately and there is no additional maintenance work. There is also no effort required for the installation of updates. Cloud-based ERP can be enhanced at any time with additional modules. The data is stored centrally in the cloud. In addition, cloud-based ERP systems enable additional tools such as groups, forums and chats, where employees can communicate.

ERP systems from the cloud can be used to keep a constant eye on all business processes, so the ERP software enables better planning, coordination and control of processes. Processes within the company therefore become more effective overall and resources are spared.

Renewable energies in Germany

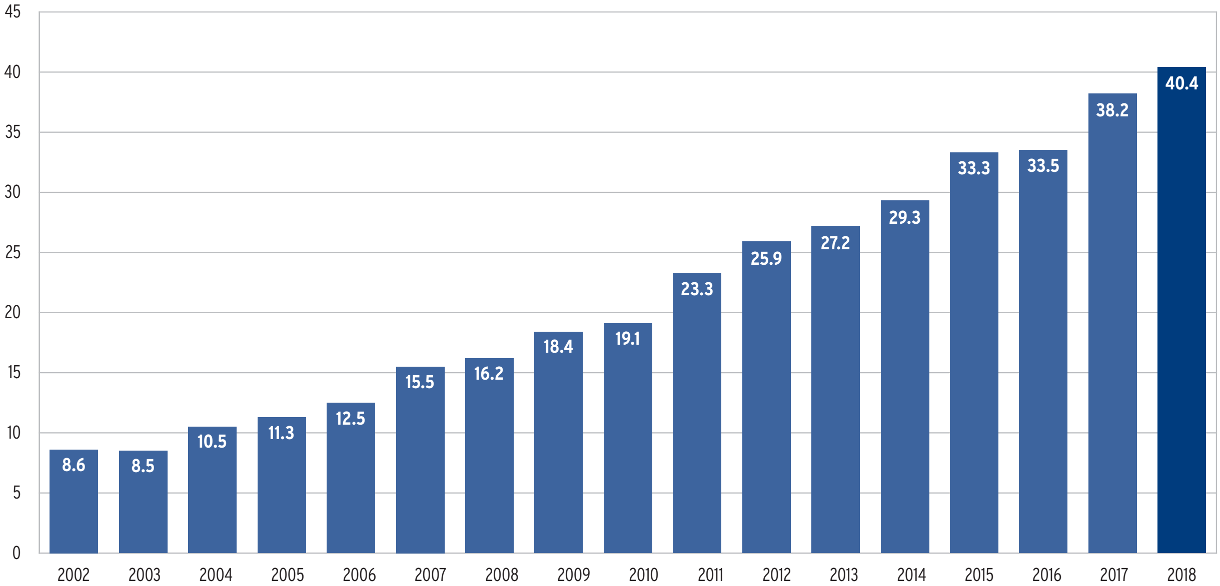
Securing a reliable, economical and environmentally friendly energy supply is one of the greatest challenges of the 21st century. Germany has decided to set an example for the rest of the world and set particularly ambitious targets for the prevention of greenhouse gases.

The current German Coalition Agreement agreed the target of increasing the proportion of renewable energies in gross electricity consumption to 65 %. Another target is for renewable energies make up at least 80 % of the electricity supply by 2050. The German Renewable Energy Sources Act (EEG) defined an interim target, according to which the share of renewable energies in the electricity supply is to be increased to at least 35 % by 2020 and then continuously increased.

In the year 2018 around 219 billion kilowatt hours (kWh) of electricity were therefore generated from the sun, wind, water and biomass. The marked increase was due to the substantial expansion of electricity generation capacity, especially for wind energy and the high solar irradiation.

Data on electricity generation in Germany is collected by researchers from the Fraunhofer Institute for Solar Energy Systems ISE. This data showed that the total electricity produced from solar and wind power plants exceeded that produced from lignite, bituminous coal or nuclear power for the first time in 2017. Wind energy became the second-biggest energy source after lignite. The share of all renewable energy sources in public net electricity generation is now around 40 %.

Share of renewable energies in public net electricity generation (in %)

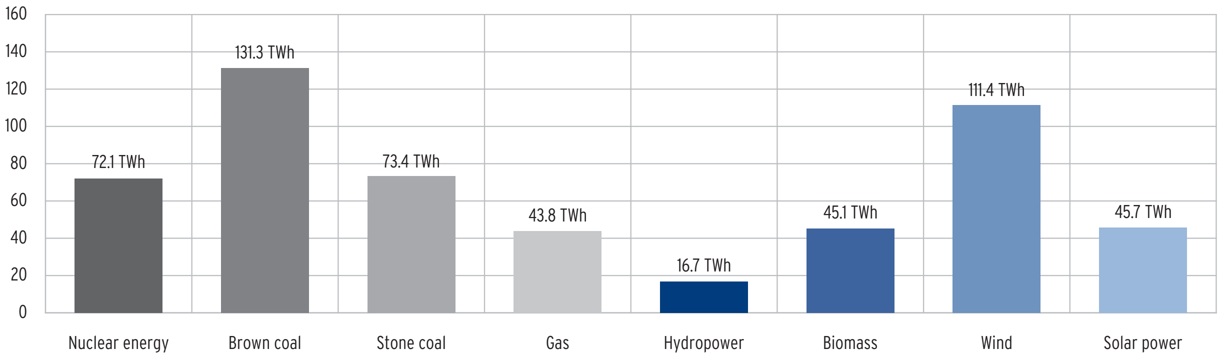


Source: Fraunhofer ISE / www.energy-charts.de/ren_share_de.htm

Photovoltaic plants fed around 45.7 TWh into the public grid in 2018. Production increased by around 6.3 TWh or 16 % year on year.

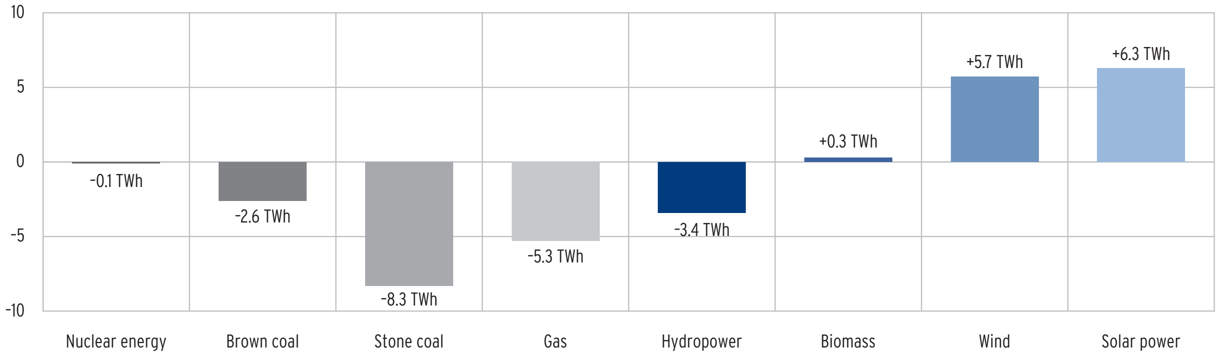
In 2018, wind energy produced around 111 TWh and thus exceeded the previous year's production by around 5.4 %. Therefore, wind energy was again the second-biggest energy source ahead of bituminous coal and nuclear power, but still behind lignite.

Net electricity generation in Germany in 2018 (in TWh)



Source: Fraunhofer ISE; Data: DeStatis and Leipziger Strombörse EEX, energetically corrected values

Change in net electricity generation in Germany in 2018 compared to 2017 (in TWh)



Source: Fraunhofer ISE; Data: DeStatis and Leipziger Strombörse EEX, energetically corrected values

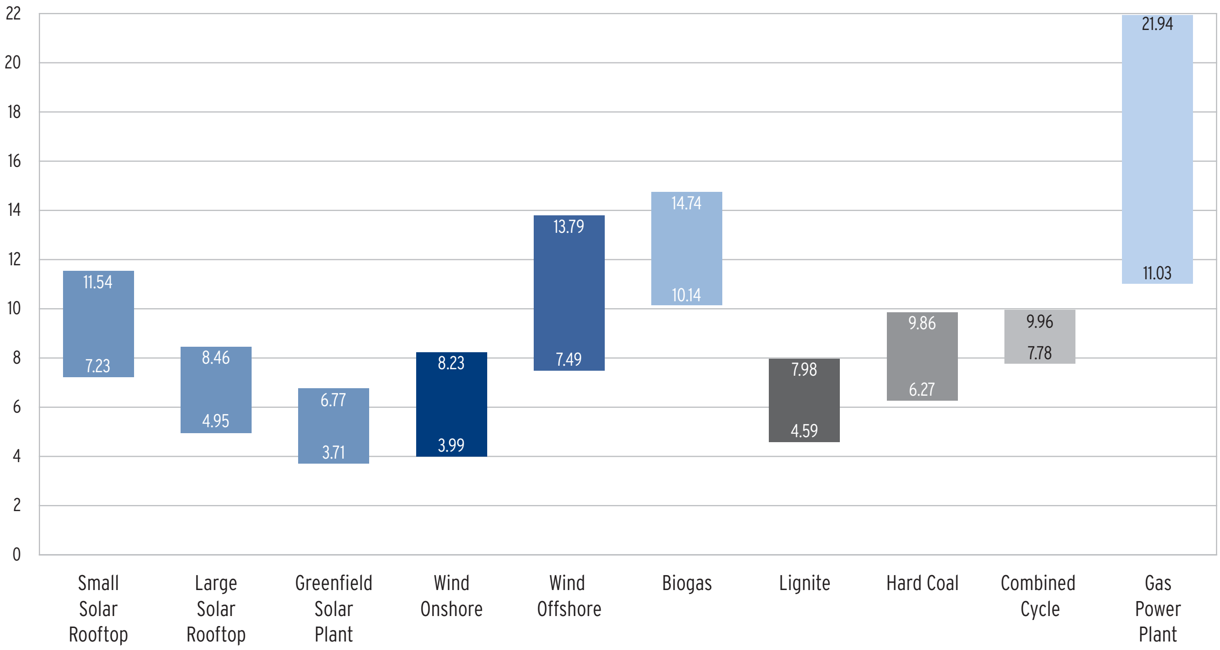
The German Renewable Energy Sources Act (EEG 2017) was last amended on 17 December 2018. The act aims to keep the EEG surcharge stable and thus ensure the affordability of electricity and simultaneously the security of supply.

EEG 2017 ended the phase of technology funding with politically fixed prices and replaced it with competitive auctions. The remuneration of renewable electricity is now governed by auctions, so the level of funding is determined by the market. This ensures the continuous expansion of renewable energies and can reduce funding costs, provided there is enough competition.

The conditions stipulated by the EEG mean that 3U HOLDING AG, like most other professional investors in Germany, has withdrawn almost completely from PV plant construction. On the other hand, wind energy projects are expected to boast a better risk/reward profile. Accordingly, the significance of solar energy for the 3U Group will decline in the future, while the significance of wind energy projects will rise.

In terms of climate conditions (solar radiation and wind intensity), Germany is only a very averagely attractive location for EEG projects. Countries with longer coasts such as the United Kingdom, the Scandinavian countries, France and the countries on the Mediterranean have more productive locations. Nevertheless, the costs of producing electricity from renewable energies are also falling in Germany, not least due to the sharply declining prices for plant constructors. Accordingly, it is foreseeable that the first projects in Germany whose electricity production costs are lower than the costs of conventional power plants will be realised in the next few years. A sharp rise in global electricity generation from renewable energies is expected by then at the latest.

Electricity production costs for renewable energies and conventional power plants in locations in Germany in 2018 (in eurocents/kWh)

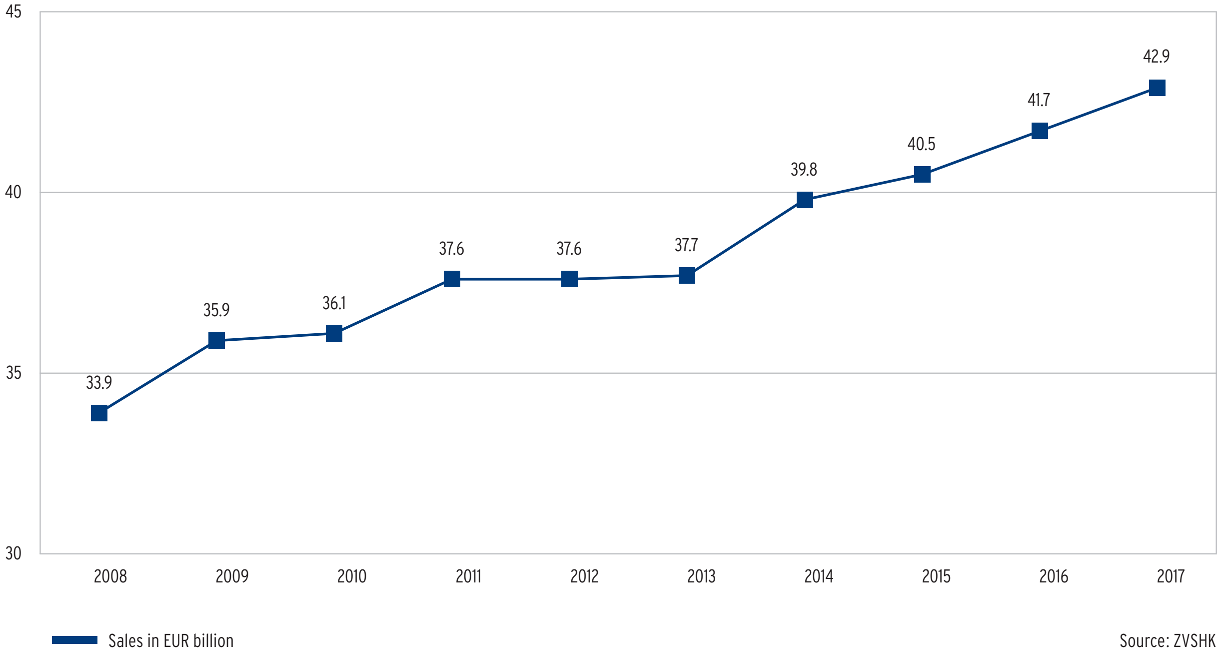


Source: Fraunhofer ISE (As of March 2018)

Development of the SHAC market

The SHAC market remains on course for expansion. Revenue has increased every year for the last 10 years and in 2017 was around 27 % higher than in 2008.

Revenue development in the SHAC trade (in EUR billion)



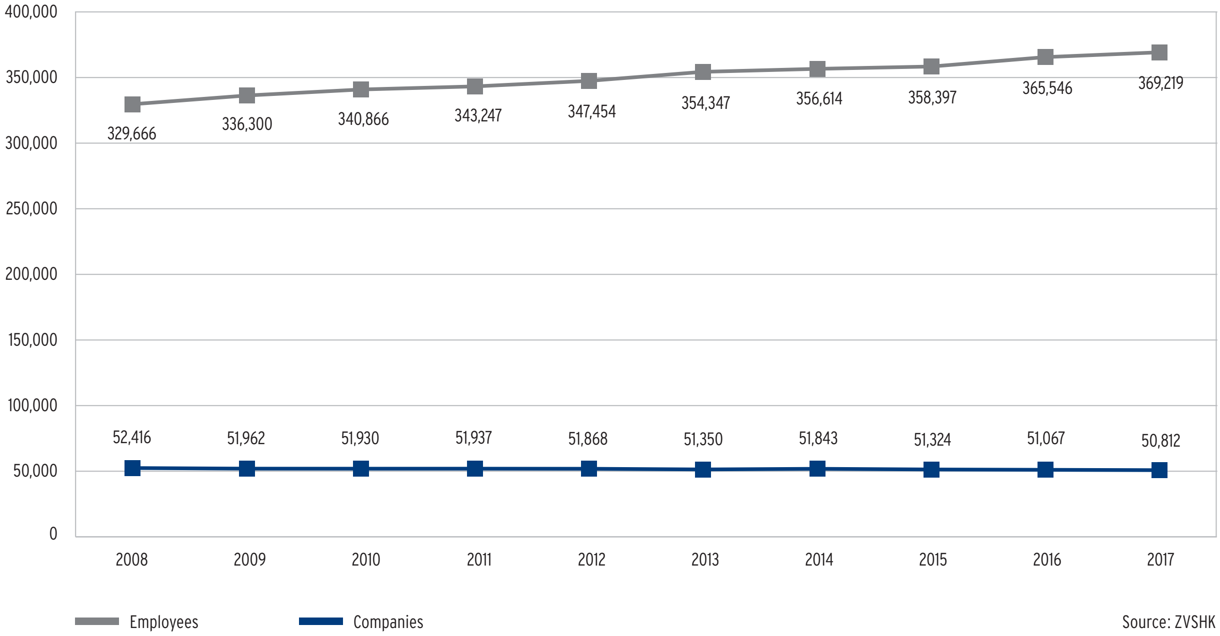
Source: ZVSHK

This gratifying development is also reflected in the labour market situation in this sector. In the German SHAC trade, nearly 370,000 people were employed in just under 51,000 trade businesses in 2017. Due to the good (construction) business activity, this number is likely to have risen again in 2018, as in the previous years.

The core issues in the SHAC trade are "demographics" and the "energy transition". Specifically, the focus is on age-appropriate construction and efficient heating.

For example, the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety has calculated that an additional 2.9 million homes appropriate for older people with an investment volume of around EUR 50 billion will be required in Germany by 2030. Specifically, the bathroom is one of the key living areas for older people to be able to live independently at home.

Employees and companies in the SHAC trade



Source: ZVSHK

The success of the energy transition is highly dependent on the heating market and efficiency increases in heating systems. Through the modernisation of heating systems in private households, the primary energy consumption for room heating in Germany was already reduced by 9.2 % between 2008 and 2016. Further progress is desired by politicians and would be of economic benefit to private households. This gives reason to expect demand for heating and air conditioning technology products to remain stable or even increase.

The entire building services and facility management industry is benefiting from the continued positive economic growth and the stable construction activity in Germany. Due to the advanced average age of existing heating, replacement demand will continue to constitute a majority of the demand in the heating industry in the future.

This is also being driven by the German government's climate policy: Since 2014, the German Energy Saving Ordinance (EnEV) has required the replacement of heating that is over 30 years old. In addition, the state-owned development bank KfW and the Federal Office for Economic Affairs and Export Control (BAFA) offer numerous programmes to promote the use of renewable energies and increase energy efficiency in heating.

The strongest growth stimuli therefore continue to emanate from the renovation, customer service and maintenance business in the bathroom and heating segments.

Leading market researchers assume that online trading in the SHAC segment will continue to grow, as the currently still relatively low affinity for online purchasing will be significantly altered by the generational shift in the trade.

Business performance

Overview of the key events of the 2018 financial year

ITC

Growth of weclapp continues unabated

No other investment in the 3U Group is developing as dynamically as weclapp. In the 2018 financial year, revenue actually exceeded expectations and increased by EUR 1.12 million compared with the 2017 financial year. It should be noted that the current financial year was focused less on sales activities and more on the further expansion of the ERP system with its innovative technology, intuitive user navigation and, in association, its ever faster implementation for the customer. In the past, weclapp has gone to great efforts to present itself as an attractive employer and is now reaping the rewards, as can be seen in the gratifying rise in headcount.

weclapp is increasingly managing to fill major customers with enthusiasm for its solutions. This is helped tremendously by the appreciation shown for weclapp by the research community. For example, weclapp recently won the "ERP System of the Year" award in the cloud-based ERP systems category for the third time in a row.

By expanding the software's functions and especially by increasing the number of employees, weclapp has laid the foundations for exponential growth. We expect that the growth rate, which was most recently over 50 % in terms of revenue, can continue to be significantly increased in the years to come. Profitability will grow at an even faster rate. weclapp is therefore well on track to achieve its ambitious objective of becoming one of the leading ERP systems in the cloud.

Renewable Energies

Lüdersdorf wind farm not sold

When the option agreement for the sale of the Lüdersdorf wind farm was concluded with Green City AG in the 2017 financial year, the wind farm had to be shown separately in 3U's statement of financial position as a disposal group. In accordance with IFRS rules, the assets no longer had to be depreciated from this date.

Unexpectedly, Green City AG informed 3U HOLDING AG that it had not received board approval for the acquisition of the wind farm and would not be signing the addendum to the option agreement on the sale of 100 % of the shares in Märkische Windkraft 110 GmbH & Co. KG (Lüdersdorf wind farm). The option therefore lapsed and the wind farm remains in 3U HOLDING AG's portfolio.

Because the intention to sell has been abandoned for the time being, the wind farm must now be reclassified and the originally suspended depreciation applied retroactively.

SHAC

Online trader Selfio continuously sets new revenue records again in the year under review

In the SHAC segment, 3U is benefiting from the continuingly good conditions, which are primarily characterised by the lively construction industry and the increasing use of "online trading" as a sales channel. Revenue from online trading was continuously increased. In addition to the constant expansion of the product and service portfolio, this is due in particular to the large number of satisfied customers who keep coming back to shop with Selfio. The ongoing optimisation of the marketing strategy is helping to further improve the perception of Selfio in the market.

3U HOLDING AG

Sale of the data centre property in Hanover

The data centre property in Hanover acquired in March 2014 was sold in the second quarter of the 2018 financial year. The high other operating income generated including a book gain in the amount of EUR 2.60 million in the sale had a correspondingly positive influence on the EBITDA and earnings of 3U HOLDING AG and the Group as a whole.

Results of operations*

Consolidated revenue

Consolidated revenue increased by EUR 1.09 million from EUR 46.89 million in the previous year to EUR 47.97 million. Revenue was increased considerably year on year in the SHAC segment in particular, but also in the ITC segment. A significant impact on consolidated revenue was made by the continuous expansion of online trading and the significant increase in revenue from cloud-based solutions. Revenue only declined in the Renewable Energies segment, which had been significantly influenced in the previous year by the sale of the Schlenzer wind farm. 30.8 % (previous year: 27.9 %) of the revenue was generated in the ITC segment, 13.1 % (previous year: 20.8 %) in the Renewable Energies segment and 55.6 % (previous year: 50.2 %) in the SHAC segment.

In the 2018 financial year, the change in inventory again relates primarily to the further development of wind farm projects.

The cost of materials increased considerably compared with the previous year. Especially in relation to revenue, the cost of materials rose significantly year on year in the segments. The cost of materials amounted to 61.3 % of revenue in the segments, while in the previous year it was 53.7 % of revenue. This increase is primarily the result of the greater weighting of revenue from the SHAC segment. Other income increased considerably year on year due to the sale of the data centre property in Hanover.

EBITDA

EBITDA is largely on a par with the previous year. While EBITDA amounted to EUR 6.67 million in the previous year, EBITDA of EUR 6.72 million was generated in the 2018 financial year. A major contribution was made by the sale of the data centre property, which also led to an increase in gross profit at Group level, while gross profit in the segments declined. In the previous year, however, a significant contribution to gross profit came from the sale of the Schlenzer wind farm. However, the rise in gross profit was essentially compensated for by the increase in personnel expenses and the other operating expenses. Both increases are directly related to the expansion of business activities with cloud-based solutions and in online trading.

Consolidated net profit

The consolidated net profit for the 2018 financial year of EUR 1.93 million is EUR 0.86 million higher than the consolidated net profit of the previous year (EUR 1.07 million). In the previous year, consolidated net profit was still reduced by a loss allowance on the loan receivable in the Renewable Energies segment of around EUR 0.5 million.

***Note:**

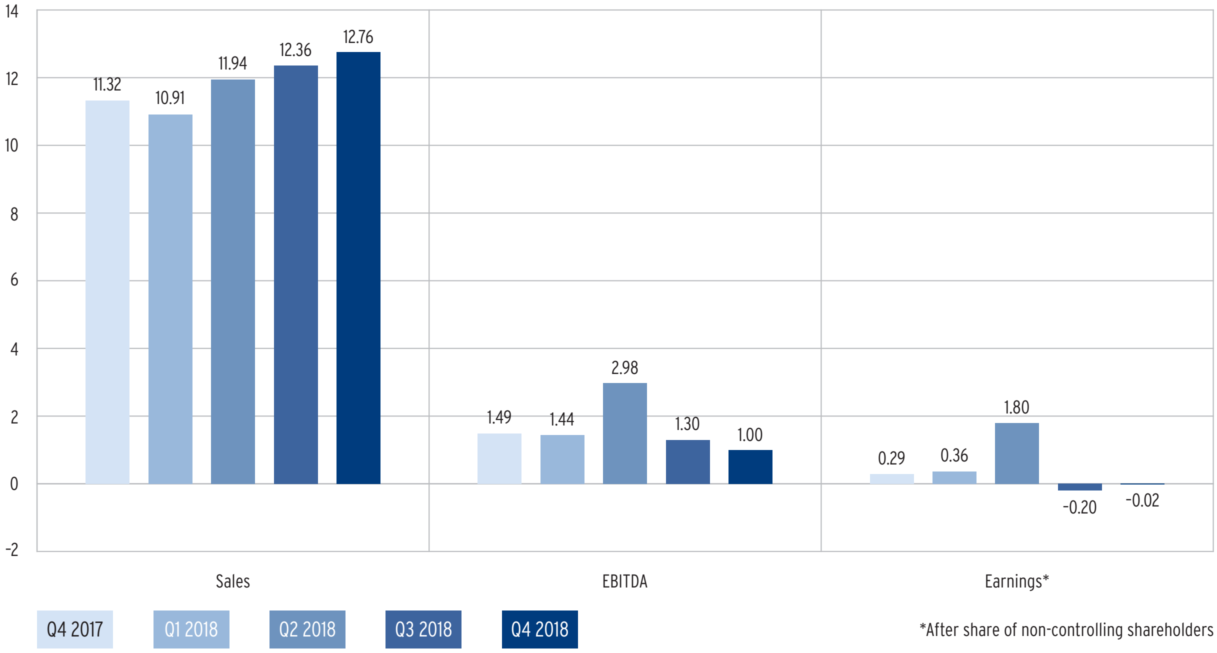
In the case of the allocations to individual quarters presented below, it should be noted that the individual quarterly figures are unaudited.

The significant reduction in financial liabilities due to scheduled repayments and the sale of the Schlenzer wind farm at the end August 2017 and the associated disposal of financial liabilities resulted in a significant improvement in the financial result compared with the previous year.

The tax income of the 2018 financial year amounted to EUR 0.32 million and was thus EUR 1.02 million higher than in the comparative period (tax expense in the previous year: EUR 0.70 million). This was influenced significantly by the recognition of deferred tax assets on the basis of the expected use of existing loss carryforwards. In the previous year, the tax expense was characterised by the reversal of deferred tax assets in connection with the realisation of interim profits from the sale of the Schlenzer wind farm.

Earnings attributable to non-controlling interests increased by EUR 0.08 million as against the comparative period. Non-controlling interests benefited from the positive business performance in the ITC segment in particular.

Development (sales, EBITDA, earnings) — 3U Group in EUR million



*After share of non-controlling shareholders

In line with its internal reporting, the Group reports the ITC, Renewable Energies and SHAC segments as well as the Holding/Consolidation unit.

The segments are presented below with their intersegment revenue. It should also be noted that income taxes – where there is a tax group relationship with 3U HOLDING AG – are borne by the parent of the tax group, 3U HOLDING AG.

ITC (Information and Telecommunications Technology) segment

Segment revenue

Revenue in the ITC segment increased from EUR 13.10 million in the previous year to EUR 14.78 million in the 2018 financial year. This revenue growth resulted both from the telephony business and from the cloud-based solutions business, in which revenue was increased by more than 50 % year on year.

As in the previous years, the continued percentage margin increase in this segment also resulted largely from the successful development in the cloud-based solutions business and in trading with IT licences. However, telephony also continues to make a considerable contribution to the margin in this segment.

Revenue in the Voice Retail business fell from EUR 3.11 million to EUR 2.46 million due to the further volume- and price-driven decline in fixed line telephony. In contrast, Voice Business Customer revenue was increased from EUR 5.72 million to EUR 6.77 million. In the Data Centre Services & Operation business, revenue of EUR 1.74 million (previous year: EUR 1.63 million) was generated in the 2018 financial year. In the business with cloud-based solutions, revenue was increased from EUR 1.91 million to EUR 3.03 million.

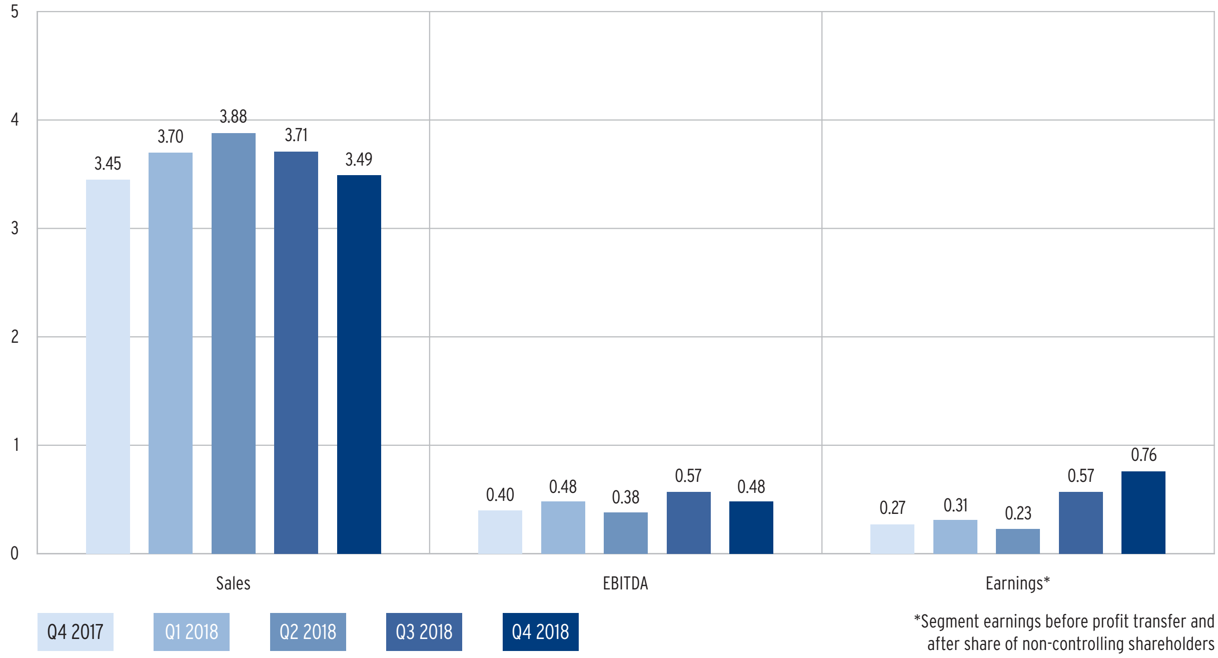
EBITDA

The significant increase in the margin was partially eroded by higher personnel expenses and higher other operating expenses. Personnel expenses rose from EUR 3.20 million to EUR 3.80 million due in particular to a substantial increase in personnel in the cloud-based solutions business. This left an EBITDA increase in this segment from EUR 1.69 million to EUR 1.90 million in the year under review.

Segment earnings

ITC segment earnings increased by EUR 0.49 million from EUR 1.39 million in the previous year to EUR 1.88 million in the 2018 financial year. The recognition of deferred taxes on the basis of the expected use of existing loss carryforwards and the associated tax income also contributed to this positive development in the year under review.

Development (sales, EBITDA, earnings) — Segment ITC in EUR million



*Segment earnings before profit transfer and after share of non-controlling shareholders

Renewable Energies segment

Segment revenue

In the Renewable Energies segment, revenue fell from EUR 9.74 million in the previous year to EUR 6.30 million in the year under review. The revenue decline was driven by lower revenue from project development and from electricity generated by existing wind farms. Revenue from electricity generated by photovoltaic plants developed in the opposite direction. Revenue at Solarpark Adelebsen in particular was increased from EUR 1.68 million in the previous year to EUR 2.10 million. The differing developments in electricity generation from wind turbines and photovoltaic plants resulted from the respective climate conditions in 2018.

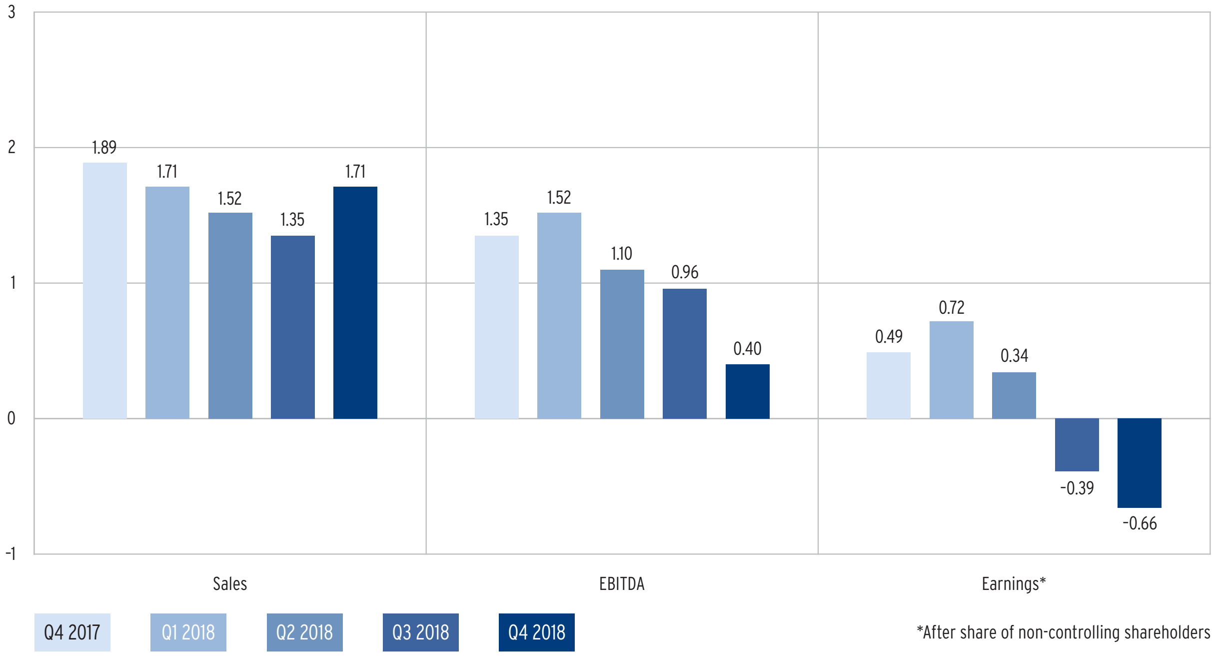
EBITDA

EBITDA fell from EUR 6.24 million in the previous year to EUR 3.98 million in the 2018 financial year. In the 2018 financial year, EUR 0.55 million (previous year: EUR 0.95 million) was invested in further project development. Personnel expenses declined slightly year on year. Other operating expenses include the expense of EUR 0.52 million from an agreement between Solarpark Adelebsen and 3U HOLDING AG to settle existing demolition obligations. Without this intra-Group settlement, EBITDA and especially the segment earnings in the Renewable Energies segment would have been significantly better. In the previous year, other operating expenses included loss allowances on receivables from the former activities in the solar thermal energy business at EUR 0.51 million.

Segment earnings

Segment earnings decreased year on year from EUR 1.85 million to EUR 0.02 million. The loss of revenue from project development compared with the previous year and the intra-Group settlement described above had a negative effect here. However, both also contributed to a substantial decline in tax expense.

Development (sales, EBITDA, earnings) — Segment Renewable Energies in EUR million



*After share of non-controlling shareholders

SHAC (Sanitary, Heating and Air Conditioning Technology) segment

Segment revenue

In the SHAC segment, revenue was increased from EUR 23.55 million to EUR 26.67 million. This revenue increase of EUR 3.12 million or 13.25 % (previous year: 8.8 %) was therefore increased considerably year on year once again. The increase resulted from online trading and equally from the installation of air conditioning components in buildings. Overall, the cost of materials ratio in the SHAC segment rose from 74.4 % to 76.9 %.

EBITDA

EBITDA deteriorated from EUR 0.66 million in the previous year to EUR 0.41 million in the 2018 financial year. This EBITDA decline is the result of the lower margins in the installation business and the continued focusing of revenue to increase market penetration in online trading. The remaining positive development in gross profit was more than offset by the higher other operating expenses and higher personnel expenses. However, both are making a substantial contribution to the expansion of the business volume in this segment and are therefore to be understood as an investment in this development.

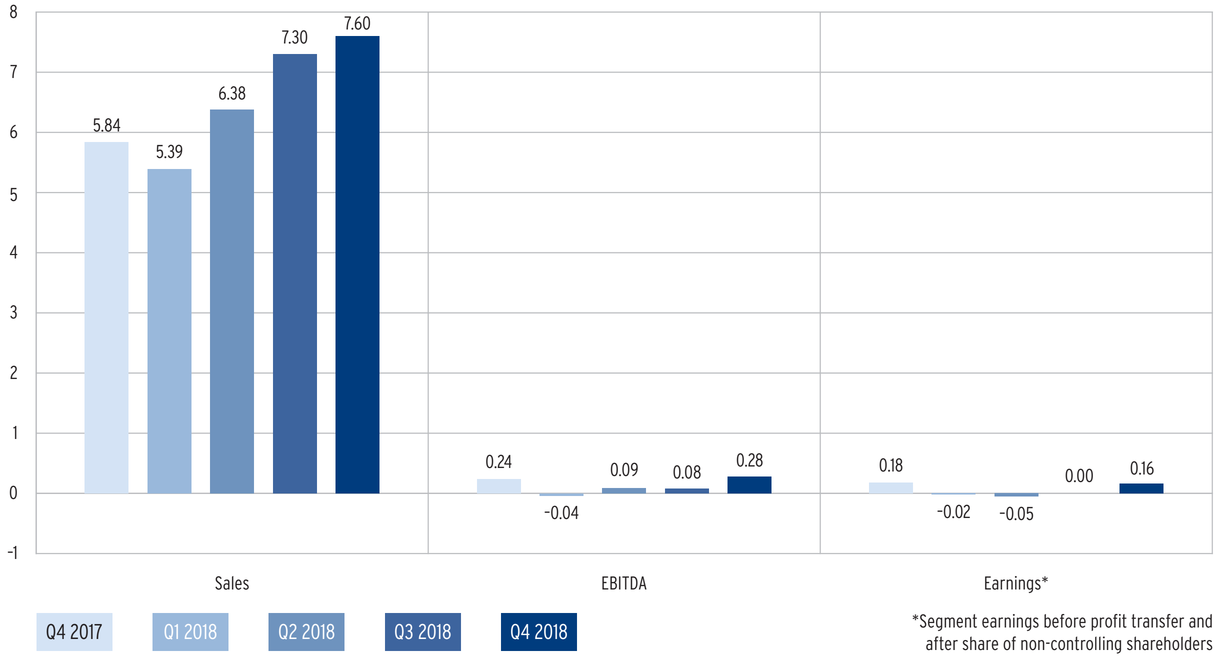
Segment earnings

Despite the considerable growth efforts and the associated costs, the SHAC segment achieved positive earnings again in 2018. Segment earnings fell from EUR 0.23 million to EUR 0.09 million.

The tax expense of the 2018 financial year amounted to EUR 0.10 million and was thus EUR 0.01 million lower than in the previous year.

Earnings attributable to non-controlling interests amounted to EUR 0.05 million (previous year: EUR 0.07 million).

Development (sales, EBITDA, earnings) — Segment SHAC in EUR million



*Segment earnings before profit transfer and after share of non-controlling shareholders

Holding/Consolidation

Holding/Consolidation includes both the holding company activities and the necessary Group consolidation.

Revenue

Revenue of EUR 0.23 million (previous year: EUR 0.50 million) is reported under Holding/Consolidation in the reporting period. This comprises the holding company's revenue of EUR 2.14 million (previous year: EUR 2.30 million) and the revenue consolidation of EUR –1.91 million (previous year: EUR –1.80 million). Revenue consolidation results chiefly from the consolidation of intersegment revenue and of intra-Group services. The revenue decline at the holding company is primarily the result of lower rental income after the sale of the data centre property in Hanover. This decline was only partially offset by higher rental income at the Adelebsen site.

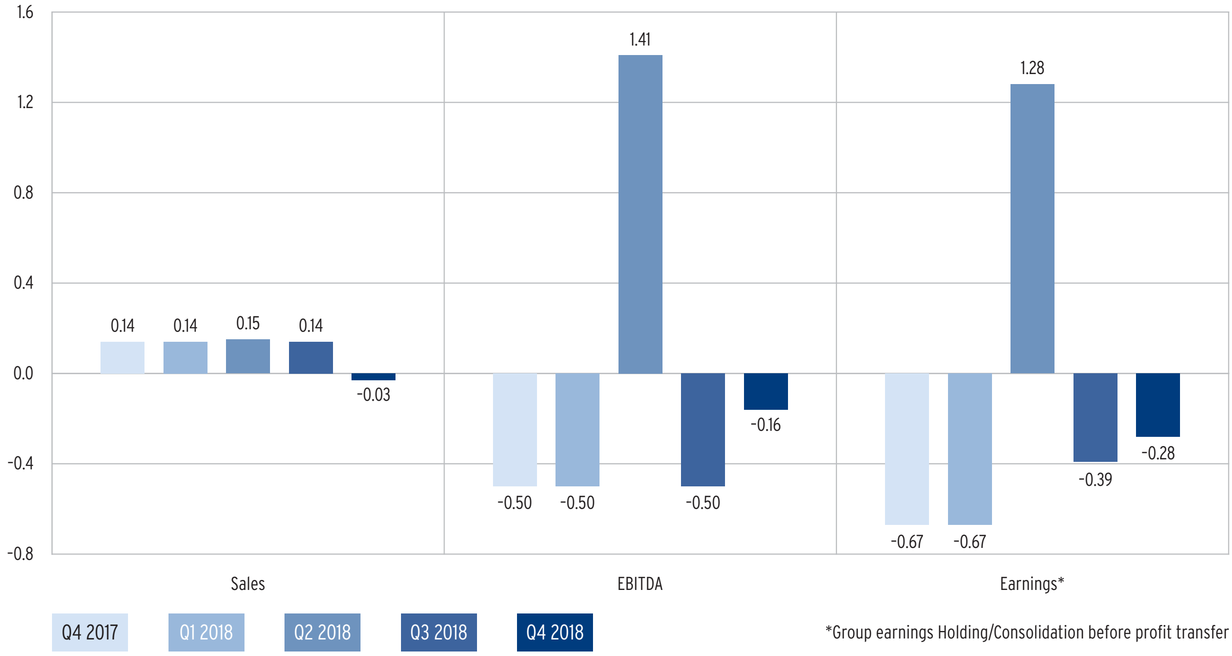
EBITDA

EBITDA amounts to EUR 0.42 million (previous year: EUR –1.91 million) and is therefore clearly positive. It is mainly influenced by labour costs of EUR 2.80 million (previous year: EUR 2.70 million) and by other operating income/expenses. The sale of the data centre property in Hanover made a major contribution to EBITDA in the financial year. This is reported under other income. The labour costs at the holding company increased slightly compared to the previous year. It should be noted here that employees from strategic investment management, the Finance, HR and legal departments, and intra-Group marketing resources are all allocated to the parent company. With these resources, the holding company makes a particular contribution to the strategic advancement of the subsidiaries.

Earnings

Earnings from this area are slightly negative for the Group at EUR –0.05 million. In the previous year, earnings from this area amounted to EUR –2.50 million.

Development (sales, EBITDA, earnings) — Holding/Consolidation in EUR million



*Group earnings Holding/Consolidation before profit transfer

Financial position

Capital structure

In the 2018 financial year, the Group made net payments for capital expenditures of the financial year of EUR 1.74 million (previous year: EUR 0.81 million). As in the previous year, the payments related to capital expenditures on the data centre, IT and telecommunications infrastructure and on equipment for generating electricity from renewable energies.

Significant cash inflows were generated in connection with the sale of the data centre property in Hanover.

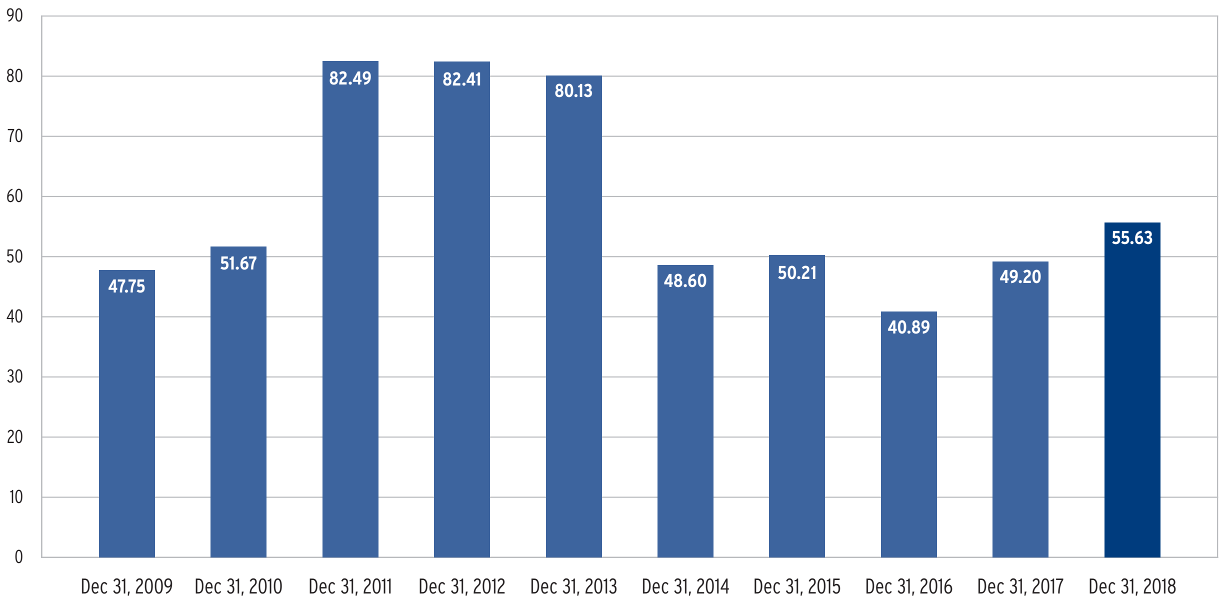
3U HOLDING AG invests funds exclusively in overnight money and short-term time deposit investments at Baden-Württembergische Bank, Sparkasse Marburg-Biedenkopf and Deutsche Kreditbank AG.

Compared with 31 December 2017, cash and cash equivalents increased by EUR 1.03 million from EUR 11.27 million to EUR 12.30 million as of 31 December 2018. Scheduled repayments of financial loans in particular meant that the positive cash flow from investing activities of EUR 8.11 million did not contribute to an even more significant increase in liquidity.

3U HOLDING AG continues to have a solid equity ratio. Due to the considerably lower total assets and the increase in the absolute amount of equity, the equity ratio continued to increase on the previous year (49.20 %) to 55.63 %. The gearing level is 44.37 % compared with 50.80 % in the previous year.

The profit of the 2018 financial year of EUR 2.15 million (including earnings attributable to non-controlling interests) and the addition to the capital reserve in connection with the 2018 stock option programme contributed to an increase in equity. This was countered only by the dividend payments to shareholders of 3U HOLDING AG and the profit distributions to non-controlling interests.

Development equity ratio (in %)



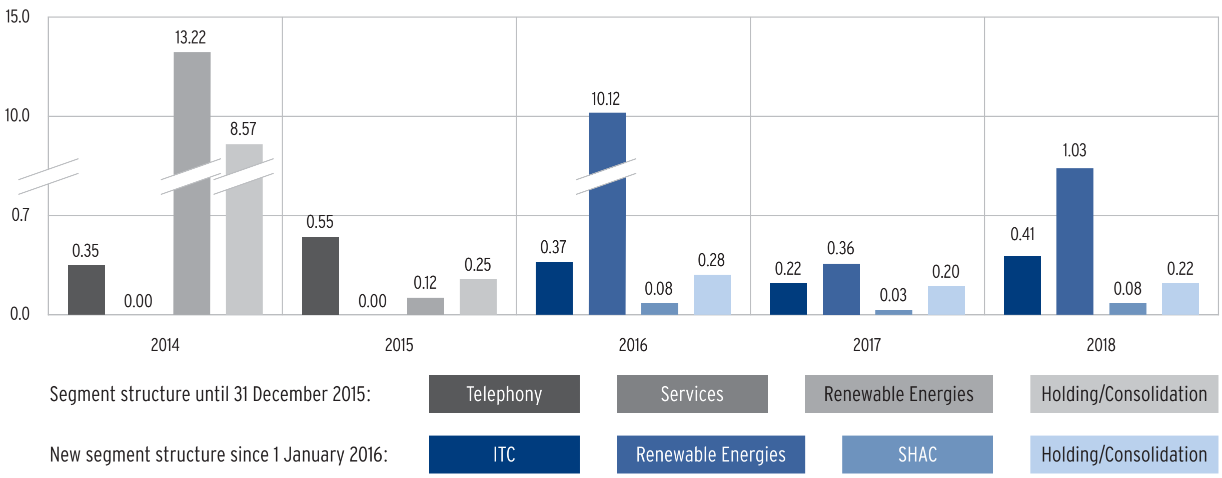
Capital expenditure

In the 2018 financial year, the Group invested EUR 1.74 million (previous year: EUR 0.81 million) in intangible fixed assets; property, plant and equipment; and investment property.

EUR 0.41 million (previous year: EUR 0.22 million) was invested in the ITC segment. Capital expenditures in the Renewable Energies segment amounted to EUR 1.03 million after EUR 0.36 million in the previous year. The capital expenditures mainly related to the investments in the Klostermoor wind farm. In the SHAC segment, the capital expenditures were higher than in the previous year at EUR 0.08 million (previous year: EUR 0.03 million). Investments in fixed assets of the holding company of EUR 0.22 million in the 2018 reporting year (previous year: EUR 0.20 million) primarily went on IT hardware and software.

For the 2019 financial year, investments in the existing business areas of around EUR 13.78 million are budgeted, of which EUR 0.26 million in the ITC segment, EUR 12.45 million in the Renewable Energies segment, EUR 0.56 million in the SHAC segment and EUR 0.50 million at the holding company. In the Renewable Energies segment, standard project finance with an equity share of 20 % to 30 % is planned for these investments.

Development of investments in EUR million



Liquidity

In the past financial year, the operating cash flow amounted to EUR 0.60 million (previous year: EUR 6.65 million). The positive net income for the period, increased by write-downs in the financial year, had a significant influence on this development. The gains on disposals of fixed assets must be subtracted from the net income for the period, as they are attributable to investing activities. In the 2018 reporting year, they primarily comprised gains from the sale of the data centre property in Hanover.

Cash flow from investing activities is shaped by capital expenditure on property, plant and equipment and cash inflows from the sale of property, plant and equipment and investment property in connection with the sale of the data centre property. Cash flow from investing activities of EUR 8.11 million (previous year: EUR –1.18 million) is EUR 9.3 million higher than in the previous year.

Cash flow from financing activities is significantly negative at EUR –8.16 million (previous year: EUR –5.40 million). This is primarily the result of payments for scheduled loan repayments and to shareholders of 3U HOLDING AG and non-controlling interests.

The 3U Group was able to meet its payment obligations at all times in the reporting period, and this is also guaranteed for 2019. The liquidity situation as of 31 December 2018 is satisfactory. The interim financing for the data centre property in Hanover of EUR 4.0 million, which expired in mid-2018, was repaid on schedule in connection with the sale of the property.

The statement of cash flows below shows the change in cash and was prepared on the basis of the statement of cash flows presented in the consolidated financial statements (without correction of cash and cash equivalents).

Cash flow statement (in TEUR)	2018	2017
Cash flow	**563**	**66**
Cash flows from operating activities	595	6,646
Cash flows from investing activities	8,124	–1,178
Cash flows from financing activities	–8,156	–5,402
Thereof from assets previously held for sale	**469**	**–469**
Changes in cash and cash equivalents	**1,032**	**–403**
Cash and cash equivalents at beginning of period*	**11,269**	**11,672**
Cash and cash equivalents at end of period**	**12,301**	**11,269**

*Incl. fixed deposits as collateral resp. restricted cash in the amount of TEUR 3,094 (1 January 2017: TEUR 4,344)
**Incl. fixed deposits as collateral resp. restricted cash in the amount of TEUR 3,923 (31 December 2017: TEUR 3,094)

Net assets

Overview items of statement of financial position	31 December 2018 TEUR	%	31 December 2017 TEUR	%
Non-current assets	**48,035**	**64.5**	**48,268**	**59.4**
Fixed assets	46,083	61.9	46,534	57.3
Deferred tax assets	1,661	2.2	1,459	1.8
Other non-current assets	291	0.4	275	0.3
Current assets	**26,455**	**35.5**	**22,813**	**28.1**
Inventories	6,990	9.4	5,947	7.3
Trade receivables	4,440	5.9	4,288	5.3
Other current assets	2,724	3.7	1,309	1.6
Cash and cash equivalents	12,301	16.5	11,269	13.9
Assets held for sale	**0**	**0.0**	**10,157**	**12.5**
Assets	**74,490**	**100.00**	**81,238**	**100.0**
Non-current liabilities	**63,382**	**85.1**	**56,778**	**69.7**
Equity attributable to 3U HOLDING AG shareholders	42,445	57.0	41,174	50.7
Non-controlling interests	-1,004	-1.4	-1,208	-1.5
Provisions and liabilities	21,941	29.5	16,812	20.5
Current liabilities	**11,108**	**14.9**	**15,647**	**19.3**
Trade payables	3,181	4.3	3,124	3.9
Other provisions and liabilities	7,927	10.6	12,523	15.4
Liabilities from disposal groups	**0**	**0.0**	**8,813**	**11.0**
Liabilities	**74,490**	**100.0**	**81,238**	**100.0**

As of 31 December 2018, total assets amounted to EUR 74.49 million (previous year: EUR 81.24 million) and were therefore EUR 6.75 million lower than in the previous year. The changes compared with 31 December 2017 are primarily due to the sale of the data centre property in Hanover. In addition, there was depreciation on fixed assets with only minor investing activities. On balance, the reclassification of the Lüdersdorf wind farm from assets held for sale to current and non-current assets had no significant influence on total assets.

The fixed assets of EUR 46.08 million (previous year: EUR 46.53 million) primarily include intangible assets (EUR 2.19 million; previous year: EUR 1.62 million); property, plant and equipment (EUR 39.66 million; previous year: EUR 37.29 million); and investment property of EUR 4.11 million (previous year: EUR 7.46 million). In 2018, the latter related to the letting of designated parts of the properties in Adelebsen and in Linz am Rhein. In contrast to the previous year, the investment property in Hanover is no longer included due to its sale. A new addition is the building in Linz am Rhein, which has been let to a third party since August 2018. Until then, it was used as an administrative building by online trading.

As of 31 December 2018, current assets amounted to EUR 26.46 million (previous year: EUR 22.81 million), up EUR 3.65 million on the previous year. The share of cash in current assets amounted to 46.50 % in the 2018 financial year (previous year: 49.40 %). Significant changes to current assets resulted from other current assets, which were characterised in the financial year by high VAT reimbursement rights in the online trading business.

In the 2017 financial year, the Lüdersdorf wind farm was recognised as a disposal group with its assets under assets held for sale. The associated liabilities were likewise reported separately. With the reclassification of the Lüdersdorf wind farm, the items under assets and under liabilities no longer exist in the 2018 reporting year.

On the equity and liabilities side, there were significant changes to non-current and current financial liabilities in addition to the increase in equity. These changes resulted from the reclassification of the liabilities of the Lüdersdorf wind farm and from the scheduled repayments of financial liabilities. No new financial liabilities were established in the 2018 financial year.

General statement on the economic situation

As in the previous year, the Management Board considers the economic situation and especially the current development of the company, as of the date the combined management report was prepared, to be satisfactory overall. The Management Board believes there is further potential to continue the positive development and to improve the Group's situation.

In the reporting period, consolidated net profit improved considerably compared with the preceding financial year, while operating earnings (EBITDA) were only slightly higher than in the previous year. Revenue was also increased year on year. Proceeds not realised as expected from the sale of the Lüdersdorf wind farm were approximately offset by the sale of the data centre property in Hanover.

In the 2018 financial year, the overall Group targets set for this period were achieved.

The ITC segment performed very positively again in the 2018 financial year and consistently exceeded expectations. Revenue was around EUR 1.1 million higher than planned. The planned EBITDA and especially earnings before profit transfer were considerably exceeded. Cloud-based solutions contributed EUR 0.5 million to this result.

The Renewable Energies segment did not achieve the planned figures in the 2018 financial year. Revenue was around EUR 0.6 million, EBITDA around EUR 3.6 million and earnings around EUR 2.9 million lower than planned. This deviation from planned figures was due above all to the planned but not completed sale of the Lüdersdorf wind farm. The intra-Group settlement with Solarpark Adelebsen also had a negative effect of EUR 0.5 million.

The SHAC segment also failed to achieve the planned figures in the 2018 financial year. Revenue was around EUR 0.5 million lower than planned. Online trading in particular, while revenue increased significantly, could not quite reach the expected revenue. This revenue deviation also contributed to the EBITDA target shortfall of EUR 0.8 million. This deviation from planning was also reflected in the segment's earnings.

Financial and non-financial performance indicators

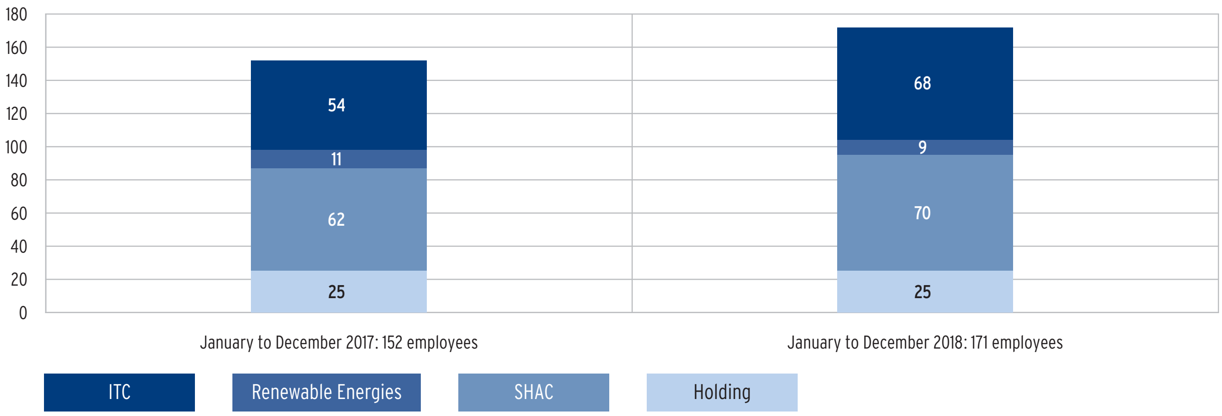
We use our Group-wide financial performance indicators to set targets, measure success and define the variable remuneration for the management. Our most important financial performance indicators are revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA), and earnings after taxes.

Non-financial performance indicators are not covered by regular reporting. They are coordinated and managed via direct agreement between the Management Board and the responsible managers.

Highly qualified and motivated employees are essential for ensuring the success of a company in the long term. Responsible HR development and continuous improvement play a crucial role here. Therefore, the sustainable development and targeted promotion of the potential of all employees is the core task of the company's HR management. With targeted HR development, the Group intends to increase its attractiveness as an employer and thus increase the employees' engagement with the 3U Group and their commitment to its objectives.

Employees

At the end of the reporting period, the 3U Group had 177 employees (previous year: 152). The annual average was 171 employees (previous year: 152). The average number of employees breaks down into individual segments as follows:



Of the total of 210 employees (incl. Management Board, part-time staff and temporary employees) who worked in the Group at the end of the reporting period 2018 (31 December 2017: 182), 56 were women (2017: 51); this equates to a share of 27 % (2017: 28 %). The Group's employees are distributed across all age groups: 33 % (2017: 27 %) of employees are under 30 years old, 25 % (2017: 28 %) are between 30 and 40, 25 % (2017: 29 %) are between 40 and 50, and 17 % (2017: 16 %) are over 50. The average age in the Group is 38 (2017: 39).

Our employees make a crucial contribution to increasing profitability and competitiveness with their ideas. A cooperative and communicative climate is therefore fostered in the Group, as all employees are motivated to make suggestions for the optimisation of products and work processes, synergies and other improvements in the Group. Depending on activity, the remuneration system is divided into fixed and variable components, so that above-average performance can be rewarded appropriately.

Promotion of employees' health

We understand health as defined by the World Health Organization (WHO) as physical, mental and social well-being. We have taken targeted measures in the Group in order to protect and promote our employees' health. For example, the Group supports its employees' health care. Employees also have the opportunity to take part in internal and external training and further education events. Attachment to 3U is strengthened with a range of measures focusing on social aspects.

Safety at the workplace is increased via relevant training measures. As in the previous years, no employees were notably harmed in workplace accidents in the 2018 financial year.

In 2018, 9.9 days of sick leave were taken per employee in the 3U Group, which is significantly lower than the previous year's figure (13.5 days) and below the German national average, which according to a 2018 survey by AOK Bundesverband was 12.1 days.

Corporate responsibility

Effects of our business on the environment

Fulfilling our corporate responsibility is an important part of our corporate strategy. We systematically consider the various needs of our stakeholders and reduce the effects of our business on the environment. In doing so, we seek a balance between economic targets and social responsibility. With our increased engagement for renewable energies and the expansion of the SHAC segment with efficient energy use avoidance solutions, we are investing actively in environmental protection and thus demonstrating social engagement. We are also increasing the use of renewable energies in the Group's other segments. We try to take environmental aspects into account when purchasing products and services.

3U HOLDING AG

3U HOLDING AG is the operating management and investment holding company at the head of the 3U Group. It manages and monitors all material activities within the Group. Its tasks include defining the corporate strategy and directing the 3U Group's development. It is responsible for accounting and controlling in the 3U Group, operates the Group-wide risk and opportunity management system and manages the Legal, Investor Relations and Corporate Communications departments. 3U HOLDING AG is also in charge of allocating financial resources, e.g. for investments of acquisitions. It is responsible for HR policy, HR development and supporting the Group's senior management. The members of the 3U HOLDING AG Management Board have operational responsibility in dual roles as Managing Directors of subsidiaries.

3U HOLDING AG prepares its annual financial statements with regard to accounting, measurement and recognition in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). It prepares the annual financial statements on a going concern basis. The income statement is prepared in accordance with the nature of expense method.

The remarks below refer to the separate financial statements of 3U HOLDING AG. In individual cases, certain transactions have been depicted differently in the consolidated financial statements under IFRS.

Analysis of the annual financial statements

Results of operations

3U HOLDING AG's total revenue amounted to EUR 2.48 million in 2018 (previous year: EUR 2.69 million). The revenue primarily includes management services for subsidiaries and equity investments of 3U HOLDING AG and income from letting and leasing. The decline in revenue is primarily the result of the sale of the data centre property in Hanover. This lower rental income was not completely offset by higher income from the letting of the railway siding in Adelebsen.

Operating expenses are related in particular to the company's management and holding function. Accordingly, earnings are primarily influenced by general administration expenses, other operating income and the financial result.

Other operating income includes income from the sale of property, plant and equipment of EUR 2.60 million (previous year: EUR 0.00 million). This relates to income from the sale of the data centre property in Hanover. In the 2018 financial year, an agreement was concluded with Solarpark Adelebsen on waiving the demolition of the PV plant for a one-time payment of EUR 0.52 million. This likewise resulted in other operating income at 3U HOLDING AG. Other operating income also includes income from the reduction of write-downs on receivables of EUR 0.14 million (previous year: EUR 0.00 million), as well as insurance compensation and damages and income for employees' benefits in kind.

Personnel expenses of EUR 2.78 million were incurred for the employees and the Management Board of 3U HOLDING AG, after EUR 2.70 million in the previous year. Other operating expenses primarily include IC services, write-downs on receivables, maintenance and occupancy costs, period-end closing and audit costs, motor vehicle expenses, tax and other consulting costs and Supervisory Board remuneration.

The financial result of EUR 0.20 million (previous year: EUR 1.75 million) resulted from income from equity investments of EUR 0.58 million (previous year: EUR 0.61 million), income from profit transfer agreements of EUR 0.76 million (previous year: EUR 1.22 million) and positive net interest income of EUR 0.33 million (previous year: EUR 0.26 million). The income from equity investments is due to the profits generated by the subsidiaries in the ITC, Renewable Energies and SHAC segments. Compared to the previous year, the costs of loss absorption were reduced slightly to EUR 0.29 million (previous year: EUR 0.34 million). In the 2018 financial year, write-downs on the carrying amounts of equity investments in subsidiaries of EUR 1.18 million (previous year: EUR 0.00 million) were also performed.

Due above all to the other operating income generated from the sale of the data centre property in Hanover and the agreement with Solarpark Adelebsen, the net income for the year was much better than expected at EUR 0.01 million. 3U HOLDING AG's net income for the year improved considerably compared to the previous year. However, the positive effects were weakened significantly by the write-downs on the carrying amounts of investments in subsidiaries.

Financial position

As of the end of the reporting period, 3U HOLDING AG had extended short-term loans to its subsidiaries for the establishment/expansion of their business activities with a total volume of EUR 27.77 million (previous year: EUR 26.63 million). From these loans, EUR 6.57 million was impaired as of 31 December 2018 (previous year: EUR 6.57 million). No further impairment was recognised in the 2018 financial year.

The available cash and cash equivalents amounted to EUR 5.82 million on 31 December 2018 (previous year: EUR 4.27 million). Net cash and cash equivalents increased by EUR 1.55 million. As in the previous year, the time deposit balance of EUR 1.50 million is pledged as collateral for own credit lines. As of 31 December 2018, these had been utilized in the amount of TEUR 797 (previous year: TEUR 940) in connection with a guarantee credit.

The disposal of the data centre property in Hanover contributed significantly to the improvement of the financial position. Repayments of short-term loans by the subsidiaries weclapp GmbH and RISIMA Consulting GmbH were more than offset by the extension of additional loan amounts to the subsidiaries 3U ENERGY AG, ClimaLevel Energiesysteme GmbH and 3U Euro Energy Systems GmbH.

Along with the overall liquidity improvement as mentioned, with the disposal of the data centre property in Hanover, the loan of EUR 4.0 million held for that purpose was redeemed on schedule on 29 June 2018.

Net assets

As of 31 December 2018, 3U HOLDING AG's total assets amounted to EUR 56.39 million (previous year: EUR 61.38 million) and thus decreased by 8.1 %.

This reduction was mainly due to the sale of the data centre property in Hanover.

Together with depreciation and amortisation as well as low investment, this led to a significant reduction in property, plant and equipment to EUR 13.90 million (previous year: EUR 22.08 million).

Financial assets declined year on year to EUR 11.28 million (previous year: EUR 12.44 million) due to the write-downs on the carrying amounts of investments in subsidiaries. The share in total assets is virtually unchanged year on year at 20.0 % (previous year: 20.3 %).

Current assets including prepaid expenses of EUR 31.15 million (previous year: EUR 26.76 million) came to 55.2 % (previous year: 43.6 %) of total assets. Short-term intragroup loans are a significant component of this item with a carrying amount of EUR 21.20 million (previous year: EUR 20.06 million). This change was driven in particular by 3U Euro Energy Systems GmbH's borrowing to finance the acquisition of the Klostermoor wind farm. The available cash and cash equivalents increased by EUR 1.55 million to EUR 5.82 million (previous year: EUR 4.27 million).

Equity amounted to EUR 46.20 million (previous year: EUR 46.85 million) and thus decreased primarily due to the dividend payment made. As of 31 December 2018, the equity ratio therefore was 81.9 % (previous year: 76.3 %) due to the effects discussed above.

In liabilities, liabilities to banks fell to EUR 2.20 million (previous year: EUR 6.44 million) due to repayments. The loan repayment in connection with the sale of the data centre property made a particular contribution to this.

General statement

The net assets and financial position remain satisfactory. However, the Management Board is only partially satisfied with the development of results of operations. Although the result is significantly better than planned due in particular to the sale of the data centre property in Hanover, the financial result fell short of expectations due to the write-downs on the carrying amounts of investments in subsidiaries. 3U HOLDING AG was able to meet its financial obligations at all times, and this is also guaranteed for 2019. The net assets can still be described as satisfactory, thanks in particular to the still very good equity ratio.

Events after the reporting period

No events of particular significance have occurred after the end of the financial year.

Risk, opportunities and forecasting report

Risk report

Risk management system of 3U HOLDING AG

Business activity is always associated with risks. Consciously taking risks for the benefit of business success is necessary and appropriate. The 3U Group systematically examines all risks and opportunities, aiming on the one hand to identify and manage risks in a controlled and deliberate manner and on the other hand to take opportunities as they arise. The 3U Group's risk policy therefore defines the desired relationship between risks and opportunities and links this closely to the strategic business objectives.

In Group-wide risk management, individual risks are regularly observed, assessed and reported on by risk owners and risk managers. In contrast, opportunities are identified and documented in particular during the risk inventories of individual companies. In addition, the annual medium-term planning involves extensive analyses and evaluations of risks and opportunities by the individual managements and the Management Board. Risk management as a whole, with its processes, documentation and reports, thus serves to secure the strategic business objectives and strengthen the company's success.

In order to achieve optimum company and risk management, the Management Board has a risk management system adequate for the Group, which also complies with legal and supervisory requirements. This Group-wide risk management system covers all risks not only of the parent company, but also of all subsidiaries.

The risk management system constantly adapts to changing conditions and is subject to continuous enhancement to ensure that, besides internal changes, external factors such as changes in the law and the market are also taken into account. In addition, methods, definitions and processes are also examined and adapted to current conditions if necessary. For example, the risk management system underwent a comprehensive review last year, which among other things led to new definitions and concepts (e.g. risk classes) in some areas.

For optimum reporting, the significant risks of all subsidiaries are reported by the same method in 3U HOLDING AG's risk management system. In addition, specific risks in individual companies are assessed and reported by these companies.

3U HOLDING AG's risk management system complies with legal requirements.

As part of a continuous improvement process, the 3U Group has combined the issues of compliance, accounting process, ICS and risk management into an ensemble of individual systems. The 3U Group follows the internationally recognised COSO ERM standard here, provided the management considers the approach described there appropriate. The 3U Group's Management Board and Supervisory Board thus make clear the importance of corporate governance, which stands for responsible management and control of the company aimed at long-term business success.

Risk management strategy

The Management Board defines the risk strategy, derived from the business objectives, which stipulates the underlying conditions for the risk management system. Strategic and operating measures for target attainment are developed, derived and implemented on this basis. The aim here is not to prevent all potential risks generally and entirely, but rather to allow scope for action. This can only be achieved in a methodical, deliberate and targeted manner with extensive knowledge of individual risks, risk relationships and the risk-bearing capacity of the Group or individual Group companies.

Responsibility and reporting concept

The risk management system introduced for the entire Group by the 3U Group's Management Board some time ago has proved efficient and target-focused. All employees of the Group are required to behave in a risk-conscious manner when performing the tasks and responsibilities assigned to them. The respective operating risk owners are directly responsible for the early identification and management of risks. Regular information and updated documentation help to keep all employees aware of the risk management requirements and system.

The risk management process and work flows within the Group are documented and improved with respect to effectiveness and efficiency of the system with the support of the professional risk management software R2C from Schleupen AG. The software supports both risk owners and the risk manager in the assessment and management of risks for all Group companies.

Overall responsibility for the functioning and effectiveness of the risk management system lies with the 3U Group's Management Board. The members of the Management Board are also active users of the Group-wide risk management software R2C as risk owners and are therefore informed at all times about current changes. In addition, regular information is provided by the risk manager about the current risk situation and its potential future development as part of standardised reporting. As well as the Management Board, the Supervisory Board of the 3U Group also receives this standardised reporting directly from the Group's risk manager. The Managing Directors of individual subsidiaries are obliged to keep themselves informed about the risk situation in their companies by accessing the risk management software. The use of risk management software provides a high level of detail in the reporting. After consulting the risk manager and, if applicable, the risk owners, the Management Board decides on the submissions from risk management and initiates necessary measures based on current risk assumptions. In addition, it regularly informs the Supervisory Board of this risk development and the measures initiated.

The risk manager reports at least once a year to the Supervisory Board on the efficiency and effectiveness of the processes in the risk management system and on compliance with regulations and guidelines. The additional topics of the accounting process, ICS and compliance management are also reported on, which allows the Supervisory Board to systematically fulfil the monitoring requirements of Section 107 (3) Sentence 2 AktG.

Methodology of the risk management system

In 3U HOLDING AG's risk management system, the 3U Group's opportunities and risks are covered in regular meetings and risk inventories down to department level and operating work processes of the individual subsidiaries, in order to identify developments that may inhibit the development and jeopardise the existence of the company and to recognise promising developments as early as possible. If acute risks are identified, they are likewise integrated into the system and reported on at the earliest possible reporting date. The identified risks and opportunities are assessed according to potential loss amounts/expected earnings and probabilities of occurrence.

For risks identified in a risk inventory or risks identified as acute, indicators with measurements and associated thresholds are defined that make it possible for the risks to be monitored and assessed. The constant observation and assessment are performed by the local risk owners and the central risk manager on the basis of operating and financial key figures and are part of regular reporting.

Definition of the risk concept

Risk is the potential for the actual result to deviate negatively from the expected result (business objective). This gives rise to a danger that undesired events will occur (loss of assets or income reduction) or that desired events will not occur (missed opportunities).

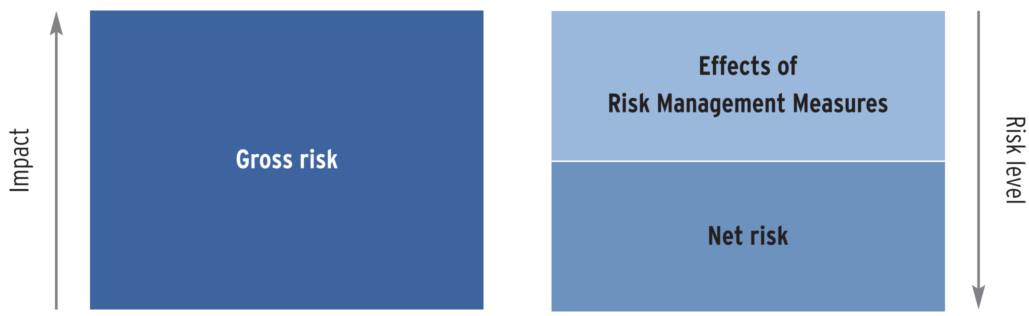
Distinction between gross and net risk

Risks identified in risk inventories are assessed in line with the methodology of gross and net risks. When determining gross risks, the compensating controls of risk limitation and management are initially not taken into account. Compensating controls are defined as measures that prevent, reduce or deflect a risk. It is also possible to accept risks at a reasonable level if further reduction is not economically viable.

A pure assessment of gross risks is necessary because, in the event of purely net assessment, there is a danger that currently well controlled but fundamentally existential risks will not be monitored continuously or in real time. This could lead to changes in processes and any additional risks resulting therefrom not being identified in due time.

Operating risk management is based on the net risks remaining when the existing compensating controls are accounted for in the risk assessment.

Gross risks become net risks (residual risks) through internal controls



In the loss amount and probability of occurrence categories, both gross and net risks are assessed using indicators.

The following indicators are assigned for probability of occurrence:

(1) Unlikely – lower than 5 %
(2) Low – at least 5 % and less than 35 %
(3) Medium – at least 35 % and less than 65 %
(4) High – at least 65 % and less than 95 %
(5) Almost certain – at least 95 % to 100 %

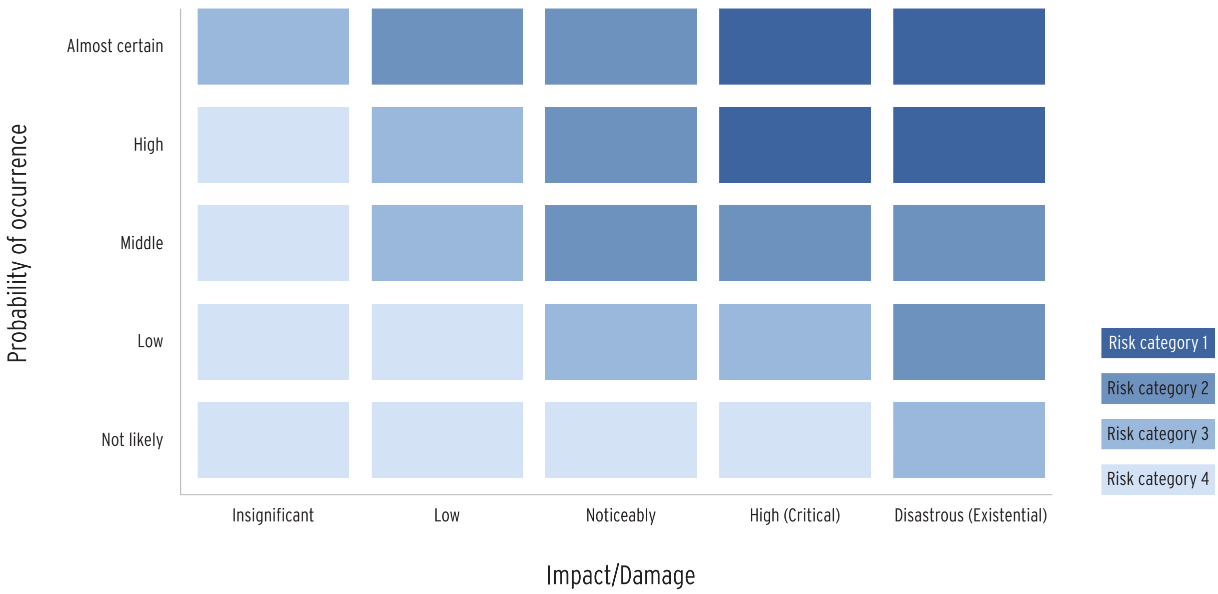
Loss amounts are determined individually for each company at individual company level. Individual risks are aggregated at Group level and categorised according to a measurement model. As part of last year's revision of the risk management system, the ranges of the individual probability of occurrence categories were made more precise. While they were previously distributed virtually evenly with the exception of category "(5) Almost certain", which has remained the same, category "(3) Medium" now covers the mid-range percentages (previously 50 % to 75 %). The new ranges made it easier for risk owners to estimate the appropriate probability of occurrence and clearly assign it to a category. There were no significant changes in the probabilities of occurrence of existing risks.

The loss amounts of risks in the Group are based on the share capital of 3U HOLDING AG. The indicators are assigned to different loss amounts (impact/loss):

(1) Negligible	–	the share capital is depleted by less than 5 % or EUR 1.76 million
(2) Low	–	the share capital is depleted by at least 5 % or EUR 1.76 million and less than 10 % or EUR 3.52 million
(3) Palpable	–	the share capital is depleted by at least 10 % or EUR 3.52 million and less than 25 % or EUR 8.8 million
(4) High (critical)	–	the share capital is depleted by at least 25 % or EUR 8.8 million and less than 50 % or EUR 17.6 million
(5) Catastrophic (existential)	–	the share capital is depleted by at least 50 % or EUR 17.6 million or more

Multiplying the indicators for loss amount and probability of occurrence allows an allocation to one of four risk classes.

Classes of risk



Risk class 1 is the highest category, and the risks therein are potentially critical for the 3U Group. All identified risks are managed via probability of occurrence and loss amount, with the measures taken differing in terms of scope. However, exceptions are possible on a case-by-case basis. This must then be approved by the Management Board. For example, a risk can be withdrawn from management if in the monthly reporting it is allocated to risk class 4 over a period of at least six months.

Following the risk inventories, the calculated indicators are transferred to the software. In regular reporting, the indicators and classes are presented on the basis of quantitative measurement in loss amount in euros and probability of occurrence in percent. Multiplying these two figures gives an expected value in euros, which in turn can be translated into a risk class.

In order to increase comprehensibility and better explain the effects, the illustration below qualitatively presents selected significant gross risks of the Group in net terms at segment level. As shown in the diagram above, the individual probabilities of occurrence and loss amounts give the expected values, which are allocated to the individual risk classes from 1 to 4. The arrows show the change in risk class compared with the previous year, with an upward arrow meaning a change to a lower-risk class.

Risks	Probability of occurrence	Amount of damage	Risk category	Changes compared to the previous year
Operative Risks				
Segment ITC	Low	Insignificant	4	→
Segment Renewable Energies	Low	Insignificant	4	→
Segment SHAC	Low	Insignificant	4	→
Strategic Risks				
Segment ITC	Low	Noticeably	3	→
Segment Renewable Energies	Low	Low	4	↘
Segment SHAC	Low	Noticeably	3	↗
Regulatory Risks				
Segment ITC	High	Insignificant	4	↘
Segment Renewable Energies	Middle	Insignificant	4	↘
Segment SHAC	Middle	Insignificant	4	→
Financial Risks				
Segment ITC	Middle	Low	3	→
Segment Renewable Energies	Low	Low	4	↘
Segment SHAC	High	Insignificant	4	→

→ Unchanged ↘ Decreased ↗ Increased

Risks

Significant current and future risks in the Group

Out of all the risks identified for the Group, the significant risks in the individual segments, which as things currently stand could significantly influence the net assets, financial position and results of operations of the individual companies and in aggregate of the 3U Group if they occurred, are listed below.

In the 2018 reporting year, the risks in the ITC and Renewable Energies segments were again the risks with the highest risk potential in terms of loss amount and probability of occurrence. This is because the expected values of the loss amounts on occurrence of a risk in these two segments significantly exceeded the expected values of the loss amounts on occurrence of a risk in the SHAC segment or other risks with a direct or indirect impact on the 3U Group. The risk inventories of the companies in the Group mostly confirmed the risks from past risk inventories; the risks varied only in their expression in loss amount and probability of occurrence. This variation reflected the changed market and operating conditions. However, new risks and risk scenarios were also identified and assessed; others were eliminated as a result of project terminations, for example.

If new companies are integrated into the 3U Group as a result of investments, they are subjected to a risk inventory as soon as possible in order to identify and assess company-specific risks. These companies and their risks thus automatically become part of the Group-wide risk management system.

General economic risks in the segments

In addition to company- and segment-specific risks, which result from the business environment and the individual industries of the companies, there are many risks whose identification, assessment and management are, for example, universally applicable and necessary across segment boundaries. In all company segments, operating risks relate for example to contract obligations, to potential outages and damage to technical systems, to personnel and to the maintenance of business processes. Strategic risks relate among other things to regulation and changes in legal conditions.

Every business activity of a company is based on contracts, e.g. with business partners. This affects nearly every part of the organisational structure in the Group. There are contract risks for example in compliance with legal requirements for contract design, compliance with contract deadlines and contract enforcement with business partners.

The Group manages this risk in the form of contract management by the internal Legal department. In addition, specific criteria are reviewed and assessed when selecting business partners. The ITC segment's services are primarily based on software applications and information and telecommunications technologies. The use of these technologies is also highly significant in the Renewable Energies and SHAC segments. IT availability and IT infrastructure are therefore essential for maintaining business operations and implementing critical processes. Appropriate system redundancy, timely replacement investments and regular maintenance keep this risk at a standard market level. The 3U Group counters these IT risks by, among other things, aligning the information security management system with ISO 27001.

Highly qualified staff are required in all companies of the 3U Group. The absence or loss of necessary knowledge or necessary skills and experience in key positions at these companies could jeopardise the achievement of the respective business objectives and limit the ability to take opportunities as they arise. Therefore, HR management for all Group companies is managed centrally via 3U HOLDING AG. Suitable employees are sought and hired, or existing staff are upskilled, according to the requirements defined in planning. Compliance with generally accepted principles of employee management forms the basis for a good working atmosphere. Employee management and employee development lay the foundation for a positive corporate culture. In addition, a performance-based remuneration system and internal and external training measures, for example, ensure a high level of loyalty to and affinity with the company on the part of the qualified employees, which is reflected in their steadfast and long-term service with the company. These measures are also effective when new qualified employees and especially managers are integrated into the Group as a result of investment in or acquisition of companies by 3U HOLDING AG.

In order to achieve the Group's targets, these targets must be attuned to the business processes and the associated productivity of the Group. This also applies to companies that are integrated into the Group structures following acquisition or investment by 3U. The use of modern methods in quality and process management also supports continuous improvement in this area. In addition, vertical and horizontal communication within the company must be efficient and in keeping with the assigned responsibilities or defined measures.

The basis for this includes working and procedural instructions, as well as functional descriptions and guidelines, which are regularly examined and updated as required, including as part of quality management.

Compliance management

Compliance management is part of the Group-wide risk management system. Compliance management has been continuously enhanced in order to meet ever-growing requirements and expectations and further minimise risks as they arise. The key components of compliance management are a values management system, a whistleblowing process and additional rules on organisational structure and procedure. There are regular measures to provide training on and raise awareness of binding rules and standards.

Risks from regulation and changes in legal conditions

There will continue to be risks from regulation and changes in legal conditions in the ITC and especially renewable energies sectors for the 3U Group's current segments and future investments. Discussions regarding financial support for renewable energies in particular have created uncertainty in the market. In the past, the 3U Group made an important step in the field of renewable energy projects by developing wind farm projects, but the appropriate and sustainable planning of large-scale projects in this segment is becoming more difficult due to persistent changes in the legal foundations, such as the auction model introduced from 2017. The Group will continue to watch these developments closely in order to respond in a timely manner.

Risks from the ITC segment

Due to the sharp drop in the share of the call-by-call product segment, risks in the ITC segment are shifting towards other product groups and areas. The ITC segment counters the long-standing risks in the call-by-call market such as flat rates, the substitution of the fixed line network by mobile and potential interventions by regulatory authorities with an active tariff management system and the optimisation of connection paths, among other things. Furthermore, it focuses on profitable products in the business customer segment (wholesale and value-added services), uses opportunities to optimise the network and augments the business area with new, customer-focused products (e.g. data centres). Here, the risks come less from regulatory risks and more from general customer and supplier relationships (B2B). In this context, potential disruption to the network services offered is a major risk, which has been countered with the enhancement and redundancy of the network infrastructure and the associated processes. The standards achieved so far, however, are always just a next step in a technical and security-relevant environment that keeps evolving. For example, a permanently changing risk due to increasing digitalisation is the improvement of network security, which is making increased demands on technical monitoring equipment (active monitoring and blocking systems) and the qualification of employees.

Cloud activities, which are becoming increasingly important for the ITC segment, take place in a dynamic market environment, which demands fast, innovative and customer-focused solutions. There is a permanent risk here that market requirements and developments will not be identified and implemented in time. The market is therefore monitored very closely and solutions adapted to customers' requirements. The success of these endeavours can be seen in the steadily growing number of users of cloud products. The risk of low customer satisfaction, especially as a result of widely varying expectations, is countered by regular quality inspections and close contact with customers. In order to counter the risks of product development that is not in line with the market, more discussions are being held with strategic partners and financial investors in order to promote growth and expansion into new markets.

Risks from the Renewable Energies segment

In addition to the general risks in the Group, this segment especially entails legal and regulatory risks as well as risks in dealings with suppliers and customers. Discussions regarding government support for renewable energies have also contributed to the uncertainty on the part of consumers and energy suppliers and, in association with this, lower planning certainty. By developing wind farm projects, the 3U Group is trying to consistently take the opportunities offered in this market. Although well-planned renewable energy projects require high levels of investment, they also offer relatively secure value. The realisation of such large-scale projects also entails legal and approval risks, e.g. building regulations. 3U HOLDING AG counters these risks by, among other things, deploying qualified internal and external personnel and utilising selected specialists and experts. The Group closely monitors social and sector-specific developments and consistently implements the opportunities arising therefrom.

In order to counter the risks of the current uncertain conditions, the 3U Group is again increasingly looking to existing plants, for which the regulatory conditions are stable and known and which after careful analysis and assessment complement the portfolio in the Renewable Energies segment. In contrast to new plants, the analysis here focuses on technical quality and not on new regulatory conditions.

Risks from the SHAC segment

Risks from the SHAC segment arise from a traditional and established industry on the one hand and the challenging demands of internet-focused B2B and especially B2C customers on the other. The segment's success results from the connection of these two worlds and requires a great deal of sensitivity and knowledge of the markets on both sides. This is achieved with qualified employees who are very knowledgeable about products and markets and entirely familiar with the processes and supply chains. The risks to delivery capacity and supply are minimised by a qualified selection of suitable suppliers and logistics specialists.

New products are only launched in very transparent online sale after intensive market analyses and competitor surveys, without having to take risks in terms of high stock levels or dependence on producers. The payment methods established in online markets and preferred by customers are offered widely. These largely low-risk payment methods such as credit card, prepayment, PayPal and instant transfer reduce the risk of defaults and customer disputes to a minimum and keep internal work processes lean and simple. Employees can therefore concentrate on customer requirements – the success is reflected in steadily increasing customer and revenue figures.

Financial risks

As an enterprise present on the market, the 3U Group is exposed to various risks. One of the management's central objectives is therefore to manage and reduce financial risks in order to come up with reliable planning.

In the potential event that the planned results are not achieved, significant risks relate to capital resources and financing power, as low equity capitalisation can restrict the company's ability to act, especially when it comes to acquisitions and concluding follow-up or new financing.

Another important financial risk is the risk that revenue is concentrated on one or a few significant customers. This risk correlates with default risk, i.e. the risk that a contract partner to a financial transaction will not be able to meet its obligations, exposing the 3U Group to financial losses. If the 3U Group conducts business abroad, the associated currency risks are subjected to more intensive assessment and analysis and – if economically reasonable – eliminated with foreign exchange hedges. The share price, purchasing, liquidity, and market and interest rate changes are also significant areas in which financial risks can arise.

The possible occurrence of these potential risks is countered by Group-wide receivables and liquidity management, which ensures that sufficient liquidity is available for operations at all times. Receivables management is complemented by secure payment methods such as PayPal and credit card payments as well as by consistent down payment requests. In all other cases, the 3U Group uses debt collectors and the existing legal options. Defaults are also covered in some areas by default insurance.

In the 3U Group, derivative financial instruments are only used to hedge the underlying transaction. Before derivative financial instruments are used, thorough risk analyses and assessments are performed in order to minimise the potential risk with adequate measures.

3U HOLDING AG has an almost ambivalent attitude to the current low interest rate environment. On the one hand, it is negatively affected by it because it has invested its cash exclusively in demand deposits and fixed-interest, short-term investments and is therefore currently only generating low interest income. At the same time, 3U HOLDING AG has used the low interest rates to secure long-term debt capital at attractive interest rates. As the low interest rate level in Germany is expected to endure for the time being, the plan is to continue using debt for future investments in the expansion of existing business areas.

The management's assessment of the overall risk situation

The significant risks presented here could potentially cause significant harm to the 3U Group's net assets, financial position and results of operations today and in the future. Our key challenges include in particular regulatory conditions and the fierce competition. The changes in the development of risk in all segments have made it necessary for the Management Board to take measures. The combination of the diverse risk management systems, ICS, process descriptions, compliance, controlling, planning processes and regular reporting enables potential risks to be identified and managed at an early stage. This does not preclude the fact that, on the basis of assumptions made, risks could arise in the future that deviate from the company's expectations and could significantly impair the 3U Group's development.

Opportunities report

Opportunities report

Like risks, opportunities in the 3U Group are identified and assessed systematically. Potential opportunities are examined and documented in the risk inventories of individual companies. The further analysis and evaluation of opportunities and potential measures are the responsibility of the Management Board and the managers of the respective companies in line with their corporate strategy.

As opportunities always entail risks as well, it is sensible always to view risks and opportunities together, where possible, in order to make conscious and controlled use of potential profit opportunities in full knowledge of the risks and risk relationships. The significant opportunities identified within the individual segments are presented below.

ITC segment

Revenue and contribution margins in the call-by-call business and the Voice Retail business as a whole are generally in decline. Although the 3U Group is also affected by this trend, it has continued to generate significant margins in this business thanks to its strategy. In particular, the decline in margins in the call-by-call business can be drastically slowed by high process automation, active tariff management and the use of purchasing synergies from Voice Business.

Even though it must be assumed that revenue in the conventional Voice Retail business will also continue to fall in the long term, new products in the Data Centre Services & Operation business offer profitable opportunities for the ITC segment. The data centres in Hanover and Berlin offer significant and stable income potential in the long term.

In Voice Business, an ultra-modern and extremely powerful technology platform is reducing costs while increasing flexibility. This provides an opportunity to increase contribution margins and revenue in this business.

The cloud computing business continues to grow strongly in Germany, while the expansion to other countries is poised to increase revenue substantially in the future with the help of distribution and finance partners. Moreover, the constant awards (ERP System of the Year) are helping to raise awareness of the software, and the recruitment of qualified and customer-focused staff is improving the performance of the organisation and the software.

Renewable Energies segment

The current discussions about the medium- and long-term energy supply and the rejection of conventional energy sources (e. g. coal phase-out) are boosting demand for renewable energies.

The 3U Group is therefore already in a good position with its portfolio of new and older existing wind farms and a large number of potential projects. In addition, there are various opportunities arising from the planned acquisition of more existing wind farms. The Group’s experience with the operation and optimisation of the current wind farms will also lead to efficiency improvements and synergies in future projects. Besides sales of finished wind farms, the 3U Group also looks set to generate additional income from the selective sale of projects in earlier stages. In addition to the various opportunities to sell wind farm projects, 3U HOLDING AG is also keeping the option open to operate finished wind farms itself as part of its engagement in the Renewable Energies segment and thus to generate additional cash flow.

Considerable profit potential could therefore arise here, both from the operation or sale of finished wind farms and from the selective sale of project developments.

SHAC segment

In online trading, the position attained in recent years has been built upon and additional market shares acquired. This was also driven by the expansion of the product portfolio with, for example, water treatment, pumps, non-central ventilation units, pipe installation systems and the dry screed underfloor heating system. The improved customer focus (e. g. longer service times and enhanced payment options) and the outstanding customer reviews on Trusted Shops provide an opportunity for above-average growth, so the exceedingly positive development can be expected to continue in the years to come.

We also operate in the heating, ventilation and air conditioning (HVAC) business as a provider of purchasing and logistics services for technical building equipment and as a production and trading company for wholesalers. The current product portfolio includes products for underfloor heating/heating, controlled residential ventilation, sanitation, solar, energy and heat production, and heat storage and supply. We distribute the ClimaTE 25 dry screed system, a renovation system developed in the Group that underscores the 3U Group's expertise in surface heating. Because of the product's very positive reception on the market, revenue is expected to continue increasing.

Because purchasing is managed centrally, we can generate a higher purchasing volume than the companies would be capable of individually. As a result, more advantageous purchasing terms can be achieved and passed onto customers, providing an opportunity to acquire above-average market shares.

Forecasting report

Economic outlook

The International Monetary Fund (IMF) estimates that global economic growth weakened towards the end of 2018. For this year and next year, the IMF remains cautiously optimistic for the global economy despite signs of weaker development in Asia and Europe and expects growth of 3.5 % for 2019 and 3.6 % for 2020. The body sees risks in particular in the potential establishment of new customs barriers, in central banks' interest rate policies and in the high public and private debt around the world.

The growth forecast for the US remains at 2.5 % for 2019; the IMF is more sceptical for the following years, with the US economy expected to grow by only 1.8 % in 2020. Assumptions for Germany have also been lowered. On the basis of weaker foreign and consumer demand, the economic forecast has fallen to growth of 1.3 % in 2019 and 1.6 % the year after.

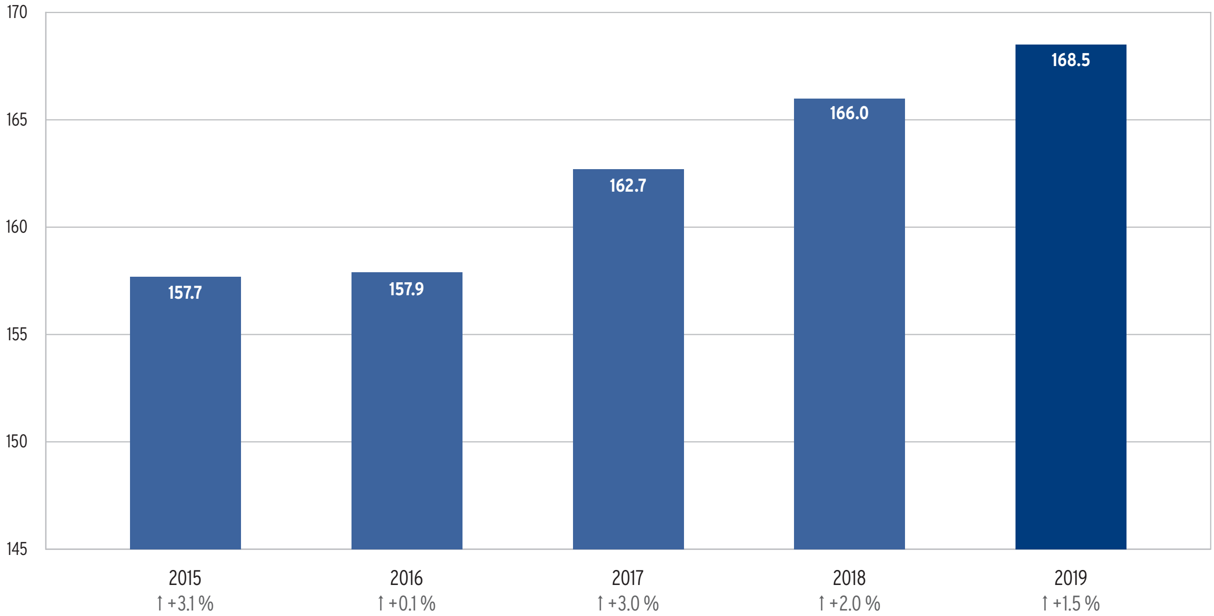
The German Council of Economic Experts speaks in this context of "economic normalisation". According to its Annual Report 2018/2019, the working population is expected to increase by 590,000 people in 2018. It will also grow by 0.9 % in 2019 to an estimated 45.3 million. Nonetheless, the shortage of skilled labour remains a serious obstacle to growth. The unemployment rate will therefore fall further from 5.2 % in 2018 to 4.8 % in 2019.

It its Annual Economic Report published in January 2019, the German government lowered its inflation forecast for 2019 slightly. According to this report, the increase in consumer prices is likely to be smaller this year than in the previous year at 1.5 %. The German government expects gross fixed capital formation to increase markedly in 2019 by a further 2.4 % and thus to rise faster than overall economic output; this also applies to construction investments, which are expected to grow by 2.9 % in 2019. The continuingly positive investor confidence may contribute to a growth in demand, especially in the 3U Group's ITC and SHAC segments.

ITC outlook

According to calculations by Bitkom Research GmbH, revenue in the information technology and telecommunications sectors grew to a new record level of EUR 166.0 billion in 2018 and is expected to increase by a further 1.5 % to EUR 168.5 billion in 2019. According to the latest forecast, IT revenue rose by 3.1 % to EUR 89.9 billion in 2018. The greatest growth was posted by businesses in the software segment with a rise of 6.3 % to EUR 24.4 billion.

Revenue with ITC products and services in Germany (in EUR billion)



Source: Bitkom, EITO, IDC, GfK

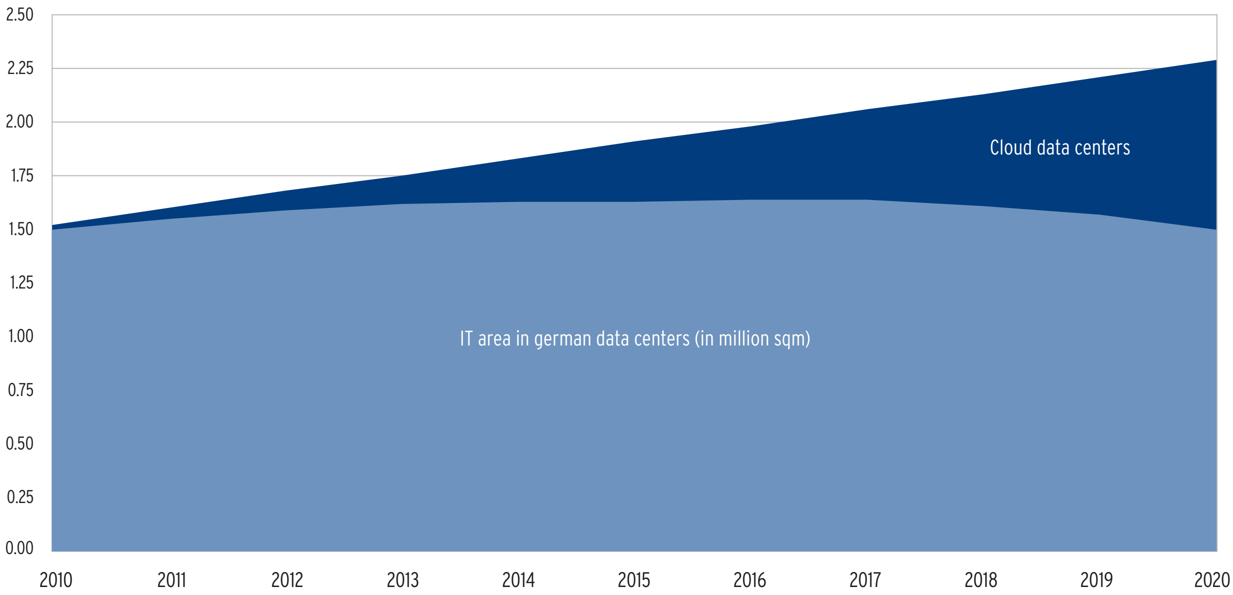
While the steadily increasing data volumes will continue to stimulate growth in the ITC industry in the future, the telecommunications services market has modest prospects in Germany. The telecommunications industry is a cut-throat market shaped by innovation and technological advancement, but it is characterised above all by the continuing price decline due to fierce competition.

Government intervention – initiated both nationally and by the EU – has a considerable influence on the niche markets occupied by 3U. Moreover, the call-by-call market has been shrinking for many years and now has only a fraction of the volume of previous years.

The 3U Group will continue pursuing the strategy of identifying profitable niches in the telephony sector and occupying them if possible. However, we expect revenue in this business area to decline overall in 2019 and the years thereafter.

In the case of date centres, the trend towards outsourcing server capacity and operation persists, which can be seen in the ongoing expansion of data centre space, for example. As a relatively small provider, we can stand out by offering a high level of service and acquire new customers, especially SMEs, thanks to a good price/performance ratio.

Development of IT space in data centres in Germany with the share of cloud data centres in the years 2010 to 2017 and forecast until 2020 (in million m²)

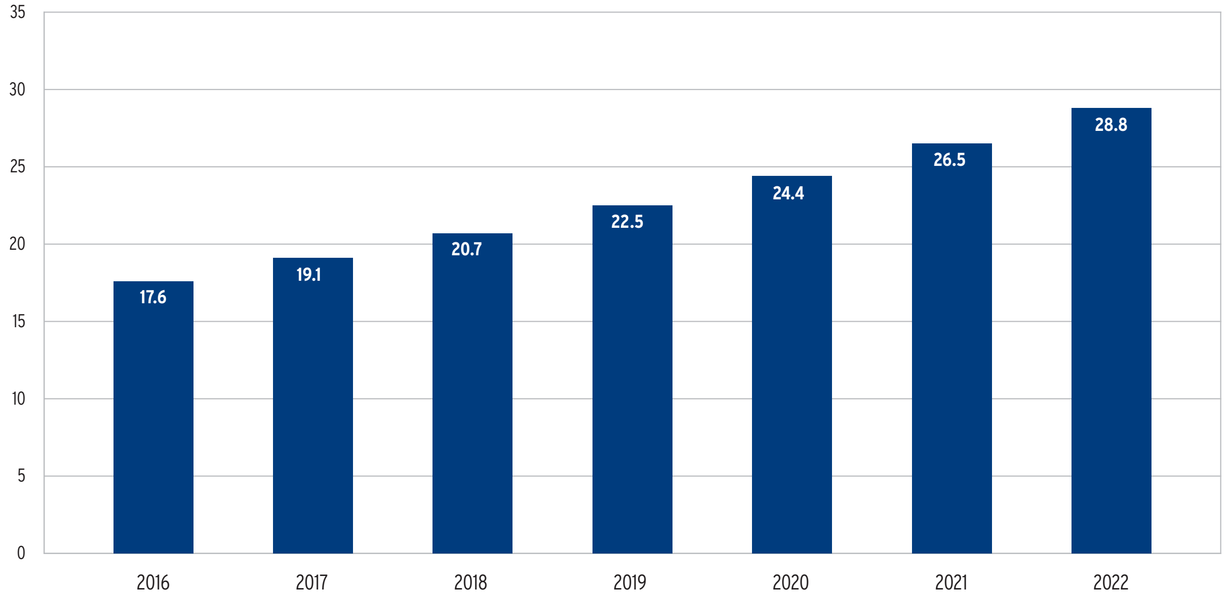


Source: Borderstep 2018

The issue of cloud computing addresses a promising market. In cloud computing, IT services are provided flexibly and as required over the internet in real time. Cloud computing combines various innovative, technological improvements and allows users more efficient processes both in administration and in online customer contact. The businesses are more competitive as a result. They can launch brand new business models, reduce costs and position themselves more flexibly overall. Cloud computing is changing the entire information industry, its technologies and its business, and therefore the relationships between providers and customers in the long term.

As cloud computing quickly finds acceptance in the industry, the demand for technical infrastructure expertise is diminishing. For software providers, the traditional licensing business around the world is moving toward "software as a service" (SaaS). The market research firm LogicMonitor, for example, surveyed US companies and found that the proportion of business processes still based on programs installed locally ("on-premises") will fall to 27 % by the end of 2020. A majority of those surveyed expect that it will take only five years until 95 % of all business processes are cloud-based. We expect a similar trend in Germany. This assumption is corroborated by the growing demand for our products.

Cloud ERP market preview — worldwide revenue from 2016 to 2022 (in USD billion), CAGR 8 %



Source: Market Research Future 2017

In addition to cloud computing and SaaS, market experts also attribute good growth prospects to DCS and IT services. The Management Board of 3U HOLDING AG expects revenue to continue rising sharply in these business areas of the ITC segment in 2019.

For 2019, the Management Board expects the developments described to result in a slight revenue decline in the ITC segment as a whole. In contrast, EBITDA and earnings will improve markedly, while net income will come out slightly lower than in the previous year. Despite the further expansion of the workforce for software development, marketing and sales in the new business areas, their higher margins will lead to positive earnings performance. From 2020, they will also provide a significant revenue increase in the ITC segment while earnings continue to improve.

Renewable Energies outlook

The expansion of renewable energies in Germany is currently not progressing as well as expected. Although around 40 % of electricity generated in Germany already stems from renewable energies, there is a broad political consensus that additional efforts are needed in order to achieve the German climate targets. With its Renewable Energies segment and the focus on onshore wind energy, the Group can contribute to the transition to sustainability in energy generation and to the trend of using energy in a resource-efficient manner. 3U plans to realise further RE projects and to expand its own portfolio of wind farms through acquisitions.

However, the general conditions for these plans did not improve in 2018. The German Wind Energy Association announced that only 743 new plants with a rated power of 2,402 MW were built last year. This equates to a 55 % decline compared to 2017. The key reason here is the increasingly sluggish granting of approvals by the regional and local authorities and the increasing number of objections frequently extending project development. On the other hand, these generally weaker general conditions also provide us with opportunities. In particular, with declining levels of competition for projects put out to tender, the chances for winning development projects with better margins improve.

Despite relatively low growth momentum, the relative importance of wind energy within renewable energies will gather pace. As of the end of 2018, there were 29,213 wind energy plants on land connected to the grid with cumulated rated power of 52.9 GW. Altogether in 2018 wind energy made up a total of over 20 % of total electricity generated and 50.9 % of renewable energies (for 2017 the equivalent figures were 19.1 % and 50.4 % respectively).

With its expansion of activities in the Renewable Energies segment, 3U focuses on a market which currently offers renewed opportunities despite the difficult political situation. This relates both to planning and project development and investments in in wind or photovoltaic farms and their operation. However, the future development in this area depends on various external factors.

Currently the project business is relatively volatile. On the other hand for electricity generated from renewable energies, it is possible to generate revenue and earnings contributions which can be planned very well. Overall, in this segment, the Management Board anticipates considerable revenue, EBITDA and earnings growth in 2019. Sales or purchases have a considerable impact on the financial ratios and make it difficult to provide an exact forecast.

SHAC outlook

The activities relating to heating, cooling and ventilating buildings continued to develop well. Here a range of important factors have a positive impact. Firstly, construction activity will remain at a high level in the foreseeable future, thus resulting in increasing demand for new installations in the SHAC segment. Secondly the German legislator is increasingly demanding more efficient handling of energy. This is resulting in considerable demand for replacement investments, particularly in the heating and air conditioning segment. Finally, in this segment we are also benefiting for the demand shift in the direction of online trading. Currently, there is online demand in Germany for only a small portion of the products in the SHAC segment. However, this share is increasing at a very strong pace. With our online trading activities, we have a very promising positioning enabling us to benefit from this trend.

The product and services range in the SHAC segment is being expanded, but also distribution and logistics facilities and processes need to be aligned further to the increasing demand. In this context, the Management Board anticipates considerable revenue growth in this segment slight increase in EBITDA and net earnings on the level of the previous year.

3U HOLDING AG outlook

The result at 3U HOLDING AG as an operating management and equity investment holding company is impacted decisively by administrative expenses and the financial result. In the 2019 financial year the administrative expenses of 3U HOLDING AG are likely to be slightly lower than in the previous year. The financial result is strongly dependent not only on interest expenses but also on income from distributions and from profit transfers and expenses from loss absorption. Key factors which can impact the 2019 annual result are the measurement of equity investments and impairments on loans to subsidiaries. Overall, the financial result is expected to increase significantly against that of 2018. In the 2018 financial year, 3U HOLDING AG's earnings were dominated by the gain from the sale of the data centre property in Hanover. Comparable income is not expected in the 2019 financial year. Accordingly, 3U HOLDING AG's earnings will be clearly negative in 2019.

Strategic alignment

For the Group, sustainable operating profitability in the individual segments is the focus. Over the last few years, we have improved on an ongoing basis and in 2018 we made great progress.

In the ITC segment in 2019 we will not achieve the revenue level of 2018. Revenues will rather be slightly down. The expected declines in the Voice Retail segment will not be entirely compensated for by growth in other areas. On the other hand, the repeated increase in the share of business with stronger margins, for example in cloud computing, will result in a higher segment EBITDA and segment result.

Our general strategy in the Renewable Energies segment also envisages inorganic growth. We are planning the further expansion of our plant portfolio and are aiming to acquire at least one further existing wind farm and possibly also photovoltaic plants. In the area of project development, on the basis of current market conditions, further consolidation is expected. We are tracking this development attentively and will carefully examine opportunities should they arise. Against this backdrop we expect overall a marked increase in revenue, EBITDA and earnings.

In the SHAC segment, we are planning considerable organic revenue growth. If the relevant opportunities present themselves, we will also leverage them for inorganic growth. Here we have a very good positioning with our innovative product range and the steadily increasing volume in online trading, underpinned by our internal logistics activities.

The 3U Group is retaining its strategy of expanding successful equity interests on a long-term basis and to dispose of them at attractive conditions if there is corresponding demand.

The strong organic growth of the Cloud Computing and Online Trading segments can also be reinforced on the basis of strategic company acquisitions. This method also makes it possible to considerably expand the respective group of customers and business partners or also the performance range. The Management Board will actively leverage such opportunities if the acquisition is economically advantageous. For accelerated financing growth, the option of potential IPOs for the subsidiaries is being advanced vigorously.

3U Group outlook

With the expansion of successful business areas which have been pursued over the last few years, the 3U Group today has three profitable segments. It is decisively continuing down the track of increasing profitable growth, optimising its equity investment structure and the operating processes in the Group and in the equity investment companies.

For the 2019 financial year, investments of the order of EUR 13.78 million are planned in the existing business areas, EUR 0.26 million in the ITC segment, EUR 12.45 million in the Renewable Energies segment, EUR 0.56 million in the SHAC segment million and EUR 0.50 million at the holding.

At the same time, 3U is strengthening its plant portfolio in the area of Renewable Energies with a view to stable cash flows in subsequent years. Enhancing efficiency and improving margins remain the central management task at all management levels. Optimisation potential has been identified and is being leveraged on a vigorous basis. The situation described and the measures which have been initiated mean that the 3U HOLDING AG Management Board is confident of achieving the following targets.

The Management Board expects sales to grow substantially in the 2019 financial year. Revenue in the range between EUR 51.0 million and EUR 55.0 million is anticipated for 2019. EBITDA is expected to be slightly higher between EUR 7.0 million and EUR 9.0 million. Consolidated net profit will amount to between EUR 1.0 million and EUR 2.0 million owing to higher depreciation and amortisation and higher tax expense.

This forecast is underpinned by different expectations for the individual segments. In the ITC segment, it will not quite be possible to reach the revenue level of 2018. However, even now business development is dominated by cloud computing as the main growth driver. This trend will be considerably amplified in subsequent years. The Renewable Energies segment is characterised primarily by wind farm activities. After the purchase of a wind farm in the 2018 financial year, the sale of a wind farm is anticipated in the current year. At the same time, it is planned to further expand generation capacity on the basis of acquiring existing farms – possibly also photovoltaic plants. In the SHAC segment, 3U HOLDING AG anticipates that revenue growth will continue, with margins slightly improved, but remaining at a low level. A key factor driving growth is the expansion of online trading.

Selling parts of business areas or entire business areas is part of the business at 3U HOLDING AG and can result in non-recurring effects. In addition, 3U HOLDING AG also pursues the objective of growing on an inorganic basis on the basis of acquisitions. However, the resulting effects can be planned only to a limited extent.

The objective of all activities to increase the value of the 3U Group on a sustainable basis, not only for the shareholders, but also for the employees. The success of these endeavours should be reflected in a positive price performance of the 3U share. In connection with the assessments and expectations described here, we would like to point out that actual future events may deviate considerably from current expectations on the expected development.

Internal control system and risk management system related to the accounting process

The accounting process for all Group company is realised largely on a central basis in the 3U HOLDING AG Finance department. As a result, all companies have a uniform process and risk assessment in terms of the accounting process.

The internal control system implemented for the accounting process aims to achieve compliance with rules, standards and laws on the basis of suitable principles, processes and measures so as to secure appropriateness, reliability and completeness in accounting and financial reporting, taking account of possible risks. The basis for this includes working and procedural instructions, as well as functional descriptions and guidelines which are regularly examined and updated as required. This include an accounting policy, account assignment instructions and support from external consultants. The accounting process is examined on an ongoing basis, optimised and further developed, also in terms of documentation. The internal control system consists of internal management and monitoring functions which are either integrated in processes or implemented independently. For example, the separation of administration and approval functions to different employees with clear responsibilities are integrated in the context of regular checks ("dual-control principle"). Process-independent audits and controls are implemented, for example by the Supervisory Board within the context of its monitoring obligations or by the risk management team on the basis of defined audit routines. Some of the control mechanisms operate on an automatic basis in the accounting software system used, so that the performance of the work processes is not negatively impacted. The IT systems used deploy an authorisation concept to provide protection against unauthorised accesses. In addition, within the scope of the audit of the annual and consolidated financial statements, the auditor examines the IT systems used and their applications.

New legal rules and changes of existing regulations in respect to accounting and the resulting risks are examined promptly for their impact on the 3U Group and suitable measures taken if necessary.

The internal controls implemented result from identifying a risk at this point of the accounting process. This risk can originate in various places, also to due legal requirements. The interaction of risk and compliance management with the internal control system is particularly clear in the accounting process. For this reason, it is optimised on an ongoing basis using a continuous improvement process.

The functions in all areas of the accounting process are allocated and documented. Even so, in the case of human misconduct, e.g. as a result of incorrect controls or criminal actions by internal staff, the implemented and continuous further development of the risk management system with the compliance and internal control system components cannot entirely guarantee complete security or correctness of Group accounting.

Other information

Information concerning takeovers

Information concerning takeovers in accordance with Section 289a and Section 315a HGB

Appointment and dismissal of the Management Board and changes to the Articles of Association

The Management Board is appointed and dismissed in accordance with Sections 84, 85 AktG. Changes to the Articles of Association generally conform to Sections 179, 133 AktG. However, in accordance with Section 13 (2) of the Articles of Association in connection with Section 179 (2) 2 AktG, resolutions of the Annual General Meeting require approval by a majority of the votes cast, unless another majority is required by law. If the German Stock Corporation Act also requires the majority of the share capital represented when the vote is taken for the resolution, approval by a majority of the capital represented is sufficient, if legally permissible.

Share capital and authorities of the Management Board to issue or buy back shares

The share capital is made up of 35,314,016 no-par bearer shares. All shares grant the same rights. Each share confers the right to one vote and is decisive for the share in profits. The rights and obligations from the shares are derived from the statutory provisions.

For further information, please refer to the notes under Note 6.8.

As of 31 December 2018, there were the following holdings in the Company's share capital:

Name	Function	Number of shares	Percent
Michael Schmidt	Speaker of the Management Board	8,999,995 shares	25.49 %
Andreas Odenbreit	Management Board	20,500 shares	0.06 %
Ralf Thoenes	Chairman of the Supervisory Board	25,000 shares	0.07 %
Stefan Thies	Deputy Chairman of the Supervisory Board	33,083 shares	0.09 %
Jürgen Beck-Bazlen	Supervisory Board	1,548,000 shares	4.38 %
Treasury shares		2,183,640 shares	6.18 %

In accordance with Section 3 (4) of the Articles of Association the Management Board authorised,with the approval of the Supervisory Board, to increase the share capital up to 26 August 2019 on one or more occasions by up to a total of EUR 7,062,803,00 against cash or contributions in kind by issuing new bearer shares. With the approval of the Supervisory Board, the Management Board may exclude the shareholders subscription right in full or in part only in the following cases: 1. In the case of capital increases against contributions in kind to grant shares to acquire companies, parts of companies or equity investments in companies or to acquire other assets (including third party claims from the company or from the Company's affiliated companies) and for the purpose of issuing shares to employees of the Company and the Company's affiliated companies in the framework of legal regulations; 2. To the extent necessary to grant bearers of warrants and convertible bonds issued by the Company a subscription right to new shares to the extent that would have been due to them after exercising the warrants or conversion rights or after fulfilment of the warrants or conversion obligations; 3. For fractional amounts; 4. In the case of capital increases against cash if the issue amount of the new shares is not significantly less than the market price of the already listed shares of the same type and class at the time of the final assessment of the issue price by the Management Board within the meaning of Sections 203 (1) and (2), 186 (3) Sentence 4 AktG and if the total pro rata amount of the share capital relating to the new shares, for which the subscription right is excluded, does not exceed 10 % of the share capital that exists at the time the new shares are issued. The limit of 10 % of the share capital should take into account shares sold during the duration of the authorised capital excluding shareholder subscription rights in accordance with Sections 71 (1) No. 8 Sentence 5, 186 (3) Sentence 4 AktG and shares on which a conversion or option right or conversion or option obligations rest on the basis of options and/or convertible bonds, issued since granting this authorisation excluding the subscription right in accordance with Sections 221 (4), 186 (3) 4 AktG. The Management Board is authorised,with the approval of the Supervisory Board, to determine further details of the capital increase and its implementation, including the contents of the share rights and the conditions of the share issue.

In accordance with Section 3 (5) of the Articles of Association the Company's share capital is contingently increased by up to EUR 3,531,401.00, divided into up to 3,531,401 shares (Contingent Capital 2016/I). The contingent capital increase is implemented only to the extent that holders of option rights, which the Company issued on the basis of the Annual General Meeting authorisation of 25 May 2016 and 3 May 2018, exercise their option right. The new bearer shares participate in profits from the start of the financial year for which the Annual General Meeting had not passed a resolution on the appropriation of profits when the option right is exercised. The Management Board is authorised, with the approval of the Supervisory Board, to determine further details of the contingent capital increase and its implementation.

For members of the Management Board there are no agreements in the case of a takeover bid for 3U HOLDING AG.

Share transactions

In accordance with Article 19 of the Market Abuse Regulation (EU) No. 596/2014 persons at 3U HOLDING AG, should notify transactions made on their own account with shares in 3U HOLDING AG or to to financial instruments linked thereto, particularly derivatives, to 3U HOLDING AG and BaFin. This obligation applies also to persons in a close relationship with one of the above persons, to the extent that the entire amount of the transactions of a person discharging managerial responsibilities and the person in a close relationship with this person reaches a total amount of EUR 5,000.00 to the end of the calendar year. In the past financial year, the following transactions were notified to 3U HOLDING AG:

Transaction date	Reporting person	Type of transaction	Quantity	Exercise price in EUR	Total volume in EUR
08 May 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	20,000	1.200	24,000.00
15 May 2018	Stefan Thies (Supervisory Board)	Purchase	6,330	1.235	7,817.55
15 May 2018	Stefan Thies (Supervisory Board)	Purchase	3,170	1.240	3,930.80
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	4,000	1.250	5,000.00
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	2,241	1.255	2,812.46
15 August 2018	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	6,759	1.260	8,516.34

All share transactions were published on the 3U HOLDING AG (www.3u.net) at "Investor Relations/ Directors' Dealings".

Corporate governance statement (Section 289f and Section 315d HGB)

The Management Board and the Supervisory Board of 3U HOLDING AG have submitted a corporate governance statement in accordance with Section 289f and Section 315d HGB and made it publicly available to view at any time on the 3U HOLDING AG's website (www.3u.net) under "Investor Relations/Corporate Governance".

Remuneration Report

The remuneration report combines the principles applied for determining the remuneration of the Management Board and Supervisory Board at 3U HOLDING AG and explains the level of structure of the remuneration. The remuneration report is prepared on the basis of the German Corporate Governance Code and also contains the information required in line with the German Commercial Code HGB supplemented by the German Disclosure of Management Board Remuneration Act.

Management Board remuneration

The structure and level of the remuneration for Management Board members is determined by the Supervisory Board and regularly reviewed. It is aligned to the German Appropriateness of Management Remuneration Act which become effect on 5 August 2009.

All Management Board members at 3U HOLDING AG receive an annual fixed basic salary which is paid in monthly instalments. In addition, all Management Board members receive a variable performance-based remuneration (performance-based component). The performance-based remuneration is made up of a quantitative sub-target and a qualitative sub-target. For the target achievement of the quantitative sub-target, the Supervisory Board primarily assesses the audited figure of the EBIT and EBT performance of the Group in the reporting year compared to the budgeted figure. Consideration may be given to extraordinary developments. For the target achievement of the qualitative sub-target, the Supervisory Board assesses the processing of key tasks of the Management Board and the achievement of the personal targets of the Management Board member set by the Supervisory Board. At the beginning of the financial year, the Supervisory Board specifies the targets, taking account of the situation of the Group.

In addition, Management Board members may be granted share options in the context of stock option plans. Granting share options pursues the objective of rewarding the contribution of the Management Board (and also the other employees in the 3U Group) to increase the enterprise value and to promote the long-term success of the Company.

Part of the performance-based remuneration of a financial year is paid subject to the restriction that the Management Board manages the business of the Company on a sustained basis, also in the two financial years following the respective financial year. In the matter of sustainability, particular account is taken of the stability of the Group's development and the equity investment structure. The Supervisory Board assesses sustainability in the two years subsequent to the financial year and will claw back sub-amounts of the conditionally paid performance-based remuneration if the sustainability of the corporate governance is not assured.

Within the meaning of Section 87 (2) Sentence 1 AktG, the Supervisory Board is authorised to reduce the remuneration of the Management Board to the appropriate level if the Company's situation worsens after the amounts have been determined and granting the agreement amounts would be unreasonable for the Company. This also applies to granting share options.

If the appointment as Management Board member is revoked for good cause in the course of a financial year in accordance with Section 84 (3) AktG, then for this financial year and for any other financial years to the end of the employment agreement, the Management Board member has no claim to performance-based remuneration.

The Management Board members have not been given any pension commitments Below the remuneration of Management Board members are reported on an individualised basis, broken down into the fixed element and performance-based components.

Value of the benefits provided in the 2018 reporting year

Allowances (in TEUR)	Michael Schmidt Speaker of the Management Board			
	2018	2018 (min.)	2018 (max.)	2017
Fixed remuneration	300	300	300	300
Fringe allowances	8	8	8	9
Subtotal	**308**	**308**	**308**	**309**
One-year variable remuneration	100	0	300	100
Multi-year variable remuneration	0	0	0	0
Total	**408**	**308**	**608**	**409**
Pension allowances	0	0	0	0
Total	**408**	**308**	**608**	**409**

Allowances (in TEUR)	Andreas Odenbreit Management Board			
	2018	2018 (min.)	2018 (max.)	2017
Fixed remuneration	150	150	150	150
Fringe allowances	21	21	21	20
Subtotal	**171**	**171**	**171**	**170**
One-year variable remuneration	43	0	50	50
Multi-year variable remuneration	0	0	0	0
Total	**214**	**171**	**221**	**220**
Pension allowances	0	0	0	0
Total	**214**	**171**	**221**	**220**

Allowances (in TEUR)	Christoph Hellrung Management Board			
	2018	2018 (min.)	2018 (max.)	2017
Fixed remuneration	150	150	150	150
Fringe allowances	26	26	26	25
Subtotal	**176**	**176**	**176**	**175**
One-year variable remuneration	43	0	50	50
Multi-year variable remuneration	0	0	0	0
Total	**219**	**176**	**226**	**225**
Pension allowances	0	0	0	0
Total	**219**	**176**	**226**	**225**

Remuneration flow for the 2018 reporting year

Accruals (in TEUR)	Michael Schmidt Speaker of the Management Board		Andreas Odenbreit Management Board		Christoph Hellrung Management Board		Management Board total	
	2018	2017	2018	2017	2018	2017	2018	2017
Fixed remuneration	300	300	150	150	150	150	600	600
Fringe allowances	8	17	21	20	26	25	55	62
Subtotal	**308**	**317**	**171**	**170**	**176**	**175**	**655**	**662**
One-year variable remuneration	75	75	0	0	0	0	75	75
Multi-year variable remuneration	0	0	0	0	0	0	0	0
Total	**383**	**392**	**171**	**170**	**176**	**175**	**730**	**737**
Pension allowances	0	0	0	0	0	0	0	0
Total	**383**	**392**	**171**	**170**	**176**	**175**	**730**	**737**

In addition, for the previous year (2017) Mr Andreas Odenbreit received TEUR 50 and Mr Christoph Hellrung TEUR 50 in the year under review (2018); and in the previous year (2017) each received TEUR 18 as one-year variable remuneration for 2016. In the year under review (2018), Mr Michael Schmidt received TEUR 25 as one-year variable remuneration for the previous year (2017); and in the previous year (2017) paid back TEUR 25 for 2016.

All remuneration for Management Board activities was paid by 3U HOLDING AG. The subsidiaries did not pay any remuneration.

2018 stock option plan

On the basis of resolutions on 25 May 2016 and 3 May 2018, the Annual General Meeting created contingent capital of up to EUR 3,531,401.00 for issuing share options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. On 6 December 2018, the Management Board, with the approval the Supervisory Board, utilised this authorisation and established a 2018 stock option plan.

Information on share options as of 31 December 2018 (shares):

Name	Function	Stock options
Michael Schmidt	Speaker of the Management Board	166,666 pieces
Christoph Hellrung	Management Board	166,666 pieces
Andreas Odenbreit	Management Board	166,666 pieces

The share options can be exercised only after the end of specified retention periods (vesting period). 3U HOLDING AG is authorised to refuse the exercise of option rights to the extent that their exercise would result in disproportionately high remuneration of the beneficiary as a result of extraordinary developments which were not anticipated.

All remuneration for Management Board activities are paid for the time as Management Board member of the Company by 3U HOLDING AG. The subsidiaries did not pay any remuneration. For components with long-term incentive effect, please refer to the chapter "Concrete information on stock option programmes".

Supervisory Board remuneration

The remuneration of the Supervisory Board is regulated in Section 9 of the Company's Articles of Association. These state that members of the Supervisory Board receive fixed annual basic remuneration of EUR 5,000.00, with the Chairman of the Supervisory Board receiving double and the Deputy Chairman one and a half times the above remuneration.

Furthermore, each Supervisory Board member receives a bonus of EUR 1,000.00 for each EUR 0.01 dividend exceeding EUR 0.05 per share for the past financial year distributed to shareholders and annual remuneration based on the long-term performance of the Company of EUR 1,000.00 per EUR 100,000.00 earnings before taxes in the consolidated financial statements the Company ("EBT"), which exceeds the average earnings before tax in the consolidated financial statements ("EBT") for each of the three preceding years. However, the maximum total remuneration is EUR 50,000.00 for the Chairman, EUR 37,500.00 for his deputy and EUR 25,000.00 for the other members of the Supervisory Board. In addition, each Supervisory Board member receives an attendance fee of EUR 2,500.00 for each Supervisory Board or committee meeting, he attends. The Company reimburses Supervisory Board members any VAT incurred in respect to its remuneration and expenses.

The Supervisory Board remuneration for 2018 amounted to TEUR 130 (previous year: TEUR 158). For 2018, a provision of TEUR 54 was made for performance-based remuneration (previous year: TEUR 90).

Name	Fixed remuneration in TEUR		Attendance-fee in TEUR		Performance related remuneration in TEUR		Total remuneration in TEUR	
	2018	2017	2018	2017	2018	2017	2018	2017
Ralf Thoenes (Chairman)	10	10	18	15	24	40	52	65
Stefan Thies (Deputy Chairman)	8	8	18	15	18	30	43*	53
Jürgen Beck-Bazlen	5	5	18	15	12	20	35	40
Total*	**23**	**23**	**53***	**45**	**54**	**90**	**130***	**158**

*Due to rounding differences in the totals line and the Total Remuneration column

In addition, the Supervisory Board members were reimbursed for travel costs and other expenses. In the 2018 financial year, Mr Thoenes received TEUR 2.3 (previous year: TEUR 2.4), Mr Thies TEUR 1.0 (previous year: TEUR 0.8) and Mr Beck-Bazlen TEUR 1.5 (previous year: TEUR 0.8) in reimbursement for their expenses. For the 2018 financial year, Mr Thoenes also received attendance fees and reimbursed expenses for his Supervisory Board activity at 3U ENERGY AG of TEUR 6 (previous year: TEUR 6).

Rechtsanwaltssozietät Altenburger Rechtsanwälte, where Mr Thoenes the Chairman of the Supervisory Board is a partner, received TEUR 10.2 for its consultancy services and reimbursed expenses plus VAT for the 3U Group (previous year: TEUR 4.9) in the last financial year. TEUR 5.2 were provided for 3U ENERGY AG, TEUR 4.6 for 3U TELECOM GmbH and TEUR 0.4 for 3U Euro Energy Systems GmbH (previous year: TEUR 4.9 for 3U ENERGY AG).

Information on the stock option programme

By resolution of 25 May 2016, the Annual General Meeting created contingent capital of up to EUR 3,531,401.00 for issuing share options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. By resolution of 3 May 2018, the Annual General Meeting limited the authorisation to 24 May 2021, otherwise confirming the resolution. On 6 December 2018, the Management Board, with the approval the Supervisory Board, utilised this authorisation and established a 2018 stock option plan.

2018 stock option plan

The 2018 stock option plan has the following key elements:

Beneficiaries are:

Group 1: Members of the Company's Management Board

Group 2: The Company's authorised representatives and members of the management in affiliated companies in Germany and abroad (Section 15 AktG)

Group 3: Employees the Company in key positions on the first management tier below the Management Board and other Company employees

Group 4: Employees of German and international affiliated companies (Section 15 AktG) in key positions on the first management tier below the management and other employees of German and international affiliated companies (Section 15 AktG)

Within the context of the 2018 stock option plan, a total of 2,379,998 share options were issued as of 31 December 2018. The distribution to the individual groups is as follows:

Group	Stock options issued	Maximum number of stock options to be issued
Group 1:	499,998	500,000
Group 2:	1,200,000	1,900,000
Group 3:	248,000	350,000
Group 4:	432,000	781,401
Total:	**2,379,998**	**3,531,401**

The exercise of the option rights according to the 2018 stock option plan is possible after the end of a four-year retention period, within eight years, starting with the day the option was issued.

The option rights may not be exercised in the period between the tenth day of the last month in a quarter and the day of the subsequent announcement of the (provisional) quarterly results, 1 January of each year and the day of the subsequent announcement of the (provisional) annual results and the tenth day of the month before the announcement of the notification convening the Company's Annual General Meeting and the day of the Annual General Meeting. The option rights cannot be transferred.

Each option right grants the right to acquire one share of the Company at the exercise price. The exercise price for the option rights corresponds to the average price of the closing prices of the share on the 15 trading days before the creation of the stock option program on 6 December 2018 of EUR 1.03 plus a premium of 20 % as performance target. The exercise price is thus EUR 1.24 per share.

The beneficiary may sell the shares received by exercising the share options only taking account of the restrictions imposed by the regulatory framework.

Of the 2,379,998 share options issued in the context of this program as of 31 December 2018, none had lapsed to the end of the reporting period.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Marburg, 12 March 2019

The Management Board

Michael Schmidt

Christoph Hellrung

Andreas Odenbreit

Consolidated Financial Statements for the financial year 2018

Consolidated statement of financial position

Assets 3U Group (in TEUR)	Notes to the consolidated financial statements [Note]	31 December 2018	31 December 2017
Non-current assets		**48,035**	**48,268**
Intangible assets	[2.3.7] [2.3.8] [2.3.14] [6.1.1]	2,188	1,623
Property, plant and equipment	[2.3.9] [2.3.22] [6.1.2]	39,664	37,292
Investment property	[2.3.10] [6.1.3]	4,108	7,462
Other financial assets	[6.1.4]	109	144
Investments accounted for using the equity method	[6.1.4]	14	13
Deferred tax assets	[2.3.17] [6.2]	1,661	1,459
Other non-current assets	[6.1.4]	291	275
Current assets		**26,455**	**22,813**
Inventories	[2.3.15] [6.3]	6,990	5,947
Trade receivables	[2.3.12] [6.4] [6.12]	4,440	4,288
Receivables from income tax refunds	[6.5]	427	380
Other current assets	[6.5]	2,297	929
Cash and cash equivalents	[2.3.12] [6.6] [6.12]	12,301	11,269
Assets held for sale	[6.7]	**0**	**10,157**
Total assets		**74,490**	**81,238**

Shareholders' equity and liabilities 3U Group (in TEUR)	Notes to the consolidated financial statements [Note]	31 December 2018	31 December 2017
Shareholders' equity	[6.8]	**41,441**	**39,966**
Issued capital (conditional capital TEUR 3,531 / 31 December 2017: TEUR 3,531)	[6.8.1]	35,314	35,314
Own shares	[2.3.19] [6.8.1]	-2,184	-2,184
Capital reserve		10,349	10,345
Retained earnings		-844	-844
Total other comprehensive income		0	0
Profit/loss carried forward		-2,123	-2,522
Net earnings		1,933	1,065
Total shareholders' equity attributable to the shareholders of 3U HOLDING AG		**42,445**	**41,174**
Non-controlling interests	[6.8.4]	**-1,004**	**-1,208**
Non-current provisions and liabilities		**21,941**	**16,812**
Non-current provisions	[2.3.16] [6.11]	1,074	716
Non-current financial liabilities due to banks	[6.9]	19,648	14,947
Deferred tax liabilities	[2.3.17] [6.2]	766	938
Other non-current liabilities	[6.9]	453	211
Current provisions and liabilities		**11,108**	**15,647**
Current provisions	[2.3.16] [6.11]	302	320
Current income tax liabilities	[6.10]	153	623
Current financial liabilities	[6.9]	3,544	7,069
Trade payables	[2.3.12] [6.12]	3,181	3,124
Other current liabilities	[2.3.12] [2.3.18] [6.10] [6.12]	3,928	4,511
Liabilities from disposal groups	[6.7]	**0**	**8,813**
Total shareholders' equity and liabilities		**74,490**	**81,238**

Consolidated statement of income

3U Group (in TEUR)	Notes to the consolidated financial statements [Note]	Financial year 1 January – 31 December 2018	2017
Sales	[2.3.1] [5.1]	47,973	46,886
Other income	[5.2]	4,787	1,701
Changes of half-finished and finished services	[5.3]	553	-487
Other capitalised services	[5.4]	39	0
Costs of materials	[5.5]	-28,634	-24,878
Gross profit or loss		**24,718**	**23,222**
Staff costs	[5.6]	-10,292	-9,479
Other operating expenses	[5.7]	-7,709	-7,069
EBITDA		**6,717**	**6,674**
Depreciation and amortisation	[2.3.8] [2.3.9] [5.8]	-4,012	-3,685
EBIT		**2,705**	**2,989**
Income shares in companies that are accounted for using the equity method	[5.9]	1	1
Other financial result	[2.3.4] [2.3.5] [5.9]	-873	-1,088
EBT		**1,833**	**1,902**
Income tax expenses	[2.3.6] [5.10]	320	-697
Earnings before non-controlling interests		**2,153**	**1,205**
Net earnings for the period		**2,153**	**1,205**
Of which attributable to non-controlling interests		220	140
Thereof Group earnings		**1,933**	**1,065**
Earnings per share, undiluted (in EUR)	[2.2.5] [5.11]	**0.06**	**0.03**
Earnings per share, diluted (in EUR)	[2.2.5] [5.11]	**0.06**	**0.03**

Consolidated statement of comprehensive income

3U Group (in TEUR)	1 January – 31 December 2018	2017
Net earnings for the period	**2,153**	**1,205**
Attributable to 3U HOLDING AG shareholders	1,933	1,065
Of which attributable to non-controlling interests	220	140
Directly in equity comprised changes which could be reclassified retrospectively to the income statement	**0**	**35**
Exchange rate differences	0	0
Thereof deferred taxes	0	0
Hedging instruments	0	37
Thereof deferred taxes	0	-2
	0	**0**
Directly in equity comprised changes which could not be reclassified retrospectively to the income statement	**0**	**35**
Other comprehensive income		
	2,153	**1,240**
Total comprehensive income of the period	1,933	1,100
Attributable to 3U HOLDING AG shareholders	220	140

Consolidated statement of changes in equity

3U Group (in TEUR) Notes to the consolidated financial statements [Note 6.8.1 and 6.8.4]	Issued capital	Own shares	Capital reserve	Retained earnings/ Profit loss carried forward and net earnings attributable to 3U HOLDING AG shareholders
As of 1 January 2017	**35,314**	**–2,184**	**10,345**	**–2,910**
Rebooking Earnings 2016	0	0	0	0
Dividend payment for the 2016 financial year	0	0	0	-331
Total earnings 2017	0	0	0	1,065
Other earnings 2017	0	0	0	0
Proceeds/payments to non-controlling interests	0	0	0	0
Change due to increase in share	0	0	0	-125
As of 31 December 2017	**35,314**	**–2,184**	**10,345**	**–2,301**

3U Group (in TEUR) Notes to the consolidated financial statements [Note 6.8.1 and 6.8.4]	Issued capital	Own shares	Capital reserve	Retained earnings/ Profit loss carried forward and net earnings attributable to 3U HOLDING AG shareholders
As of 1 January 2018	**35,314**	**–2,184**	**10,345**	**–2,301**
Rebooking Earnings 2017	0	0	0	0
Dividend payment for the 2017 financial year	0	0	0	-663
Total earnings 2018	0	0	0	1,933
Other earnings 2018	0	0	0	0
Stock option plan 2018	0	0	4	0
Proceeds/payments to non-controlling interests	0	0	0	0
Changes in the composition of the Group	0	0	0	-3
As of 31 December 2018	**35,314**	**–2,184**	**10,349**	**–1,034**

Total other comprehensive income: Exchange rate differences	Total other comprehensive income: Hedging instruments	Equity attributable to 3U HOLDING AG shareholders	Non-controlling interests	Total shareholders' equity
0	**-35**	**40,530**	**-1,372**	**39,158**
0	0	**0**	0	**0**
0	0	**-331**	0	**-331**
0	0	**1,065**	140	**1,205**
0	35	**35**	0	**35**
0	0	**0**	-101	**-101**
0	0	**-125**	125	**0**
0	**0**	**41,174**	**-1,208**	**39,966**

Total other comprehensive income: Exchange rate differences	Total other comprehensive income: Hedging instruments	Equity attributable to 3U HOLDING AG shareholders	Non-controlling interests	Total shareholders' equity
0	**0**	**41,174**	**-1,208**	**39,966**
0	0	**0**	0	**0**
0	0	**-663**	0	**-663**
0	0	**1,933**	220	**2,153**
0	0	**0**	0	**0**
0	0	**4**	0	**4**
0	0	**0**	-72	**-72**
0	0	**-3**	56	**53**
0	**0**	**42,445**	**-1,004**	**41,441**

Consolidated statement of cash flows

3U Group (in TEUR)	Notes to the consolidated financial statements [Note 2.2.3 and 7]	1 January – 31 December 2018	2017
Net earnings for the period		**2,153**	**1,205**
+/- Depreciation/write-ups of fixed assets		4,055	3,685
+/- Increase/decrease of provisions		72	124
-/+ Profit/loss on disposal of non-current assets		-2,581	4
-/+ Increase/decrease in inventories and trade receivables		-979	478
+/- Increase/decrease in trade payables		-38	1,761
+/- Changes other receivables		-1,334	-920
+/- Changes to other payables		5	350
+/- Change in tax assets/liabilities including deferred taxes		-855	324
+/- Other non-cash changes		97	-365
Cash flows from operating activities		**595**	**6,646**
+ Inflows from disposals of property, plant and equipment		5,286	8
- Outflows for investments in property, plant and equipment		-534	-648
- Outflows for investments in intangible assets		-128	-164
+ Inflows from disposals of investments property		4,945	0
- Outflows for investments property		-90	0
- Outflows from the addition of financial assets		-18	0
- Cash outflow from the purchase of consolidated companies and other business units		-1,337	-45
+ Cash inflow from the sale of subsidiaries		0	1
- Cash outflow from the sale of subsidiaries		0	-330
Cash flows from investing activities		**8,124**	**-1,178**
Sum carried forward*		**8,719**	**5,468**

*Refer to followowing page

3U Group (in TEUR) Notes to the consolidated financial statements [Note 2.2.3 and 7]	1 January – 31 December 2018	2017
Sum carried forward*	**8,719**	**5,468**
– Cash outflow to companies' owner and minority partners (dividends, equity capital payback, purchase of own shares, other disbursements)	-735	-432
+ Proceeds from issue of financial liabilities	0	8,355
– Payments from the repayment of bonds and (financial) loans	-7,421	-13,325
Cash flows from financing activities	**-8,156**	**-5,402**
Total cash flows	**563**	**66**
+/- Change in disposition restrictions in cash and cash equivalents	-679	1,250
+/- Aggregate cash flows arising from obtaining or losing control of subsidiaries	-150	0
+/- Thereof as assets held for sale	469	-469
Cash and cash equivalents at beginning of period	**8,175**	**7,328**
Cash and cash equivalents at end of period	**8,378**	**8,175**
Total change in cash and cash equivalents	**203**	**847**

* Refer to previous page

Notes

1 General information about the Group

3U HOLDING AG (subsequently also referred to as 3U or Company), headquartered in Marburg, is the holding company of the 3U Group and a listed stock corporation. It is registered in the commercial register of the District Court Marburg under HRB 4680.

The business activities of 3U and its subsidiaries include the management of own assets, the acquisition, the administration and the sale of interests in domestic and foreign companies as well as the provision of telecommunication services and IT services in the segment ITC. The activities in the area of renewable energies and in the field of sanitary, heating and climate technology are presented in the segments Renewable Energies and SHAC.

The address of the registered office of the Company is Frauenbergstraße 31–33, 35039 Marburg, Germany.

2 Accounting and valuation policies

2.1 Basis of preparation

These consolidated annual financial statements relate to 3U HOLDING AG and its subsidiary companies. Consolidated financial statements of 3U HOLDING AG for the 2018 financial year were compiled in accordance with the accounting standards of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS). The IFRS valid on 31 December 2018 were observed and the interpretations of the International Financial Reporting Committee (IFRIC) were also applied. The consolidated financial statements contain all the information required by the IFRS as endorsed by the European Union (EU) and based upon the additional requirements pursuant to section 315e (1) German Commercial Code (HGB). Inasmuch as certain standards have been applied prematurely, that will be pointed out separately.

Presentation in the statement of financial position distinguishes between current and non-current assets and liabilities, which are generally broken down further by their respective maturities in the notes to the consolidated financial statements. In addition to the income statement, the statement of financial position and the cash flow statement, changes in shareholders' equity were also shown. The income statement has been prepared using the aggregate cost method.

The consolidated financial statements of 3U HOLDING AG give a true and fair view of the net assets, financial position and earnings. Consolidated financial statements and the combined management report of 3U HOLDING AG were compiled in accordance with Article 315e of the HGB (German Commercial Code) and will be published in the German Federal Gazette.

Consolidated financial statements were compiled in Euro. The figures are stated in the consolidated financial statements in thousands of Euro (TEUR) and were rounded to whole TEUR. For reasons related to the calculations, rounding differences amounting to +/– one unit (TEUR, % etc.) may occur.

Group companies prepare their accounts and documents in accordance with the International Financial Reporting Standards (IFRS) and prepare separate financial statements in accordance with local regulations.

The financial year of 3U HOLDING AG and all subsidiaries included in the consolidated financial statements is the calendar year. The consolidated financial statements are prepared under the assumption of going concern.

Newly applied standards

3U considered all standards and interpretations issued by the IASB, which were in force as of 31 December 2018 and have been incorporated into EU law.

The following standards were applied for the first time:
- IFRS 9 "Financial Instruments" (1 January 2018)*
- IFRS 15: "Revenue from Contracts with Customers" (1 January 2018)*
- Clarification to IFRS 15: "Revenue from Contracts with Customers" (1 January 2018)*
- Amendments to IFRS 2: "Share-Based Payment" (1 January 2018)*
- Amendments to IFRS 4: "Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts" (1 January 2018)*
- Annual Improvements to IFRSs (AIP) – 2014–2016 Cycle (1 January 2018/1 January 2017)*

* Applicable for financial years beginning on or after the specified date.

- Amendments to IAS 40: “Transfers of Investment Property” (1 January 2018)
- IFRIC Interpretation 22: “Foreign Currency Transactions and Advance Consideration” (1 January 2018)*

IFRS 9 “Financial Instruments” introduced a standardised approach for the classification and measurement of financial assets. The application of IFRS 9 is not expected to have any significant effects for the 3U Group. No financial instruments that cannot be measured at amortised cost are expected in the 3U Group. The new IFRS 9 impairment model is not expected to have any significant effects on the impairment of financial instruments.

IFRS 15 “Revenue from Contracts with Customers” restates the recognition of revenues. Under IFRS 15, the recognition of revenue is intended to reflect the transfer of the promised goods or services to the customer in the amount that corresponds to the consideration that the entity expects to receive for those goods or services. Revenues are realised when the customer receives power over the goods. In the 3U Group, the first-time application of these standards will not result in any noteworthy changes with regard to the amount of sales and the timing of sales recognition. In the 3U Group, existing production orders basically meet the requirements for a period-related realisation of sales. Changes will only be made by additional quantitative and qualitative information.

In the Management Board’s estimation, the initial application of the other standards and interpretations did not result in any changes to the net assets, financial position and results of operations of the Group.

The following accounting standards issued by the IASB and adopted into EU law are not yet mandatory and have not been applied early by 3U:
- Amendments to IFRS 9: “Prepayment Features with Negative Compensation” (1 January 2019)*
- IFRS 16: “Leases” (1 January 2019)*

The individual effects of the changes are examined for the Group by the parent company 3U HOLDING AG.

No significant changes are currently seen.

In accordance with IFRS 16, lessees no longer have to differentiate between operating and finance leases. For all leases, the lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is amortised over the term of the lease in accordance with the rules for intangible assets. The lease liability is recognised in line with the rules for financial instruments. They are recognised separately in the income statement as amortisation on the asset and interest on the liability. Recognition is simplified only for short-term leases and low-value leased assets.

3U has chosen to apply the modified retrospective approach, in which the cumulative effect of the transition is recognised directly in equity. Comparative figures from the previous period are not adjusted. Instead, the changes to items in the statement of financial position and the income statement in the current period resulting from the initial application of IFRS 16 are explained.

In particular, the first-time application of IFRS 16 “Leases” may result in changes that could have a significant impact on the net assets, financial position and earnings. All possible leases have been examined in order to be able to make an appropriate clas-

* Applicable for financial years beginning on or after the specified date.

sification and valuation. In addition to the vehicle leasing contracts, these are in particular a wide variety of contracts with regard to the leasing of land in the area of wind farms.

The first-time application of this standard will have a significant impact on the balance sheet and on the income statement. The capitalisation of 3U HOLDING AG as at 31 December 2018 would increase by around EUR 3.2 million, in particular as a result of the capitalisation of the rights of use as well as the passivation of the associated lease liabilities. There would also be a reduction in other operating expenses as well as an increase in depreciation and interest expenses in a comparable amount. Based on the consolidated figures as of 31 December 2018, this would result in an EBITDA improvement of around EUR 0.7 million.

The Additional accounting pronouncement with regard to IFRS 9 that has not yet been implemented will have no material impact on the consolidated financial statements of 3U according to the Company's findings.

The IASB has published a number of other announcements, but these have not yet been transposed into EU law.

- IFRS 17: "Insurance Contracts" (1 January 2021)*
- IFRIC 23: "Uncertainty regarding income tax treatment" (1 January 2019)*
- Annual Improvements to IFRSs (AIP) – Cycle 2015–2017 (1 January 2019)*
- Amendments to IAS 28: "Long-Term Investments in Associates and Joint Ventures" (1 January 2019)*
- Amendments to IAS 19: "Plan amendments, curtailments, and settlements" (1 January 2019)*
- Conceptual Framework 2018: "Revision of Conceptual Framework" (1 January 2020)*
- Amendments to Conceptual Framework: "Update of the References to the Conceptual Framework" (1 January 2020)*

The individual effects of the changes are examined by the parent company 3U HOLDING AG for the Group. In particular, we do not expect any noticeable effects from the standard IFRS 17 and IFRIC 23 as well as the amendments to IAS 28 and 19.

* Applicable for financial years beginning on or after the specified date.

2.2 Basis of group accounting

2.2.1 Scope and policies of consolidation

In 2018, the scope of consolidation for 3U HOLDING AG consists of 23 (previous year: 23) German and foreign subsidiaries, in which 3U directly or indirectly holds the majority of the voting rights and in which 3U HOLDING AG controls the affiliated company. Control exists when 3U HOLDING AG has the power to govern the financial and operating policies of these companies. Domination by 3U HOLDING AG occurs in accordance with IFRS 10, if the following conditions are met:

- 3U HOLDING AG exerts power over the subsidiary;
- 3U HOLDING AG is exposed to fluctuating yields from its participation;
- 3U HOLDING AG affects the amount of yields by virtue of its power.

15 (previous year: 14) subsidiaries, whose impact on the net assets, financial position and results of operations individually and as a group is of minor importance are not consolidated. These are either not yet active or not anymore active companies. They are valued at cost and are shown under non-current assets.

A business combination occurs when 3U HOLDING AG obtains control of another company. According to the rules of IFRS the business combination (capital consolidation) is based on the acquisition method (revaluation method). The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i. e. the sum of surrendered assets acquired and liabilities assumed. Incidental acquisition costs are recognized as an expense. Acquisition costs are allocated to the acquired assets, liabilities and contingent liabilities. The assets and liabilities are measured in full at their fair values. Any surplus acquisition costs above the share in the fair values of the identified assets and assumed liabilities acquired by the parent company are recognised as goodwill.

Initial recognition takes place with effect from the day on which 3U HOLDING AG indirectly or directly enters into a controlling relationship with the subsidiary. Amounts allocated to noncontrolling interests are reported separately under equity.

Income and expenses of a subsidiary are consolidated from the acquisition date in the Consolidated Financial Statements. Income and expenses of a subsidiary are included in the Consolidated Financial Statements until control is terminated by the parent company. Where necessary, the accounting policies of subsidiaries are adjusted to the uniform Group accounting policies of 3U HOLDING AG.

Subsidiaries are deconsolidated from the date on which they are no longer controlled or the influence of the subsidiary on the asset, financial and earnings position is of minor importance.

Internal sales, expenses and income within the Group and receivables and liabilities between the consolidated companies are eliminated. Income tax effects as well as deferred taxes are taken into account within the consolidation procedures affecting income.

Interim results from Group internal deliveries and services are eliminated.

Transactions on the further purchase or sale of equity shares with other shareholders which do not touch the dominant influence of 3U HOLDING AG, lead to no change in goodwill. The difference between the fair value of the transmitted or received amounts and the relevant book value attributable to non-controlling interests is recognised in Group equity and should be adjusted against equity.

In the event of the sale of a subsidiary and any other events which result in deconsolidation, the assets and liabilities included until this event and existing goodwill are offset against the proceeds from the disposal.

IFRS 11 distinguishes between two types of joint arrangements:
- joint operation
- joint venture (JV)

A joint venture (JV) is a joint arrangement in which the parties exercise joint control and also hold rights to the net assets of the investee company.

A joint operation is when two or more companies come to an agreement in which they have direct interests in the assets and obligations for the liabilities.

The accounting for the investment in joint ventures (JV) is done using the equity method under IAS 28.

An associated company is a company over which the Group has a considerable influence through the option of participating in the decision-making processes with regard to its financial and business policy and which is not a subsidiary or a joint venture of the Group.

The earnings of associated companies are included by using the equity method according to IAS 28.

Shares in joint ventures and associated companies are posted on the balance sheet at historical cost, adapted in line with any changes in the Group share in the net assets of the joint venture or associated company following the acquisition and reduced in line with the decline in value of the individual shares. If the amount of losses of a joint venture or an associated company corresponds or surpasses the value of the full book value of equity held in the associated company, 3U will not record further shares of loss unless 3U has incurred respective obligations.

2.2.2 Foreign currency translation

The assets and liabilities of foreign companies included are converted into Euro in accordance with the functional currency concept. The functional currency of the subsidiaries is the local currency of the country in which the relevant company is headquartered. Consequently, assets and liabilities posted in foreign currency on the statements of financial position of foreign subsidiaries are converted into Euro at the relevant rate on the reporting date. Income and expenses are converted at the average rate for the year. The difference between the historical rate and the rate on the reporting date resulting from the measurement is shown as a change in equity in accordance with IAS 21.

In the financial statements, transactions in foreign currencies are valued at the exchange rate at the time of the initial booking of the transaction. Up to the reporting date exchange gains and losses resulting from the valuation of financial instruments and cash and cash equivalents are included in income.

The exchange rates for foreign currencies are as follows:

	Exchange rate on the reporting date (EUR 1 in foreign currency units)		Average rate for the year (EUR 1 in foreign currency units)	
	2018	2017	2018	2017
Currency CHF	1.1269	1.1702	1.1550	1.1117
Currency USD	1.1450	1.1993	1.1810	1.1297

In the 2018 financial year, net foreign exchange expenses resulted in expenses of TEUR 3 (previous year: net gain of TEUR 0). The recognition within the profit and loss statement is included in other operating income or expenses.

2.2.3 Cash flow statement

The cash flow statement shows how the cash of the 3U Group changed during the reporting year as a result of inflows and outflows. In accordance with IAS 7 cash flows from operating activities (indirect method), investing activities and financing activities are differentiated.

In the first-time inclusion of subsidiaries, only actual cash flows are reported in the cash flow statement. The cash amount from the purchase or sale of companies is reported as cash flow from investing activities. Aggregated cash flows from the purchase and sale of subsidiaries or other business units are reported separately and classified as investing activities.

2.2.4 Use of estimates and assumptions

The preparation of the annual financial statements and consolidated financial statements in accordance with the International Financial Reporting Standards requires estimations and assumptions that affect the amounts in the assets and liabilities, the notes to the financial statements and the income statement. Assumptions and estimations are mainly applied in stipulating the useful lives and terminal values of fixed assets, in measuring receivables, in calculating discounted cash flows as part of impairment tests and in creating provisions. There are also uncertainties regarding the recognition of deferred taxes. Management's estimates are based on experience and other assumptions, which are considered appropriate under the circumstances given. Estimates and assumptions are reviewed on an ongoing basis. Necessary adjustments are made in accordance with IAS. 8

The actual amounts may deviate from these estimations and assumptions.

The operations of 3U Group result in various legal disputes. These are regularly examined to measure the provisions for any probable claims including estimated legal costs. With regard to the uncertainty of the outcome of these proceedings, there is the possibility of a negative impact on future operating results.

On each balance sheet date, 3U establishes whether there are any indications that non-financial assets are impaired. Goodwill is reviewed at least once a year or if there are any indications of impairment. To estimate the useful life, management must estimate the likely future cash flow from the asset or cash-generating unit and select an appropriate discount rate to calculate the present value of this cash flow.

2.2.5 Earnings per share

Earnings per share correspond to the profit belonging to the shareholders of 3U, respectively the profit (after taxes) divided by the weighted average quantity of outstanding stock during a financial year. 3U calculates the result per share (fully diluted) under the assumption that all possibly dilutive securities and remuneration plans which are based on securities are transformed or exercised. In the previous year there were no dilutive effects.

2.3 Basis of accounting and valuation

2.3.1 Basic principles of sales realisation

Sales include all sales resulting from the ordinary business activities of the 3U Group. Sales are reported net of VAT and after deduction of discounts granted. They are recorded in accordance with the service provision. In doing so, a distinction is made between time and performance obligations.

Sales in the segment ITC result from the activity as a fixed line network provider with its own transmission network and its own switching technology, as well as services related to its own data centers. This segment also includes sales from the distribution and operation of cloud-based CRM and ERP solutions as well as from the IT licensing business.

In the segment Renewable Energies, external sales were generated with the planning and development of projects in the area of renewable energies as well as with the production of electricity with own plants.

In the segment SHAC, sales are generated from the marketing of products from the sanitary, heating and climatisation technology as well as from the assembly of components for building air conditioning.

Sales are calculated and reported without value-added tax and after deduction of discounts granted on performance of the service or acceptance by the customer.

Sales within Holding/Consolidation are also achieved from the rental of real estate.

Sales from time-point-related obligations are recognized when the service has been completed and it is probable that the economic benefits will flow from the business to the company.

Sales from construction contracts and service contracts (work services) are realised as a period-related performance obligation in accordance with the performance progress. The performance progress or degree of completion is generally determined by the ratio of the contract costs incurred up to the reporting date to the total contract costs estimated on the reporting date (cost-to-cost method). The orders are reported as assets under "Contractual assets" or, in the case of impending losses, as liabilities under "Contractual liabilities". If prepayments exceed the cumulative benefit, the liability is recognized as a liability under liabilities. Other contracts based on fixed prices are also recognized on a straight-line basis over the term of the contract. Income that is not related to the operating business is reported under other operating income.

Income that is not related to the operating business is reported under other operating income.

2.3.2 Total cost

Total cost comprises all arising costs in the year under review.

2.3.3 Research and development costs

Research costs, when incurred, are recognised as an expense in the profit and loss statement. The technological viability of the product is achieved only shortly before market maturity. Processes between the research and development stages are iteratively closely linked up to the stage of technological viability. Expenses for research and development which occur after the achievement of technological viability are insignificant. In fiscal year 2017 research and development costs of EUR 0.9 million (previous year: EUR 0.5 million) were incurred by the Group.

2.3.4 Interest earned

Interest earned is recognised using the effective interest rate method at the time it is incurred. The effective interest rate is the interest rate with which the expected future inflows are discounted over the duration of financial assets to the net carrying amount of these assets.

2.3.5 Interest expenses

Pursuant to the provisions of IAS 23, interest expenses for qualifying assets are capitalized as part of the cost of production, if their production takes a longer period. As in 2017, no interest expense was capitalised in the 2018 financial year.

Interest expenses are recognised using the effective interest rate method at the time they are incurred. The effective interest rate is the interest rate with which the expected future outflows are discounted over the duration of financial liabilities to the net carrying amount of these liabilities.

2.3.6 Income taxes

Income taxes are recognised and calculated in accordance with IAS 12 applying the balance-sheet orientated liability method. Tax expenses and refunds which are dependent on income and earnings are recorded as income taxes.

Current taxes for due taxes from income or profit are recognised as of the time they occurred. Deferred taxes consist of expected tax payments or refunds from temporary assessment differences between the Group and tax balance sheets as well as the utilisation of tax loss carry-forwards and from consolidation entries. Capitalised goodwill does not result in deferred taxes. Deferred tax assets and liabilities are assessed with future valid tax rates, whereby tax rate changes in principle are only taken into consideration when the change in tax law becomes effective. If the feasibility of deferred tax assets is not sufficiently probable, recognition does not occur.

2.3.7 Goodwill

Goodwill resulting from capital consolidation is not amortised in accordance with IFRS 3. Goodwill recognised on the statement of financial position is assessed once a year for its economic benefit and for declines in value and more frequently if there are indications of declines in value (impairment test) and in the event of a decline in value is written down to its recoverable amount.

Please refer to the comments under Note 2.3.14.

2.3.8 Other intangible assets

Intangible assets are capitalised in accordance with IAS 38 (Intangible Assets) if it is likely that a future economic benefit relating to the use of the asset and costs of the asset can be reliably determined. Intangible assets are measured at cost less scheduled depreciation and impairments. Regular depreciation is recognized under the item depreciation.

Depreciating intangible assets are in principle written down over a useful life of three to five years.

Rights to use the land on which plants were built to produce renewable energies are amortized over the contractual period of use.

Telecommunication licenses shown under intangible assets are written down linear over 10 years. Software licenses for transmission and IT equipment are depreciated over three to ten years.

Again, please refer to the comments under Note 2.3.14.

2.3.9 Property, plant and equipment

Property, plant and equipment are reported pursuant to IAS 16 at depreciated cost. If property, plant or equipment are sold or retired, their acquisition cost and cumulated depreciation are eliminated from the statement of financial position and the profit or loss resulting from their sale is posted in the income statement.

The original cost of property, plant and equipment includes the purchase price plus additional acquisition costs and subsequent acquisition costs as well as the present value of restoration obligations. Financing costs pursuant to IAS 23 are included in the cost of assets.

Depreciation is calculated linearly over the following estimated useful lives taking into account the residual value and reported under the item depreciation:

Buildings	25–40 years	Switching technology	5 years
Power plants	10–25 years	Transfer technology	5–8 years
Operating equipment	4 years	Leasehold improvements	Duration of the lease agreement
Office equipment	3–13 years		

No depreciation is accounted for of land and leasehold rights.

The service lives and depreciation methods used are examined in each period to ensure that the depreciation methods and the depreciation period correspond to the anticipated economic benefit of property, plant and equipment. If the acquisition costs of certain tangible assets are crucial, in relation to the overall acquisition and production costs, 3U assesses those components separately and writes them off.

The costs of restoration obligations are individually assessed per location when the obligation arises on conclusion of the contract and were capitalized when a corresponding provision was created; they are checked to see whether they are up-to-date every year and adjusted if necessary.

Please refer to the comments under Note 2.3.14.

2.3.10 Investment property

Properties that are held to earn rentals or for capital appreciation and are not used in production or used for administrative purposes, are reported separately under investment property. The assessment of those held as investment property are measured at amortized cost.

Depreciation is calculated on a linear basis over the following estimated useful lives: Buildings 25–40 years

On land and leasehold rights no depreciation is ceased. Please refer to the comments under Note 2.3.14.

2.3.11 Cost of debt

Please refer to the comments under Note 2.3.5.

2.3.12 Financial instruments

Financial assets

For the purposes of IAS 39, financial assets are classified as loans and receivables and as available-for-sale financial assets. On initial recognition, available-for-sale financial assets are measured at fair value. The Company stipulates the classification of its financial assets when they are initially recognised and reviews this allocation at the end of each financial year. Following initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized net of deferred taxes via the overall result in equity. At the time the financial asset is derecognised or at which impairment in the financial asset is identified, the cumulative gain or loss posted in equity is recognised as profit or loss in the income statement. In fiscal years 2017 and 2018 there were no financial assets for sale available.

Notwithstanding this, participations are not valued at fair value as this is not reliably measurable. Accounting is carried out at amortized cost.

In the case of standard sales and purchases of financial assets, they are reported on the trading date, i. e. the date on which the Company entered into the commitment to buy the asset. Standard purchases or sales are sales or purchases of financial assets, which prescribe delivery of the assets within a period, set by market rules or conventions.

Financial assets, which were classified as loans or receivables, are measured at amortised cost less impairments whereby the Company uses the effective interest rate method. Impairments of trade receivables and other receivables are recognised on separate value adjustment accounts.

Current financial assets included on the statement of financial position comprise other current receivables. Assets are recognised at par value and, where they are associated with apparent risks, are adjusted individually.

Lump-sum individual value adjustments are made based on uniform age structuring for the Group.

Receivables in foreign currencies are translated at the exchange rate on the closing date. Value adjustments based on exchange rates are recognised in profit or loss.

Cash and cash equivalents
This item includes all cash and cash equivalents that have a residual term of fewer than three months at the time of acquisition or investment. Cash and cash equivalents are priced at fair value. These include time deposits, which are lodged as security. They are not part of the cash funds and are deducted in the cash flow statement.

Impairments to financial instruments
If there are objective and substantial indications of impairment in relation to financial assets classified as loans and receivables and financial investments held to maturity, an impairment test is made as to whether the carrying value of the expected future cash flows exceeds the present value of a comparable financial asset discounted at the current market yield. Should this be the case, the asset will be written down by the difference. Indications of impairment include a material deterioration in credit worthiness, a particular breach of contract, the substantial probability of insolvency or another form of financial restructuring on the part of the debtor or the disappearance of an active market. Insofar as risks have already occurred, a specific provision is carried out. If the reasons for write downs previously undertaken no longer apply, the assets will be written up accordingly – but not beyond the cost of acquisition.

Discharge
The Group will only derecognise a financial asset if the contractual rights to cash flows from a financial asset expire or it assigns the financial asset and all risks and opportunities associated with title to the financial asset to a third party.

Financial liabilities
Financial liabilities relate to original liabilities. Original liabilities are stated in the consolidated statement of financial position if 3U has a contractual obligation to assign cash and cash equivalents or other financial assets to another party. An original liability is initially recognised at the fair value of the consideration received or at the value of the cash and cash equivalents less transaction costs incurred. Liabilities are subsequently measured at amortised cost using the effective interest rate method. Liabilities under finance leases are stated at the present value of the rental or lease instalments at the time the lease is concluded. In subsequent periods, the principle repaid in the rental and lease instalments lead to a reduction of the liability.

Financial liabilities are derecognised if the contractual obligations are settled, cancelled or expire.

2.3.13 Leases
A lease is classified under IAS 17 as a finance lease if it transfers substantially all of ownership risks and rewards to the lessee. The classification of leases is therefore dependent on the substance of the arrangement and not of a form of the contract.

In the context of financing lease contracts held assets are recognized at first as Group assets at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. Depreciation is calculated over the lease term or the shorter life of the leased asset. The corresponding liability to the lessor is shown in the balance sheet as an obligation under finance leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so a constant interest rate of the remaining liability is achieved. Interest expenses are recognized directly in the income statement.

Lease payments under operating leases are recognised as expenses on a straight-line basis over the term of the lease unless another systematic basis corresponds more closely to the temporal consumption of benefits for the lessee.

2.3.14 Impairment of non-financial assets

3U checks goodwill for possible impairment in accordance with the Group's accounting regulations at least once a year. Determination of the recoverable amount of a line of business to which goodwill was allocated is associated with estimations by Management. The Company determines these figures using valuation methods based on discounted cash flows. These discounted cash flows are based on three-year forecasts which build on financial plans approved by the management. The cash flow forecasts take account of past experience and are based on management's best estimations of future developments. Cash flows beyond the planning period are extrapolated without growth rates. Income and expenses resulting from expansion investments were not considered in this case.

In the review for impairment the goodwill acquired in the scope of a business combination is assigned to each cash-generating unit, which is expected to benefit from the synergies of the combination. Impairment of goodwill may not be reversed. If the impairment of the cash-generating unit exceeds the carrying amount of goodwill allocated, the additional amount has to be accounted for by a proportional reduction of the carrying amounts of assets allocated to the cash-generating unit.

Goodwill was determined in the context of business combinations within the segments Renewable Energies and SHAC. Goodwill resulting from previous years is allocated to the cash-generating units "online shop", "project development" and "production of wind energy".

The property, plant and equipment and other intangible assets of the Company are subject to an impairment test at least on each balance sheet date to ascertain whether there are any indications of impairment. In the event of such indications, the recoverable amount for the asset is determined in order to calculate the amount of any appropriate impairment charge. If the assets do not generate any cash flows independently of other assets, the recoverable amount for the individual asset value is calculated based on the cash generating unit to which the asset belongs.

If the recoverable amount of an asset (or of a cash-generating unit) is below its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment amount must be recognised in income immediately. If write-ups are required in accordance with IAS 36, they are recognised in income.

The newly established recoverable amount is written up. However, it is not to be written up beyond the amount that would have been its carrying amount if it had not declined in value previously.

Non-current assets or groups of assets that are sold in a single transaction (disposal group) that are classified as held for sale, including any associated debt, are generally carried at the lower of carrying amount and fair value less costs to sell. Assets held for sale are no longer subject to scheduled depreciation.

2.3.15 Inventories

Inventories are estimated at acquisition and/or manufacturing costs or at lower net sale values. Acquisition costs are generally calculated according to the principle of individual evaluation or according to the average method. Manufacturing costs consist of directly attributable expenses and production related material and factory overheads as well as depreciation. Inventory risks resulting from limited usability or significant storage period are taken into consideration by corresponding allowances.

2.3.16 Provisions

Provisions are recognised if there is a liability to a third party arising from a past event which is likely to be utilised and if the future expected outflow can be reliably estimated. The amount of provisions for litigation is determined based on the outcome of the dispute as assessed by the Management Board to the best of its knowledge and in line with the facts known at the balance sheet date. Non-current provisions with a remaining term of more than one year are reported at their provisional discounted settlement amount as of the balance sheet date.

2.3.17 Deferred tax assets

Deferred tax assets and liabilities are calculated in accordance with IAS 12 ("Income Taxes") for all temporary differences between the tax values of assets, equity and liabilities and the values in the consolidated statement of financial position. Deferred tax assets are recognised to the extent that it is likely that there will be taxable earnings available against which the deductible temporary difference can be applied. The basis for this is the forecast of the taxable earnings, which are derived from the three-year planning approved by Management. The assessment and measurement of deferred tax assets is examined on each balance sheet date, taking the current estimations into account in accordance with IAS 12.37 and IAS 12.56.

Deferred tax assets on benefits from unused tax loss carry forwards are capitalised to the extent that it can be assumed with sufficient probability that the respective company can generate sufficient taxable income in the future.

Deferred taxes are calculated based on tax rates which are valid at the time of realisation or will apply in future. Deferred taxes are recognised as tax income or expense in the income statement unless they relate to items recognised directly in equity; then deferred taxes are recorded in equity without impact on profit or loss.

Deferred tax assets and liabilities are netted off, if they relate to income taxes collected from the same tax office and the Group intends to settle its current tax assets and liabilities on a net basis.

2.3.18 Other non-financial liabilities

Other non-financial liabilities encompass tax liabilities, liabilities to employees and other miscellaneous liabilities. At first-time recognition they are reported at the repayment amount, discounted if applicable. Foreign currency liabilities are measured at the exchange rate on the reporting date.

2.3.19 Acquisition of own shares

Own shares are recognised as a deduction from equity. In buying back own shares, the entire acquisition costs of those own shares are deducted as one amount from equity (one-line-adjustment).

2.3.20 Employee participation programme

The Group grants the Management Board and employees share-based remuneration through equity instruments. Remuneration with equity instruments is measured at fair value at the commitment date. The fair value of the share-based payments using equity instruments at the commitment date is recognised as an expense on a straight-line basis throughout the blocking or vesting period and recognised in capital reserves. This is based on the internal Group estimations of the number of shares which provide entitlement to additional remuneration.

On every balance sheet date, the Group reviews its estimations regarding the number of equity instruments that become non-forfeitable. The effects of any changes of estimations, where such exist, are recognised as profit or loss over the remaining time until the non-forfeiture.

2,379,998 share options were issued under the 2018 stock option plan, none of which had expired as of the end of the reporting period. The exercise of the option rights is possible after the end of a four-year retention period, within eight years, starting with the day the option was issued. As of 31 December 2018, the share price (base value of the option) was EUR 0.944 per share, significantly below the exercise price of EUR 1.24 per share. The share price volatility derived from historical figures means that the fair value of the option when the share options were issued was EUR 0.198.

At the balance sheet date there is no other employee stock options plan.

2.3.21 Comparative figures
Comparative figures are adapted where necessary, to ensure that they are comparable with the current year due to changes in reporting.

2.3.22 Fair value measurement
The fair value is defined as the price that would be taken in an orderly transaction between market participants at the measurement date for the sale of an asset or paid to transfer a liability.

The measurement of fair value relates each a specific asset or a specific liability. In determining the fair value, consequently, such characteristics of the asset or the related debt are considered, which a market participant would take into account in pricing the asset or liability at the measurement date. Such features include, among others, the following:
(a) state and location of the asset and
(b) sales and use restriction on the asset.

With the aim of increasing the uniformity and comparability in the measurement of fair value and the related information, a design hierarchy is defined (so-called "fair value hierarchy"). This hierarchy divides the inputs used in the valuation techniques used to measure fair value into three levels. As part of the design hierarchy identical assets or liabilities in active markets quoted (not adjusted) prices (input factors at level 1) are given the highest priority, while unobservable inputs receive the lowest priority (input factors at level 3).

Input factors at level 2 are other than quoted market prices mentioned in Level 1 that are either directly observable or indirectly observable for the asset or liability.

3 Scope of consolidation

Subsidiaries included in the full consolidation:

Company	Registered office	Country	Share held by 3U HOLDING AG*
010017 Telecom GmbH	Marburg	Germany	100 %
3U ENERGY AG**	Marburg	Germany	99.998 %
3U ENERGY PE GmbH	Berlin	Germany	99.998 %
3U Euro Energy Systems GmbH**	Marburg	Germany	99.996 %
3U TELECOM GmbH	Marburg	Germany	100 %
3U TELECOM GmbH	Vienna	Austria	100 %
ClimaLevel Energiesysteme GmbH	Cologne	Germany	75 %
Discount Telecom S&V GmbH	Marburg	Germany	100 %
Exacor GmbH	Marburg	Germany	100 %
fon4U Telecom GmbH	Marburg	Germany	100 %
Immowerker GmbH**	Marburg	Germany	100 %
LineCall Telecom GmbH	Marburg	Germany	100 %
Märkische Windkraft 110 GmbH & Co, KG**	Kloster Lehnin	Germany	99.998 %
OneTel Telecommunication GmbH	Marburg	Germany	100 %
PELIA Gebäudesysteme GmbH	Montabaur	Germany	100 %
Repowering Sachsen-Anhalt GmbH	Marburg	Germany	99.998 %
RISIMA Consulting GmbH	Marburg	Germany	100 %
Selfio GmbH	Bad Honnef	Germany	100 %
Solarpark Adelebsen GmbH**	Adelebsen	Germany	100 %
weclapp GmbH**	Marburg	Germany	74.9998 %
Windpark Klostermoor GmbH & Co, Betriebs-KG	Kirchroth	Germany	95.61 %
Windpark Langendorf GmbH & Co, KG**	Marburg	Germany	99.998 %
Windpark Langendorf Verwaltungsgesellschaft mbH	Marburg	Germany	99.998 %

*3U HOLDING AG holds directly or indirectly shares in these companies.

**There are restrictions on loan cancellations and/or distributions due to a patronage or declaration of rescission by the parent company or on the basis of capital service provisions in loan agreements. Please refer to the explanations under Note 6.9.

Changes to the consolidated group

Compared with 31 December 2017, the changes in the scope of consolidation are as follows.

In April 2018, 3U HOLDING AG announced the purchase of an existing wind farm with six wind turbines. The wind farm project company Windpark Klostermoor GmbH & Co. Betriebs-KG, which owns the wind turbines, is included in the consolidated financial statements as a fully consolidated entity from the date control was obtained (1 July 2018). The share of 3U HOLDING AG shareholders in the company amounts to 95.61 %. The acquisition costs totalled EUR 1.0 million, which were offset in the purchase price allocation by fair values of the acquired assets less liabilities of EUR 1.3 million.

(In TEUR)	**2018**
Property, plant and equipment	1,063
Trade receivables	37
Other current assets	89
Cash and cash equivalents	335*
Non-current provisions	143
Deferred tax liabilities	80
Current provisions	0
Trade payables	37
Net assets	**1,264**

*Including time deposits posted as collateral and restricted funds of TEUR 150

As of 31 December 2018, besides 3U HOLDING AG itself, 23 (31 December 2017: 22) domestic and foreign subsidiaries are included in the scope of consolidation in which 3U HOLDING AG directly or indirectly controls the majority of the voting rights or has control of the voting rights.

15 subsidiaries (31 December 2017: 14) the influence of which on the Group's net assets, financial position and earnings are of minor significance individually or jointly are not consolidated. These are essentially non-active companies. They are valued at acquisition cost less necessary value adjustments and reported under long-term assets.

Joint Ventures

Companies consolidated "at-equity":

Company	Registered office	Country	Share held by 3U HOLDING AG*
Spider Telecom GmbH	Marburg	Germany	50 %

*Shares in this company are held directly by 3U HOLDING AG.

Please refer to the statements under Note 6.1.4.

Other financial assets

Windkraft Lüdersdorf II GmbH & Co. OHG is a company for the construction and maintenance of the infrastructure of a wind farm project with several operating companies. The company does not carry out any further business activities.

The wind farm companies Windpark Bürgerenergie Ostprignitz-Ruppin 3 GmbH & Co. KG and Windpark Teltow-Fläming 3 GmbH & Co. KG are non-active.

The remaining companies carry out no or no significant business activities. The influence of these companies on the net assets, financial position and earnings of operations of the Group is of minor importance both individually and collectively.

Company	Registered office	Country	Share held by 3U HOLDING AG*	Currency	Shareholders' equity	Earnings for the financial year 2018
3U DYNAMICS GmbH	Marburg	Germany	100 %	EUR	48,234.70	-414.08
3U MOBILE GmbH	Marburg	Germany	100 %	EUR	8,342.74	-343.71
ACARA Verwaltung GmbH	Marburg	Germany	100 %	EUR	17,486.05	-48.43
Calefa GmbH	Montabaur	Germany	60 %	EUR	25,002.76	-543.75
EEPB Erneuerbare Energien Planungs- und Beratungs gesellschaft mbH	Marburg	Germany	100 %	EUR	58,012.15	-51.80
Märkische Windkraft 89 GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	8,835.71	-64.00
Märkische Windkraft 112 GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-9,085.89	-1,653.07
samoba GmbH	Bad Honnef	Germany	70 %	EUR	5,013.13	-19,986.87
Triast GmbH in Liquidation	Kreuzlingen	Switzerland	100 %	CHF	-1,270.41	-1,839.45
Windkraft Lüdersdorf II GmbH & Co, OHG**	Berlin	Germany	39.992 %	EUR	2,111,716.15	-145,777.81
Windpark DBF GmbH	Marburg	Germany	100 %	EUR	5,081.51	-342.85
Windpark Bürgerenergie Ostprignitz-Ruppin 3 GmbH & Co, KG	Kloster Lehnin	Germany	9.090 %	EUR	-1,345.13	-1,027.95
Windpark Bürgerenergie Teltow-Fläming 3 GmbH & Co, KG	Kloster Lehnin	Germany	8.330 %	EUR	-1,028.63	-592.40
Windpark Havelland Projekt II GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-2,576.27	-615.07
Windpark Merzdorfer Heide I GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-7,801.47	-3,649.07
Windpark Merzdorfer Heide II GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-1,185.07	-385.07
Windpark Ruppin Projekt GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-1,035.07	-359.07
Windpark Ruppin Projekt 2 GmbH & Co, KG	Berlin	Germany	99.998 %	EUR	-363.70	-34.48

*3U HOLDING AG holds directly or indirectly shares in these companies.
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4 Segment reporting

In accordance with the regulations of IFRS 8, business segments, the segment reporting of 3U HOLDING AG applies the "Management Approach" regarding segment identification.

The information that is regularly made available to the Management Board and Supervisory Board is therefore regarded to be relevant for the segment presentation.

According to internal reporting, 3U covers the segments ITC, Renewable Energies, SHAC and Holding/Consolidation within its segment reporting.

The segment ITC comprises the activities Voice Retail, Business Voice and Data Center Services & Operation as well as the development, distribution and operation of cloud based CRM and ERP solutions and the trading of IT licenses.

In the segment Renewable Energies the 3U Group essentially covers the wind power project development and electricity generation with own plants using wind and solar energy.

In addition to the assembly of components of air conditioning in buildings, the distribution of products from sanitary, heating and air conditioning systems to wholesalers, craftsmen and self-builders belong to the segment SHAC. This distribution is carried out via the Group's online stores.

Besides the aforementioned segments, Holding activities as well as the necessary Group consolidating entries are summarised under Holding/Consolidation.

Segment reporting follows the intra-segment consolidation, while the inter-segment consolidation occurs on holding level.

A detailed description of the segments is available in the interim combined management report in the business performance presentation.

Segment reporting 2018 1 January – 31 December 2018 (in TEUR)	ITC	Renew-able Energies	SHAC	Subtotal	Holding/ Consoli-dation	Group
Total sales	17,309	6,414	42,298	66,021	227	66,248
Intercompany sales (intra-segment sales)	-2,531	-118	-15,626	-18,275	0	-18,275
Segment sales/Group sales	**14,778**	**6,296**	**26,672**	**47,746**	**227**	**47,973**
Other income	748	819	335	1,902	2,885	4,787
Change in inventory	0	546	7	553	0	553
Other capitalised services	22	0	0	22	17	39
Costs of materials	-7,863	-906	-20,500	-29,269	635	-28,634
Gross profit or loss	**7,685**	**6,755**	**6,514**	**20,954**	**3,764**	**24,718**
Staff costs	-3,800	-468	-3,228	-7,496	-2,796	-10,292
Other operating expense	-1,981	-2,304	-2,879	-7,164	-545	-7,709
EBITDA	**1,904**	**3,983**	**407**	**6,294**	**423**	**6,717**
Depreciation	-378	-2,772	-101	-3,251	-761	-4,012
EBIT	**1,526**	**1,211**	**306**	**3,043**	**-338**	**2,705**
Financial result*	**-30**	**-1,059**	**-69**	**-1,158**	**286**	**-872**
Profit/loss of companies recognised at equity**	0	0	0	0	1	1
Other financial result	-30	-1,059	-69	-1,158	285	-873
Income tax	556	-137	-99	320	0	320
Earnings for the period*	**2,052**	**15**	**138**	**2,205**	**-52**	**2,153**
Of which attributable to non-controlling interests	176	-6	50	220	0	220
Segment earnings*/Group earnings	**1,876**	**21**	**88**	**1,985**	**-52**	**1,933**

*Before earnings transfer

**As of 31 December 2018, the carrying amounts of companies accounted for using the equity method amounted to TEUR 14 and were allocated to the area Holding.

Segment reporting 2017 1 January – 31 December 2017 (in TEUR)	ITC	Renew-able Energies	SHAC	Subtotal	Holding/ Consoli-dation	Group
Total sales	15,736	9,784	37,558	63,078	495	63,573
Intercompany sales (intra-segment sales)	-2,633	-42	-14,012	-16,687	0	-16,687
Segment sales/Group sales	**13,103**	**9,742**	**23,546**	**46,391**	**495**	**46,886**
Other income	418	792	220	1,430	271	1,701
Change in inventory	0	-517	30	-487	0	-487
Other capitalised services	0	0	0	0	0	0
Costs of materials	-6,999	-409	-17,518	-24,926	48	-24,878
Gross profit or loss	**6,522**	**9,608**	**6,278**	**22,408**	**814**	**23,222**
Staff costs	-3,195	-552	-3,031	-6,778	-2,701	-9,479
Other operating expense	-1,636	-2,815	-2,591	-7,042	-27	-7,069
EBITDA	**1,691**	**6,241**	**656**	**8,588**	**-1,914**	**6,674**
Depreciation	-355	-2,381	-105	-2,841	-844	-3,685
EBIT	**1,336**	**3,860**	**551**	**5,747**	**-2,758**	**2,989**
Financial result*	**-48**	**-1,254**	**-48**	**-1,350**	**263**	**-1,087**
Profit/loss of companies recognised at equity**	0	0	0	0	1	1
Other financial result	-48	-1,254	-48	-1,350	262	-1,088
Income tax	166	-755	-108	-697	0	-697
Earnings for the period*	**1,454**	**1,851**	**395**	**3,700**	**-2,495**	**1,205**
Of which attributable to non-controlling interests	68	0	72	140	0	140
Segment earnings*/Group earnings	**1,386**	**1,851**	**323**	**3,560**	**-2,495**	**1,065**

*Before earnings transfer

**As of 31 December 2017, the carrying amounts of companies accounted for using the equity method amounted to TEUR 13 and were allocated to the area Holding.

The Management Board of 3U stipulates sales with the intersegment sales, EBITDA and the segment result before earnings transfer as major performance indicators for a segment's business success, since it considers them crucial to a segment's success. Revenues as accounted for under Internal Revenue (intrasegment income) were realised within the same segment. It should be noted that the tax on income – to the extent affiliation relationships with the 3U HOLDING AG exist – are borne by the controlling company, 3U HOLDING AG.

The 3U Group cash flow data were as follows:

Cash flow data 2018 (in TEUR) 1 January – 31 December 2018	ITC	Renew-able Energies	SHAC	Holding/ Consoli-dation	Group
Cash flows from operating activities	1,588	2,084	-120	-2,957	595
Cash flows from investing activities	-406	-1,383	-75	9,988	8,124
Cash flows from financing activities	-1,428	-1,315	60	-5,473	-8,156

Cash flow data 2017 (in TEUR) 1 January – 31 December 2017	ITC	Renew-able Energies	SHAC	Holding/ Consoli-dation	Group
Cash flows from operating activities	297	3,345	-251	3,255	6,646
Cash flows from investing activities	-220	-730	-29	-199	-1,178
Cash flows from financing activities	-156	-3,713	-455	-1,078	-5,402

For the purposes of monitoring earnings power and allocating resources between the segments, the Management Board scrutinizes the financial assets allocated to the individual segment. Liquid funds are not allocated to any segment.

(In TEUR)	31 Dec 2018	31 Dec 2017
Assets		
Segment ITC	10,542	10,138
Segment Renewable Energies	36,540	38,531
Segment SHAC	5,847	5,247
Holding/Consolidation	9,260	16,053
Total segment assets	**62,189**	**69,969**
Assets not allocated	12,301	11,269
Total consolidated assets	**74,490**	**81,238**
Liabilities		
Segment ITC	8,241	9,311
Segment Renewable Energies	47,238	49,362
Segment SHAC	5,974	5,427
Holding/Consolidation	-28,404	-22,828
Total segment liabilities	**33,049**	**41,272**
Reconciliation (shareholder's equity/non-controlling interests)	41,441	39,966
Total consolidated liabilities/shareholder's equity	**74,490**	**81,238**

The uniform Group accounting policies and methods of calculation were applied in the segment reporting. Services between segments are subject to adherence of the arm's length principle and therefore group-wide calculated at prices that would be agreed with third parties. Basically, the price comparison method is or was applied for the area Broadband/IP and Group specific effects were added. In the other areas essentially the cost plus method is applied. Administrative services are calculated as cost allocations.

Non-current assets in the amount of TEUR 4 (previous year: TEUR 4) are located abroad in 2018.

(In TEUR)	Depreciation and amortisation		Investments	
	2018	2017	2018	2017
Segment ITC	378	355	406	224
Segment Renewable Energies	2,772	2,381	1,031	356
Segment SHAC	101	105	84	33
Holding/Consolidation	761	844	216	200
Total	**4,012**	**3,685**	**1,737**	**813**

Investments in the Renewable Energy segment also include the investment in the wind farm Klostermoor (changes in the scope of consolidation).

Sales of principal services

(In TEUR)	2018	2017
Areas within the segment ITC		
Voice retail	2,462	3,109
Voice business customer	6,766	5,724
Data center services & operation	1,742	1,628
IT services/cloud applications	3,031	1,909
Consulting/IT security/trade with IT licences	777	733
Total segment ITC	**14,778**	**13,103**
Areas within the segment Renewable Energies		
Wind	4,090	8,052
Photovoltaic	2,098	1,679
Miscellaneous	108	11
Total segment Renewable Energies	**6,296**	**9,742**
Areas within the segment SHAC		
Heating, cooling, ventilation	26,672	23,545
Total segment SHAC	**26,672**	**23,545**

The 3U Group achieved sales in the amount of TEUR 3,230 resp. 6.7 % (previous year: TEUR 3,750 resp. 8.0 %) with the largest customer in the segment ITC in the past year.

During the reporting period the segments recorded intersegment revenues in the following amounts: ITC TEUR 690 (previous year: TEUR 666), Renewable Energies TEUR 76 (previous year: TEUR 0) and SHAC TEUR 2 (previous year: TEUR 0). The intersegment revenues of the Holding/Consolidation segment amounted to TEUR 1,142 (previous year: TEUR 1,132) in consolidation.

Geographical distribution of revenues

(In TEUR)	2018	2017
ITC	**14,778**	**13,103**
Of which domestic	11,053	10,158
Of which foreign	3,725	2,945
Renewable Energies	**6,296**	**9,742**
Of which domestic	6,169	8,814
Of which foreign	127	929
SHAC	**26,672**	**23,545**
Of which domestic	24,402	21,467
Of which foreign	2,270	2,078

The assignment was for domestic and foreign according to the place of delivery or other service.

Foreign sales were mainly achieved in the countries listed in the following.

(In TEUR)	2018	2017
Austria	1,738	1,574
Belgium	1,339	1,168
Switzerland	1,161	954
United Kingdom of Great Britain and Northern Ireland	542	171
Denmark	155	956

5 Notes on the consolidated income statement

5.1 Revenues

Revenues generated from activities as a provider of telecommunications are reported without sales tax and net of discounts granted. The income is recognised by way of invoicing after performance of telecommunications services. The income from the IT licenses provided or traded is calculated in advance and deferred over the period of performance.

In the segment Renewable Energies, sales from the generation of energy and the feed-in through billing are made following the provision of the respective service. Sales generated from the planning and construction of plants for the generation of energy from renewable energies are also reported without VAT.

In the segment SHAC, sales from the marketing of components from the sanitary, heating and cooling sector, as well as other products and after deduction of discounts granted, are reported without VAT. Sales are recorded by means of billing following the provision of the services.

Proceeds from the installation of heating and air conditioning systems are recognized according to the stage of completion and reported as sales without sales tax. These concern revenues of TEUR 6,478 (previous year: TEUR 6,385) in 2018.

The accumulated costs of the still ongoing construction contracts amounted to TEUR 1,471 (previous year: TEUR 286) and the cumulative recognized gains and losses to TEUR 535 (previous year: TEUR 126).

The proceeds from the lease of property are recognized on a monthly basis at the beginning of the month. The consolidated sales with third parties are comprised of the segments featured in Segment reporting.

Allocation of revenues

(In TEUR)	2018	2017
Services	**11,361**	**11,030**
Telecommunication services/DCS	10,969	10,460
IT services	58	63
Consulting/IT security	0	0
Assembling and installation	10	0
Miscellaneous	324	506
Sales of goods	**33,639**	**34,010**
Energy and photovoltaic	6,188	9,720
Heating, cooling, ventilation	26,662	23,545
IT licences	777	733
Other products	12	12
Licence fees	**2,973**	**1,846**
Licences (cloud applications)	2,973	1,846
Total Group	**47,973**	**46,886**

5.2 Other income

Other income includes the following items:

(In TEUR)	2018	2017
Income from asset disposals	2,603	3
Reimbursement of expenses re TKUV information	463	0
Remuneration in kind car use and other non-cash benefits	370	328
Difference from initial consolidation	232	0
Earnings from minimisation of loss reserves	178	141
Income for other accounting periods	140	164
Insurance compensation	93	80
Income from the reversal of provisions/ provisions with liability characteristics	84	62
Feed-in remuneration from wind farms in inventories	0	617
Other income	624	306
Total	**4,787**	**1,701**

The income from the reduction of allowances and expenses from loans previously written off is offset by bad debts and impairment losses on receivables.

5.3 Inventory changes

The changes in inventories amounting to TEUR 553 (previous year: TEUR –487) mainly comprise finished and unfinished services in the segment Renewable Energies. This particularly concerns project developments in the field of wind power.

5.4 Own work capitalized

Own work capitalized amounts to TEUR 39 (previous year: TEUR 0). This refers to own work relating to the extending of the Bad Honnef (Selfio GmbH) and Kitzingen (weclapp GmbH) locations.

5.5 Costs of materials

Material costs are comprised mainly of connection services and network costs, raw materials and trading goods as well as costs expenses for services in the field of renewable energies:

(In TEUR)	2018	2017
Cost of goods	18,257	15,714
Connection services	5,717	4,881
Expenses for purchased services	2,611	2,189
Network costs	1,149	1,120
Performances in renewable energies	228	336
Expenses in trade of IT licences	566	507
Costs of interconnection	106	131
Total	**28,634**	**24,878**

5.6 Staff costs

Staff costs comprise the following:

(In TEUR)	2018	2017
Salaries and wages	8,635	7,975
Social security contributions	1,485	1,353
Other staff costs	172	151
Total	**10,292**	**9,479**

Other staff costs includes expenses relating to the stock option plan 2018 in the amount of TEUR 4 (previous year: TEUR 0)

The average number of employees (basis: head count) was:

Segment	2018	2017
ITC	81	61
Renewable Energies	9	12
SHAC	81	70
Holding	29	28
Total	**200**	**171**

In addition to employer contributions to statutory pension insurance, unemployment insurance and health insurance, the social contributions also include expenses for compensation contributions and contributions to the employer's liability insurance association. Expenses for employers' payments to legally required pension schemes amounted to TEUR 661 (previous year: TEUR 594).

5.7 Other operating expenses

Other operating expenses include the following items:

(In TEUR)	2018	2017
Maintenance	1,508	987
Promotion and hospitality expenses as well as sales commissions	1,154	1,077
Travel and automobile costs	800	687
Premises expenses/rental expenses	682	687
Financing costs/additional costs for monetary transactions	356	281
Insurances	325	317
Technical consultancy costs	317	149
Other consulting costs	226	208
Statements and audit costs	206	236
IT costs	201	143
Severance payments	196	0
Loss of receivables	183	147
Value adjustments to receivables	180	621
Telephone/shipping costs	172	168
Supervisory Board remuneration incl. travel expenses	144	172
Other taxes	115	113
Expenses for other accounting periods	103	89
Costs of legal advice	67	66
Premiums, fees and donations	66	58
Deconsolidation expenses	0	353
Other operating expenses	708	510
Total	**7,709**	**7,069**

Other operating expenses include expenses from currency conversions in the amount of TEUR 0 (previous year: TEUR 3).

5.8 Depreciation and amortisation

Amortisation of intangible assets and property, plant and equipment amounted to TEUR 4,012 (previous year: TEUR 3,685). Depreciation increased due to higher scheduled depreciation in the field of wind farm projects. In the course of the reclassification of the Lüdersdorf wind farm the depreciation suspended in 2017 was caught up for.

5.9 Income from financial assets

This item relates to current and loan accounts as well as earnings of companies included using the "at equity"-method.

(In TEUR)	2018	2017
Interest and similar income	34	40
Interest income	**34**	**40**
Interest expenses for loans receivable	-863	-1,128
Interest expenses	**-863**	**-1,128**
Profit/loss from companies included using the at-equity-method	**1**	**1**
Depreciation on financial assets	**-44**	**0**
Total	**-872**	**-1,087**

5.10 Income tax expenses

Income taxes include both taxes paid or owed on income and deferred taxes.

(In TEUR)	2018	2017
Current income tax expenses	134	226
Deferred taxes	-454	471
Total	**-320**	**697**

3U HOLDING AG and its German subsidiaries are subject to corporation and trade tax. In the business year 2018, income was subject to corporation tax of 15 % plus a 5.5 % solidarity surcharge. Trade tax amounted in Marburg to around 14 % in 2018. The income tax rate for the Group (parent company) is 29.825 % (previous year: 29.825 %).

The tax rate used for foreign companies is 25 % for Austria.

Deferred tax on hedging instruments recognized directly in equity amounted to TEUR 0 (previous year: TEUR 0).

Effective 1 January 2005, 3U HOLDING AG has concluded profit transfer agreements with LineCall Telecom GmbH and fon4U Telecom GmbH. The profit transfer agreements were approved in the Extraordinary General Meeting of 15 November 2005 and registered in the commercial register in December 2005.

Effective 1 January 2007, 3U HOLDING AG, as the controlling company, entered into a control and profit transfer agreement with 3U TELECOM GmbH, 010017 Telecom GmbH and Discount Telecom S & V GmbH. After being approved by the Annual General Meeting, these profit transfer agreements were recorded in the commercial register at the end of 2007.

The profit transfer agreements have been adjusted in accordance with the tax requirements in 2014. The entries in the commercial register were made at the end of 2014.

Effective 1 January 2015, 3U ENERGY AG as the controlling company concluded a control and profit transfer agreement with 3U ENERGY PE GmbH. After approval of the Annual General Meeting of 3U ENERGY AG this profit transfer agreement was entered into the commercial register at the end of 2015.

Effective 1 January 2017, 3U HOLDING AG, as the controlling company, concluded a profit and loss transfer agreement with Selfio GmbH. Following the approval of the Annual General Meeting of 3U HOLDING AG, this profit and loss transfer agreement was entered into the Commercial Register at the end of 2017.

Effective 1 January 2018, 3U HOLDING AG, as the controlling company, concluded a profit and loss transfer agreement with PELIA Gebäudesysteme GmbH. Following the approval of the Annual General Meeting of 3U HOLDING AG, this profit and loss transfer agreement was entered in the commercial register in mid-2018.

In accordance with IAS 12.81, the following overview contains an offsetting and reconciliation of tax expenses resulting from the calculation using German tax rates on earnings before taxes and the actual tax expenses reported in these annual financial statements:

Reconciliation	2018 TEUR	2018 %	2017 TEUR	2017 %
EBT	1,833	100.0	1,902	100.0
Earnings tax rate (29.825 %; previous year: 29.825 %)				
Calculated tax income/expenses	547	29.8	567	29.8
Non-deductible expenses/ tax-exempt income	59	3.2	28	1.4
Effects of allowance of deferred taxes / Non-inclusion of deferred taxes from loss carry forwards	-846	-46.2	47	2.5
Use of tax loss carryforwards, in the previous year no recording	-66	-3.6	-86	-4.5
Effect of tax rate differences of foreign tax jurisdiction	0	0.0	5	0.3
Deviations due to different trade tax collection rates	2	0.1	-18	-1.0
Effects on the loss of control of subsidiaries	0	0.0	105	5.5
Effects from tax rate changes	21	1.1	5	0.3
Aperiodic tax effects	-24	-1.3	47	2.5
Miscellaneous	-13	-0.7	-3	-0.2
Effective tax expenses	**-320**	**-17.5**	**697**	**36.6**

5.11 Earnings per share

Earnings per share are the profit from continuing operations and profit from discontinued operations, which can be allocated to the ordinary shareholders of 3U HOLDING AG, or profit (after tax) divided by the weighted average number of outstanding shares during the financial year.

The calculation of earnings per share is based on the following data:

	2018	2017
Basis of the earnings per share (attributable share of net profits attributable to the shareholders of the parent company in TEUR)	**1,933**	**1,065**
Number of ordinary shares issued (ex treasury shares)		
As of 1 January*	33,130,376	33,130,376
As of 31 December	33,130,376	33,130,376
Weighted average number of ordinary shares for undiluted earnings	33,130,376	33,130,376
Effect of dilutive potential of ordinary shares: Issuance of 2,379,998 stock options on 6 December 2018	163,014	0*
Weighted average number of ordinary shares for diluted earnings	33,293,390	33,130,376
Earnings per share, undiluted (in EUR)*	**0.06**	**0.03***
Earnings per share, diluted (in EUR)*	**0.06**	**0.03***

*There were no effects in fiscal year 2017, which could lead to a dilution.

6 Notes on the consolidated statement of financial position

6.1 Non-current assets

The development of individual non-current items and depreciation and impairment for the current financial year are presented separately in the consolidated statement of changes in assets (Appendix to the Notes).

6.1.1 Intangible assets

The carrying amounts of intangible assets are as follows:

(In TEUR)	31 Dec 2018	31 Dec 2017
Concessions, industrial property rights and similar rights and assets and licences to such rights and assets	1,585	1,020
Goodwill	603	603
Total	**2,188**	**1,623**

The acquired intangible assets are valued at cost less accumulated depreciation using the straight method. These relate primarily to usage rights of properties and software licenses for transmission and IT technology. We refer to the depreciation in the income statement. Usage rights for land were amortized over the contractually agreed term.

As part of the acquisition of the cash-generating unit "Online Store" goodwill in the amount of TEUR 170 was determined. This is allocated to the segment SHAC after the restructuring of the segments. It was also in the context of the acquisitions of the Aufwind & ORBIS Havelland GmbH & Co. KG together with Aufwind & ORBIS Havelland Verwaltungs-GmbH (after accretion 3U ENERGY PE GmbH) that goodwill in the amount of TEUR 411 was revealed. The purchase of the Windpark Langendorf GmbH & Co. KG, the general partner GmbH together with the Repowering Sachsen-Anhalt GmbH resulted in goodwill of TEUR 22. All goodwills were allocated to the segment Renewable Energies.

In fiscal 2018, the value in use determined in the context of the impairment tests exceeded the carrying amounts of the cash generating units in all cases so that impairment of the goodwill in fiscal 2018 as well as in previous periods has not been made.

To calculate the value in use the key assumptions in the online shop are based on the growth rates of the past as well as the expected market development. The assumption of the sales in project development is derived from the average margins as expected by wind farm investors based on offers obtained in past periods for individual wind farm projects and on expected sales prices as realisable by other developers. It is also expected that the necessary approvals for planned wind farm projects are granted. Sales in the wind farm Langendorf were determined on the basis of secured EEG remuneration, an expected remuneration for periods following the termination of the EEG remuneration taking into account the current market value plus an appropriate surplus, as well as an availability of at least 97 %.

In determining the use values as of 31 December 2018, a weighted average cost of capital before tax (WACC) of 10.32 % (previous year: 9.12 %) for the cash-generating unit "Online Shop", 6.16 % (previous year: 6.28 %) for the project development (3U ENERGY PE GmbH) and 6.61 % (previous year: 5.16 %) for the production of wind energy (Windpark Langendorf GmbH & Co. KG) was used. Changes in key assumptions may generally have a significant impact on the respective values. According to current estimates it is not expected that the use values of the cash-generating units are below their book values. We also refer to our comments under Note 2.3.14.

6.1.2 Fixed assets

Please refer to the consolidated statement of changes in assets for the carrying amounts of property, plant and equipment.

The wind farm Lüdersdorf, which was newly constructed in the 2017 financial year, was mainly reported for under assets held for sale in 2017 and is essentially being included in technical equipment and machinery in the reporting year. The wind turbines of the wind farm Langendorf acquired in the financial year 2014 were reported under technical equipment and machinery. The related thereto property for the electric power transformation substation of the wind farm Langendorf was activated within land and properties. The solar park Adelebsen with all the technical components is reported under plant and machinery, while the land on which the open space system of the solar park was built, is reported under land and properties.

6.1.3 Investment property

Under investment properties basically those investment properties are recognized, which are not operationally or only marginally self-used. This refers to parts of the Adelebsen property as well as, effective August 2018, the property in Linz, which had been used for online trading activities until end of July 2018. Until end of May 2018 this group of properties also included the data center property in Hanover with their non-intrinsically part in operational use. For the commercial property in Adelebsen, only the part on which the open space system of the solar park was built was not reported as investment property. The buildings and other properties are shown under investment properties. The data centre real estate in Hanover, was sold in the course of the 2018 financial year.

The lease and rental income from investment properties amounted to TEUR 520 in fiscal year 2018 (previous year: TEUR 647). Operating expenses in fiscal year 2018 for the investment properties emerged in the amount of TEUR 95 (previous year: TEUR 122). Thereof TEUR 95 (previous year: TEUR 122) are allotted to leased investment properties and TEUR 0 (previous year: TEUR 0) to real estate which produced no rental income in 2018 resp. 2017.

Investment properties are valued at amortized cost. Details are shown in the development of the Group assets. The fair values of these investment properties as at 31 December 2018 amounted to TEUR 6,300 (previous year: TEUR 9,741). Subsequent acquisition costs in the amount of TEUR 90 (previous year: TEUR 0) were incurred in the year under review.

The fair values (fair value hierarchy Level 3) for the real estate in Adelebsen was determined based on the discounted cash flow method by an independent appraiser (Certified expert for property valuation). The fair value of the Linz property was determined accordingly. Here, the following assumptions were made:

	2018		2017	
	Adelebsen	Linz	Adelebsen	Hanover
Land value interest/property yield of	6.16 %	6.00 %	6.62 %	6.00 %
Management costs	20.00 %	15.00 %	19.00 %	21.00 %
Remaining useful life of the building	30 years	34 years	30 years	35 years
Tax-free land value	23.00 EUR/m^2	90.00 EUR/m^2	23.00 EUR/m^2	153.00 EUR/m^2

6.1.4 Financial assets

Investments accounted for using the equity method

As of 31 December 2018, Spider Telecom GmbH, was accounted for using the equity method. Via Spider Telecom GmbH substantial contributions margins for the telephony network operation are generated. The summarised financial information for this investment is as follows:

Spider Telecom GmbH

Spider Telecom GmbH (in TEUR)	31 Dec 2018	31 Dec 2017
Total current assets	140	159
Total non-current assets	0	0
Total current liabilities	107	122
Total non-current liabilities	0	0
Write-offs	0	0
Interest earnings	2	2
Interest expenses	0	0
Taxes	3	5
Sales	332	447
Profit/loss (–) after taxes	8	12

Cash and cash equivalents in the amount of TEUR 22 (previous year: TEUR 40) are included in current assets. Current liabilities include financial liabilities of TEUR 0 (previous year: TEUR 0). There were no long-term financial liabilities at 31 December 2018 resp. at 31 December 2017.

The balance sheet day of the company is 31 December 2018 resp. 31 December 2017.

Spider Telecom GmbH has concluded a cost allocation agreement with its other shareholders. In the fiscal year an amount of TEUR 157 (previous year: TEUR 191) was settled based on this agreement.

The carrying value of this company accounted for using the equity method developed as follows:

Carrying amount (in TEUR)	2018	2017
As of 1 January	**13**	**15**
Collected distribution of earnings	1	3
Pro rata share of net result for the year	1	1
As of 31 December	**14***	**13**

*Rounding difference in totals line

No restrictions on the ability of the associated company to transfer financial resources in form of cash dividends, credit or advance repayment to the shareholder apply.

Contingent liabilities or capital commitments do not exist with respect to these companies.

Other financial assets

Other financial assets include the project shelf companies in the area of wind farm project development as well as other companies whose influence on the net assets, financial position and results of operations of the Group is of minor importance both individually and collectively. MyFairPartner Limited, based in London, was deleted in May 2017 following liquidation and has since ceased to be held under financial assets.

Other non-current assets

Loans

Since 1 January 2015, there is a loan agreement with a term of 48 months and an interest rate of 2.5 %. The loan was secured by transferring ownership of fixed assets and inventories. In the 2017 financial year, the loan book value was adjusted to the value of the collateral by means of a value adjustment of TEUR 486. The book value of the loan as of 31 December 2018 was TEUR 155. The loan is now secured by a land charge.

6.1.5 Financial leasing

In the 3U Group, finance lease agreements, for which the 3U Group is the lessee, are essentially for IT hardware that is depreciated over a useful life of five years. The net book values of the assets reported amounted to TEUR 89 (previous year: TEUR 130) as of the balance sheet date. The obligations for minimum lease payments from these leasing agreements amount to TEUR 96 (previous year: TEUR 151). TEUR 51 (previous year: TEUR 53) are due in up to one year and TEUR 45 (previous year: TEUR 98) in more than one year and up to five years and TEUR 0 (previous year: TEUR 0) in more than five years. Taking into account an interest rate of TEUR 2 (previous year: TEUR 4), the present value of the minimum lease payments amounts to TEUR 94 (previous year: TEUR 147). At TEUR 2 (previous year: TEUR 2), the interest is due within one year.

6.1.6 Operating Leasing

In the 3U Group, contracts for operating leases, for which the 3U Group is the lessee, consist primarily of car leasing, leasing of technical office equipment as well as rental of buildings and wind farms. The obligations for minimum lease payments from these leases amounted to TEUR 6,013 (previous year: TEUR 4,909). Of this total, TEUR 917 (previous year: TEUR 663) are due within one year, TEUR 1,979 (previous year: TEUR 1,201) in more than one year and up to five years and TEUR 3,117 (previous year: TEUR 3,044) in more than five years. Operating leasing expenses amounted to TEUR 763 in 2018 (previous year: TEUR 797).

There are renewal options for wind farm areas of five years. There are no additional renewal or purchase options.

As a lessor, the 3U Group concluded real estate leasing agreements. The minimum lease payments from these leases total TEUR 617 (previous year: TEUR 426). TEUR 333 (previous year: TEUR 334) are due within one year, TEUR 284 (previous year: TEUR 92) are due within one to five years and TEUR 0 (previous year: TEUR 0) within five to ten years.

There are options to extend the building lease by the tenant.

6.2 Deferred taxes

Deferred taxes are calculated after accounting for temporary differences under the liability method per IAS 12.

3U HOLDING AG utilises the netting option provided for by IAS 12, whereby deferred tax assets and liabilities are reported net if they relate to the same tax authority (for the relevant taxable entity). In the reporting year, deferred tax liabilities were offset against deferred tax assets on loss carry forwards in the amount of TEUR 1,235 (previous year: TEUR 932).

The deferred tax assets and liabilities as of the balance sheet date are made up as follows:

Deferred taxes (in TEUR)	31 December 2018		31 December 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	87	198	0	218
Property, plant and equipment	457	1,537	483	1,524
Inventory	0	243	9	0
Other assets	53	3	302	54
Provisions	35	20	80	46
Liabilities	2	0	11	28
Loss carry forwards	2,262	0	1,506	0
Sub total	**2,896**	**2,001**	**2,391**	**1,870**
Netting	-1,235	-1,235	932	932
Total	**1,661**	**766**	**1,459**	**938**

Under the provisions of local tax law, temporally unlimited loss carry forwards for which no deferred tax assets were reported in the consolidated statement of financial position, amounted to a total of TEUR 23,003 (previous year: TEUR 27,624) for corporation tax and TEUR 26,522 (previous year: TEUR 29,342) for trade tax and primarily relate to the loss carry-forwards from the companies being established or inactive as well as 3U HOLDING AG.

At the balance sheet date there are taxable temporary differences associated with subsidiaries in the amount of TEUR 167 (previous year: TEUR 172) on which no deferred taxes have been accrued, since neither sale nor profit distributions are planned.

Deferred taxes in the amount of TEUR 163 (previous year: TEUR 577) were recognized in the group of companies of 3U ENERGY AG in 2018, whose realisation depends on future taxable earnings that are higher than the earnings effects from the reversal of existing deferred tax liabilities.

6.3 Inventories

Inventories consist of the following:

(In TEUR)	31 Dec 2018	31 Dec 2017
Raw materials and supplies	339	233
Work in progress	4,757	4,229
Finished products and goods	1,894	1,485
Total	**6,990**	**5,947**

Inventories amounting to TEUR 0 (previous year: TEUR 0) were recognized at the net realizable value. Write-ups have not taken place in 2018 or 2017.

The unfinished services include the wind farm project developments of the Group.

There were no security assignments as at 31 December 2018 and 31 December 2017, respectively.

6.4 Trade receivables

Trade receivables consist of the following:

(In TEUR)	31 Dec 2018	31 Dec 2017
Trade receivables before valuation allowances	5,402	5,437
Receivables from production orders	281	145
Valuation allowances	-1,243	-1,294
Total	**4,440**	**4,288**

Trade receivables include receivables from affiliated companies which are not consolidated or companies with which 3U has an associated ownership structure, as follows:

(In TEUR)	31 Dec 2018	31 Dec 2017
Other receivables	218	116
Valuation allowances	-105	-69
Total	**113**	**47**

Depending on the age structure of the receivables, uniform valuation allowances are recognised within the Group for the receivables.

Receivables from construction contracts relate to receivables not yet partially billed from planning services and material deployments for custom orders for the installation of heating and cooling systems. Payments thereon were not obtained.

Security deposits for current orders amounted to TEUR 274 as of 31 December 2018 (previous year: TEUR 183).

The Group writes off trade receivables which have been outstanding for more than one year or where a debt collection agency has stated that they are unrecoverable or a default is to be expected with overwhelmingly likelihood. The procedure is supported by past experience which indicates that in principle no payment can be expected if trade receivables have been outstanding for more than one year.

In determining the value of trade receivables, account is taken of every change in creditworthiness from the time the credit period was granted until the balance sheet day. There is no significant concentration of credit risk since the customer base is wide for non-impaired receivables. Accordingly, the Management Board is convinced that no provisions above and beyond the impairment charges already recognised are required.

The impairment charges include individual write-downs on trade receivables amounting to TEUR 1,243 (previous year: TEUR 1,294) where insolvency proceedings have been instigated against the debtors, respectively which are older than one year. The recognized impairment is the result of the difference between the carrying amount of the receivable and the present value of the anticipated liquidation proceeds.

The carrying amount of trade receivables is the fair value.

The most important financial assets of the Group are bank balances and cash in hand, trade and other receivables. The default risk for the Group mainly results from trade receivables. The amounts of the statement of financial position include the valuation allowance for expected uncollectible receivables based on management experience and the estimations of the current economic environment of the Company. The risk of default for cash and cash equivalents is limited as these are held primarily by banks which have high credit ratings from international rating agencies.

6.5 Other current assets and receivables from income tax refunds

Other current assets comprise the following:

(In TEUR)	31 Dec 2018	31 Dec 2017
Receivables from tax refunds	1,406	505
Deposits	0	0
Advance payments	327	264
Others	991	540
Total	**2,724**	**1,309**

Receivables from income tax refunds in the amount of TEUR 427(previous year: TEUR 380) are included in receivables from tax refunds.

The carrying amount of other assets is equal the fair value. Please refer to Note 8.2 for information about default risk.

6.6 Cash and cash equivalents

The cash and cash equivalent position contains cash and short term deposits with an original term of three months or less. The carrying amount of these assets is their fair value.

Please refer to Note 8.2 for information about default risk.

6.7 Assets held for sale and the related liabilities

Of the assets held for sale, the wind farm Lüdersdorf with its assets was reported as a disposal group in the 2018 financial year. Likewise, the related debts are shown separately. In principle, the assets and liabilities are allocated to the segment Renewable Energies.

(In TEUR)	31 Dec 2018	31 Dec 2017
Assets		
Intangible assets	0	666
Property, plant and equipment	0	8,834
Other non-current assets	0	9
Trade receivables	0	179
Cash and cash equivalents	0	469
Total assets	**0**	**10,157**
Liabilities		
Non-current financial liabilities due to banks	0	8,599
Non-current provisions	0	125
Trade payables	0	4
Other current liabilities	0	85
Total liabilities	**0**	**8,813**

With a contract dated 29 September 2017, Green City AG (formerly: Green City Energy AG) was granted an option to acquire the shares in Märkische Windkraft 110 GmbH & Co. KG (Windpark Lüdersdorf). The option could have been exercised by Green City Energy AG in the period from 1 May 2019 to 30 June 2019. Under certain conditions, the company was entitled to a further exercise period from 1 September 2018 to 30 September 2018.

Unexpectedly, Green City AG waived the option und the wind farm remains in the portfolio of 3U HOLDING AG. At this point in time it was also decided to refrain from disposing of this object. The wind farm was reclassified and the previously suspended depreciations were caught up with.

As at 31 December 2018 there were no assets held for sale.

6.8 Shareholders' equity

6.8.1 Issued capital

Since 27 November 2012 the nominal share capital comprises of 35,314,016 no-par value shares with a nominal value of EUR 1.00 per share. The total share capital is fully paid.

The Company has only one class of shares. These do not grant entitlement to a fixed dividend. Each share confers one vote at the Annual General Meeting and is decisive to the share of the shareholders in the Company's profit. An exception are treasury shares held by the Company, from which the Company derive no rights. Details of the rights and duties of the shareholders can be derived from the provisions of the German Stock Corporation Act (Aktiengesetz – AktG) and, in particular, sections 12, 53a ff., 118 ff. and 186 AktG.

Authorised capital

At the Annual General Meeting on 27 August 2014, the Management Board was authorised, subject to approval by the Supervisory Board, to increase the share capital by up to EUR 7,062,803.00 in return for contributions in cash or in kind on one or more occasions up to 26 August 2019, whereby shareholders' subscription rights may be excluded.

Contingent capital

The Company has a contingent capital of EUR 3,531,401.00 (previous year: EUR 3,531,401.00). The contingent capital was established to grant subscription rights to members of the Management Board, executives and employees of the Company and the Group. As part of the Stock Option Program 2018, 2,379,998 stock options were issued. As of 31 December 2018, none of these options was expired. Each option right entitles the bearer to acquiring one share of common stock of the company at a strike price of EUR 1.24. The option rights may be exercised after a lock-up period of eight years beginning on the date of the issuance.

Reserves

As at 31 December 2018, the Company recognized a capital reserve of TEUR 10,349 (previous year: TEUR 10,345) as well as retained earnings of TEUR -844 (previous year: TEUR -844). Retained earnings developed negatively in connection with the acquisition of non-controlling interests.

The capital reserve in the amount of TEUR 10,349 (previous year: TEUR 10,345) includes the premium over the nominal amount from the issue of shares in 3U HOLDING AG in the amount of TEUR 21,499 (previous year: TEUR 21,499). The stock option program 2018 has led to an increase of the capital reserve in the amount of TEUR 4 (previous year: TEUR 0)

Own shares

The paid-in capital for own shares developed as follows:

(In units)	2018	2017
As of 1 January	**2,183,640**	**2,183,640**
Buy back of own shares	0	0
As of 31 December	**2,183,640**	**2,183,640**

Dividend payments

For the 2017 financial year, a dividend of EUR 0.02 per share entitled to profit participation was distributed to a total distribution amount of TEUR 663 (previous year: EUR 0.01, total TEUR 331). For fiscal year 2018, the Management Board and the Supervisory Board propose distributing EUR 0.03 per share entitled to profit participation. The total dividend payment would, according to this proposal, amount to TEUR 994.

6.8.2 Share buyback program

The Management Board of 3U HOLDING AG has decided based on the authorisation granted by the annual general meeting of 31 May 2012 to repurchase up to 10 % of its own shares (up to 3,531,401 shares) on the stock exchange during the period from 1 May 2013 until not later than 30 May 2018. The shares may be used for all purposes according to the authorisation given by the resolution of the Annual General Meeting of 31 May 2012. Within the framework of the share buyback program, which began on 2 May 2013, 2,183,640 shares (previous year: 2,183,640 shares) were repurchased by 30 May 2018 at an average price of almost EUR 0.57; equivalent to 6.18 % of the share capital of EUR 35,314,016.00.

6.8.3 Employee participation program

2018 stock option plan

The 2018 stock option plan has the following key elements:

Beneficiaries are:

Group 1: Members of the Company's Management Board

Group 2: The Company's authorised representatives and members of the management in affiliated companies in Germany and abroad (Section 15 AktG)

Group 3: Employees of the company in key positions on the first management tier below the Management Board and other company employees

Group 4: Employees of German and international affiliated companies (Section 15 AktG) in key positions on the first management tier below the management and other employees of German and international affiliated companies (Section 15 AktG)

Under the 2018 stock option plan, a total of 2,379,998 share options were issued as of 31 December 2018. The distribution to the individual groups is as follows:

Group	Stock options issued	Maximum number of stock options to be issued
Group 1:	499,998	500,000
Group 2:	1,200,000	1,900,000
Group 3:	248,000	350,000
Group 4:	432,000	781,401
Total:	**2,379,998**	**3,531,401**

The exercise of the option rights according to the 2018 stock option plan is possible after the end of a four-year retention period, within eight years, starting with the day the option was issued.

The option rights may not be exercised in the period between the tenth day of the last month in a quarter and the day of the subsequent announcement of the (provisional) quarterly results, 1 January of each year and the day of the subsequent announcement of the (provisional) annual results and the tenth day of the month before the announcement of the notification convening the company's Annual General Meeting and the day of the Annual General Meeting. The option rights cannot be transferred.

Each option right grants the right to acquire one share of the company at the exercise price. The exercise price for the option rights corresponds to the average price of the closing prices of the share on the 15 trading days before the creation of the stock option programme on 6 December 2018 of EUR 1.03 plus a premium of 20 % as performance target. The exercise price is thus EUR 1.24 per share.

The beneficiary may sell the shares received by exercising the share options only in compliance with the restrictions imposed by the regulatory framework.

The development of the stock options is as follows:

(In units)	2018	2017
As of 1 January	**0**	**0**
Issued	2,379,998	0
Forfeited	0	0
As of 31 December	**2,379,998**	**0**

6.8.4 Non-controlling interests

The non-controlling interests amount to TEUR –1,004 (previous year: TEUR –1,208).

The capital shares of non-controlling shareholders are distributed across the individual Group companies as follows:

(In TEUR)	31 Dec 2018	31 Dec 2017
ClimaLevel Energiesysteme GmbH	57	79
weclapp GmbH	–1,111	–1,287
Windpark Klostermoor GmbH & Co, Betriebs-KG	50	–
Total	**–1,004**	**–1,208**

The acquisition of the non-controlling interests in RISIMA Consulting GmbH by 3U HOLDING AG in the 2017 financial year led to a reduction in the equity of 3U HOLDING AG by TEUR 125.

For the companies with significant shares of non-controlling interests, the following key financial figures result:

weclapp GmbH

	31 Dec 2018	31 Dec 2017
Share in %	25.0002	25.0002
Sales in TEUR	3,032	1,911
EBITDA in TEUR	807	358
Assets in TEUR	644	492
Liabilities in TEUR	5,086	5,639
Total Cash flow in TEUR	56	28
Earnings attributable to non-controlling interests	176	68

ClimaLevel Energiesysteme GmbH

	31 Dec 2018	31 Dec 2017
Share in %	25.0	25.0
Sales in TEUR	7,309	6,248
EBITDA in TEUR	320	449
Assets in TEUR	1,774	1,456
Liabilities in TEUR	1,545	1,138
Total Cash flow in TEUR	-217	-136
Earnings attributable to non-controlling interests	50	72

In financial year 2018, an amount of TEUR 72 (previous year: TEUR 101) was distributed to the non-controlling shareholders and an amount of TEUR 5 (previous year: TEUR 6) was transferred to the earnings carried forward.

Windpark Klostermoor GmbH & Co. Betriebs-KG
The shares of the company were acquired in the 2018 financial year.

	31 Dec 2018
Share in %	4.39
Sales in TEUR (as of initial consolidation)	304
EBITDA in TEUR	53
Assets in TEUR	1,367
Liabilities in TEUR	411
Total Cash flow in TEUR	26
Earnings attributable to non-controlling interests	-6

6.9 Financial liabilities and other long-term liabilities

The non-current financial liabilities refer essentially to long-term banking loans, which were contracted for the financing of properties, solar parks and wind farms.

A loan for the Marburg site was valued at TEUR 1,238 (previous year: TEUR 1,350). The loan has a term until 30 December 2029. The loan is secured with mortgages in the amount of EUR 2.25 million.

Two loans, each with TEUR 750, were closed to finance the purchase of the property in Montabaur. The loans have a term until 30 May 2027 and are secured by mortgages in the amount of TEUR 750 each. The loans were valued on 31 December 2018 at TEUR 479 each (previous year: TEUR 528).

For the property in Linz am Rhein a loan in the amount of TEUR 300 was completed and secured by a mortgage of the same amount. The loan was valued at TEUR 32 (previous year: TEUR 86) and has a duration until 30 October 2027.

In fiscal year 2014, the financing of the solar park Adelebsen was retrieved in the amount of TEUR 14,141. The loan has a term of 18 years and is secured by the assignment of the claim from the power supply through space security of the PV system and limited personal easements by registration in the Land Registry. The loan was valued at 31 December 2018 at TEUR 10,131 (previous year: TEUR 10,886). In the 2017 financial year, financing of the solar park was increased by the addition of a further loan of TEUR 1,000 with the same maturity date. The collateral is secured by the collateral provided for the original loan. The loan is valued at TEUR 800 as of 31 December 2018 (previous year: TEUR 867). As part of this loan a credit in the amount of TEUR 694 (previous year: TEUR 694) was pledged to a debt service reserve account.

Originally, the acquisition of the property in Hanover was financed by a loan in the amount of TEUR 6,000. The loan matured on 1 May 2017 and was valued at TEUR 5,175 as of 31 December 2016. It was secured by land charges in the amount of TEUR 6,000. In addition, the rights and claims under the rental and lease agreements for this property were assigned. In connection with this granting of the loan, there was an obligation to comply with financial covenants; if these ratios are not met, the Bank has the right to request further collateral or to terminate the loan. The credit in the amount of TEUR 1,500, which was pledged as part of the credit line, serves as further collateral. In the 2018 financial year, two bridging loans for the property were completed in the amount of TEUR 4,000. The first interim financing had a term until 31 August 2017. The second interim financing was limited until 29 June 2018. The collateral from the original loan was transferred to the interim financing in each case. In the process of the sale of this property the loan was redeemed as scheduled effective 29 June 2018.

In financial year 2015, the financing for the acquisition of Windpark Langendorf in the amount of TEUR 9,000 was called up. The loan has a term to 30 December 2019 and is valued at TEUR 1,767 as at 31 December 2018 (previous year: TEUR 3,533). It is secured by the assignment of the entitlement from the electricity feed-in, by the safeguarding of the space of the 15 wind power plants, by the registration of limited personal easements in the land register and by the registration of a basic debt of TEUR 100. Within the scope of this loan, a cash balance of TEUR 700 (previous year: TEUR 900) was also pledged on a capital service reserve account.

For the long-term financing of Windpark Lüdersdorf, a loan agreement was concluded for a total loan amount of EUR 8.9 million. The loan is valued at TEUR 8,115 on 31 December 2018 (previous year: TEUR 8,599) and has a term until 30 June 2034. It is secured by the assignment of the entitlement to electricity supply and the assignment of the wind energy facilities as security for space. Within the framework of this loan also a capital service deposit of TEUR 285 was pledged.

Windpark Schlenzer was also financed by a long-term loan agreement in the amount of EUR 9.3 million. All loans were removed from the Group as part of the sale of the wind farm Schlenzer.

Short-term financial liabilities include the portion of the loan that is due within one year.

In addition, there is a credit line in the amount of EUR 1.5 million, which was utilized as of 31 December 2018 as part of a guarantee facility in the amount of TEUR 797 (previous year: TEUR 940). This credit line is secured by time deposits in the amount of EUR 1.5 million. This deposit also served as collateral for the loan for the property in Hanover.

Of the loans payable are due as of 31 December:

(In TEUR)	31 Dec 2018	31 Dec 2017
Within a year	3,439	7,444
Between one and five years	6,634	8,370
After five years	12,968	14,563
Total	**23,041**	**30,377**

The loans bear an interest between 1.25 % and 3.85 % p. a.

The short-term financial liabilities also include the loan granted by EEPB Erneuerbare Energien Planungs- und Beratungsgesellschaft mbH in the amount of TEUR 55 in 2016.

Other non-current liabilities also include the non-current portion of obligations under IT license trading (TEUR 453, previous year: TEUR 211). In 2018, apart from IT license trading these liabilities also include obligations resulting from the sale of licenses by weclapp GmbH.

6.10 Other current liabilities and current income tax liabilities

These comprise the following:

(In TEUR)	31 Dec 2018	31 Dec 2017
Purchase price obligation	990	1,760
Other taxes	366	283
Provisions of a liability nature	99	134
Staff obligations	544	620
Income tax	153	623
Other liabilities	1,929	1,714
Total	**4,081**	**5,134**

The obligation to pay the purchase price relates to the residual purchase price from the acquisition of the wind farm Langendorf, the obligation to pay a subsequent purchase price adjustment from the acquisition of the wind farm project developments and a subsequent purchase price adjustment from the sale of the wind farm Schlenzer. The maturity requirements in the amount of the amounts reported as of the balance sheet date of 31 December 2018 as well as on 31 December 2017 have not yet been met.

Provisions with a liability character mainly contain obligations from outstanding invoices.

6.11 Provisions

Provisions comprise the following:

(In TEUR)	31 Dec 2018 Current	31 Dec 2018 Non-current	31 Dec 2017 Current	31 Dec 2017 Non-current
Restoration obligations	0	1,074	0	716
Litigation risks	8	0	15	0
Other	294	0	305	0
Total	**302**	**1,074**	**320**	**716**

The development is presented as follows:

(In TEUR)	As of 1 Jan 2018	Utili-sation	Reversal	Accumu-lation	Allo-cation	As of 31 Dec 2018
Restoration obligations	716	2	4	36	328	1,074
Litigation risks	15	7	0	0	0	8
Other	305	230	19	0	238	294
Total	**1,036**	**239**	**23**	**36**	**566**	**1,376**

Provisions for restoration obligations are long-term in nature and were created for the restoration of the original state of various engineering sites and wind farm properties. The accruals/additions include the provision for the restoration obligations in connection with the acquisition of Windpark Klostermoor in the 2018 financial year as well as the provisions for the wind farm Lüdersdorf (TEUR 140) due to the reclassification.

Other provisions mainly comprise of provisions for year-end costs.

6.12 Reporting on financial instruments

Breakdown of carrying amounts according to the measurement categories of IAS 39/IFRS 7.8

2018 (in TEUR)	Loans	Cash and cash equiva-lents	Trade receivables	Other financial assets	Liabilities
Measurement category acc. to IAS 39	Level 3	Level 3	Level 3	Level 3	Level 2/3
Loans and receivables	0	12,301	4,440	2,588	0
Available-for-sale financial assets	0	0	0	0	0
Financial liabilities that are valued at amortized cost	0	0	0	0	30,754
Financial liabilities that are measured at fair value in the income statement	0	0	0	0	0
Derivative designated as hedging instrument	0	0	0	0	0
Total	**0**	**12,301**	**4,440**	**2,588**	**30,754**

2017 (in TEUR)	Loans	Cash and cash equiva-lents	Trade receivables	Other financial assets	Liabilities
Measurement category acc. to IAS 39	Level 3	Level 3	Level 3	Level 3	Level 2/3
Loans and receivables	0	11,269	4,288	1,204	0
Available-for-sale financial assets	0	0	0	0	0
Financial liabilities that are valued at amortized cost	0	0	0	0	29,862
Financial liabilities that are measured at fair value in the income statement	0	0	0	0	0
Derivative designated as hedging instrument	0	0	0	0	0
Total	**0**	**11,269**	**4,288**	**1,204**	**29,862**

The fair value of cash and cash equivalents, current receivables and liabilities corresponds approximately to the carrying amount. This is primarily due to the short term of instruments of this kind respectively their market rate.

The fair valuations in the balance sheet are classified according to a three-level hierarchy. The hierarchy gives the type and quality of the fair value (market prices). The following levels exist:

- Stage 1: publicly known market prices for the relevant financial instrument (e.g. stock market prices).
- Stage 2: market prices which are not generally accessible and possibly derived from prices for similar financial instruments or underlying assets.
- Stage 3: prices that are not based on market data.

The fair value of interest swaps was determined according to stage 2 as in the previous year. The assessment was based on market data at the measurement date and using generally accepted valuation models. For the fair value measurement of interest rate swaps market observable yield curves and volatilities of active markets were considered.

Liabilities are divided into non-current liabilities amounting to TEUR 20,101 (previous year: TEUR 15,885) and current liabilities of TEUR 10,653 (previous year: TEUR 14,704). The total interest expense/income from financial liabilities that are measured at fair value through profit or loss amounted to TEUR 0 (previous year: TEUR 0) in fiscal year 2018.

Net losses including changes in value adjustments from loans and receivables amounted to TEUR 180 (previous year: TEUR 621).

For financial assets that are neither past due nor impaired, there were no indications of potential impairment as of the balance sheet date.

The maximum default risk of all financial assets results from their book values, for details of this we refer to Notes 6.4 resp. 6.5.

The overdue trade receivables of TEUR 556 (previous year: TEUR 144) that are not impaired are in the amount of TEUR 98 (previous year: TEUR 12) older than twelve months or in the amount of TEUR 14 (previous year: TEUR 0.3) between six and twelve months old. The other financial assets that are past due and not impaired are in full in 2018 (TEUR 32) and in 2017 (TEUR 78) older than twelve months.

Neither financial liabilities which are measured at amortized cost, nor for financial liabilities that are measured at fair value through profit or loss, occurred net gains/net losses in the reporting year and the previous year.

It is also referred to Note 2.3.12.

There are netting agreements in the segment ITC entitling to offset financial assets and financial liabilities at the time of payment. As at 31 December 2018 financial assets amounting to TEUR 240.4 (previous year: TEUR 473) (amount after netting: TEUR 158.2/previous year: TEUR 336) and financial liabilities of TEUR 239.6 (previous year: TEUR 573) (amount after netting: TEUR 157.4/previous year: TEUR 436), which are subject to a netting agreement and which were not netted as of the balance sheet date.

Pledged collaterals are basically financial liabilities and are explained in Note 6.9.

6.13 Contingent liabilities and other financial obligations

As at December 31 the following financial obligations remain:

(In TEUR)	31 Dec 2018	31 Dec 2017
Within one year	993	745
More than one and less than five years	2,068	1,237
More than five years	3,117	3,044
Total	**6,178**	**5,026**

The purchase commitments included in other financial commitments within one year amount to TEUR 129 (previous year: TEUR 46).

These commitments include, in particular, the obligations arising from the long-term land tenancy contracts necessary for the operation of wind farms. The remaining financial obligations relate to rental contracts for office space, technical areas, technical equipment and cars as in Note 6.1.6. The contracts concerned have a remaining term of 1 to 10 years.

As in the previous year, a collateral restriction of EUR 1.5 million (collateral deposited) exists for the collateralisation of the Group's own credit line. There are also restrictions on the availability of capital service reserves in connection with the financing of the Adelebsen solar park in the amount of EUR 0.69 million (previous year: EUR 0.69 million), for the Windpark Langendorf in the amount of EUR 0.70 million (previous year: EUR 0.90 million), and for the Windpark Lüdersdorf in the amount of EUR 0.29 million (previous year: EUR 0 million).

3U HOLDING AG has issued a patronage agreement for the benefit of the non-fully consolidated subsidiaries 3U DYNAMICS GmbH and 3U MOBILE GmbH, respectively, until 31 March 2020. In these, 3U HOLDING AG assumes the unrestricted obligation to provide the companies financially in such a way that they are able at all times and in full to meet their obligations towards their creditors on time. Both companies are not operating and have no external obligations which might result in a substantial risk from these patronage agreements.

6.14 Legal disputes and contingent liabilities

The operations of 3U Group result in various legal disputes. With regard to the uncertainty of the outcome of these proceedings, there is in principle the possibility of a negative impact on future operating results. Provisions for unsettled legal disputes totalling TEUR 8 (previous year: TEUR 15) were created for existing legal disputes as at 31 December 2018.

7 Notes to the consolidated statement of cash flows

Cash and cash equivalents consist of bank balances and cash in hand.

(In TEUR)	31 Dec 2018	31 Dec 2017
Fixed deposits	1,500	1,500
Credit with banks and cash	10,801	9,769
Total cash and cash equivalents	**12,301**	**11,269**
Less credit deposited as security/ or balances subject to restrictions	3,923	3,094
Cash and cash equivalents	**8,378**	**8,175**

Cash flows are broken down into operating, investment and financing activities. The indirect calculation method was used for the presentation of cash flows from operating activities.

After adjusting for non-cash income and expenses (mainly depreciation) and taking into account the change in working capital, the 3U Group received cash inflows from operating activities of TEUR 604 (previous year: outflow of TEUR 6,646).

The cash flow from investing activities amounts to TEUR 8,124 (previous year: TEUR –1,178) and the cash flow from financing activities amounts to TEUR –8,156 (previous year: TEUR –5,402). Exchange rate-related changes did not occur, as in the previous year.

Cash and cash equivalents, which are subject to a restriction on disposal, decreased in connection with the reclassification of Windpark Lüdersdorf and the acquisition of Windpark Klostermoor.

All in all, this results in a cash-effective increase in cash funds in the amount of TEUR 202 (previous year: increase TEUR 847).

Of the cash and cash equivalents of TEUR 12,301 (previous year: TEUR 11,269) reported at the end of the period, a total of TEUR 3,923 (previous year: TEUR 3,094) is subject to a restriction on disposals. These are openly deducted from the liquid funds, so that the cash and cash equivalents are correspondingly reduced.

The interest income of TEUR 34 (previous year: TEUR 40) received in the 2018 financial year is offset by interest payments of TEUR 864 (previous year: TEUR 1,127).

Dividends in the amount of EUR 0.02 per share (previous year: EUR 0.01) were paid/distributed to the shareholders of 3U HOLDING AG in the 2018 financial year.

For the sale/purchase of shares in subsidiaries, cash and cash equivalents of TEUR 0 (previous year: TEUR 1) and TEUR 1,337 (previous year: TEUR 375) flowed from the Group. The purchase or sale prices were paid in cash or are to be paid in cash at maturity.

The cash in- and outflows are comprised of the following:

(In TEUR)	2018			2017		
	Inflow	Outflow	Net	Inflow	Outflow	Net
Acquisition	0	1,337	1,337	0	45	45
Disposition	0	0	0	1	330	329
Total	**0**	**1,337**	**1,337**	**1**	**375**	**374**

As in the previous year, the deconsolidation of subsidiaries resulted in no change in cash and cash equivalents.

In the process of the acquisition of Windpark Klostermoor GmbH & Co. Betriebs-KG also cash and cash equivalents of TEUR 335 were taken over.

In 2018, net income taxes in the amount of TEUR 651 were paid (previous year: TEUR 375).

The change in financial liabilities is as follows:

Change in financial liabilities (in TEUR)	31 Dec 2017	Payment affectiing changes	Non-cash changes		31 Dec 2018
			Disposal	Disposal group	
Long-term financial liabilities	14,851	-3,323	0	+8,075	19,603
Short-term financial liabilities	7,018	-4,049	0	+524	3,493
Leasing liabilities	147	-51	0	0	96
Total debt from financing activities	**22,016**	**-7,423**	**0**	**+8,599**	**23,192**

The assets reported as a disposal group as at 31 December 2017 included cash and cash equivalents of TEUR 469. Of this amount, TEUR 307 were subject to restrictions on disposal.

8 Other information

8.1 Capital management

The Group manages its capital with the aim of maximising the earnings of those involved in the Company by optimising the ratio of equity to borrowed funds. The equity ratio is defined as the target size. In so doing, it ensures that all Group companies can operate as going concerns.

As 31 December 2018 and 31 December 2017, reported equity and total assets amounted to:

	31 Dec 2018	31 Dec 2017	Change
Equity in TEUR	41,441	39,966	
Equity in % of total capital	55.63	49.20	+6.43 percentage points
Borrowed capital in TEUR	33,049	41,272	
Borrowed capital in % of total capital	44.37	50.80	-6.43 percentage points
Total capital (equity and borrowed capital) in TEUR	**74,490**	**81,238**	

Equity comprises total capital, the Group's reserves and non-controlling interests. Borrowed capital is defined as non-current and current financial liabilities, provisions and miscellaneous liabilities.

8.2 Financial risks

On the basis of its normal business activities, the 3U Group is exposed to only minor interest rate and credit risks, which could have an impact on its net assets, financial position and results of operations. In the context of international business the 3U Group is exposed to currency risks, which may have a corresponding impact. Where necessary, it also uses derivative financial instruments to manage these risks. In principle, however, only those risks are addressed that have an impact on the cash flow of the Group. Derivative financial instruments are used exclusively as hedging instruments.

The following sections examine the individual risks and risk management.

Foreign currency risk
Foreign currency risks exist, in particular, if receivables, liabilities, cash and cash equivalents and planned transactions exist or occur in a currency other than the Company's local currency.

The 3U Group primarily conducts its business operations in Germany and invoices in EUR. Trade payables in foreign currency have scarcely any importance for the Group, so principally there is only a small foreign currency risk. There is a policy to hedge the risks, for example by forward contracts. It stipulates that these transactions are congruent concerning currencies and time.

As at 31 December 2018 there were no forward exchange contracts active.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currency as at 31 December 2018 is connected to the activities of the segment ITC and is as follows:

Assets:	TEUR 8	(previous year: TEUR 11)
Debt:	TEUR 0	(previous year: TEUR 0)

Default risk
3U is exposed to a credit risk to the effect that assets could be impaired if counterparties fail to comply with their obligations. To minimise credit risk, transactions are only concluded with debtors of undoubted creditworthiness and only up to a maximum of a preset risk limit.

Default risks are in line with the normal market risks and appropriate valuation allowances are made. The Group is not exposed to any major credit risk from one counterparty or a group of counterparties with similar characteristics. The Group defines counter parties as having similar characteristics if related companies are involved.

The differing rates by which overdue receivables are written down are primarily dependent on how long they have been outstanding and the degree of success in recovering them. Experience has shown that receivables that are outstanding for more than 365 days are irrecoverable and they are written off.

Liquidity/new financing risk

The liquidity risk of the 3U Group basically consists in the fact that the Group may not be able to meet its financial obligations. In 2018, the Group's liquidity reserves developed slightly positive. The repayment of loans in the course of scheduled redemptions was more than compensated by the positive course of business and cash inflo from the disposal of non-current assets. Financial planning tools are used across the Group to monitor and manage liquidity. The planning horizon extends to one year.

The Group can use credit lines. As guarantee credit, TEUR 797 (previous year: TEUR 940) were utilized as part of bank guarantees on the balance sheet date.

3U expects to be able to meet its other obligations from operating cash flows and from the inflow of maturing financial assets. Furthermore, 3U assumes that the current debt to equity ratio will remain largely constant.

Interest rate risk

With the interest-bearing debts of the 3U fixed interest are predominantly agreed on. A floating-rate loan from 2017 became a fixed interest rate due to a derivative cash flow hedge. By concluding the interest rate swap, the variable interest on a bank loan was converted into a fixed interest rate of 1.09 % p. a. It was a micro-hedge with a high effectiveness of the hedging relationship, since the risk-determining parameters are the same between the underlying and the hedging transaction (critical-term-match). The hedged item hedged as part of the cash flow risk hedge was fully repaid as of the balance sheet date (previous year: EUR 5.18 million) and the hedge had expired. The fair value of the interest rate swap was TEUR –37 as of 31 December 2017. Changes in market interest rates would only have an impact if the non-derivative financial instruments were recognized at fair value. Since this is not the case, the fixed-interest financial instruments are not subject to interest rate risks as defined by IFRS 7.

Hence, we abstained from sensitivity analyses within the meaning of IFRS 7.40. The risk of rising interest on bank loans is monitored on a timely basis.

8.3 Related parties

In the normal course of business, 3U HOLDING AG and its subsidiaries entertain business relationships with joint ventures who are considered related parties of the Group. This is Spider Telecom GmbH. These commercial operations relate solely to supply and service relationships with these related companies. They were made on terms that are contracted among the Group companies and are according to market conditions. Here, the cost-plus method was applied.

Current receivables with these companies as at 31 December 2018 amounted to TEUR 15 (previous year: TEUR 10) and current liabilities in the amount of TEUR 26 (previous year: TEUR 39). At 3U HOLDING AG there were current demands on these companies amounting to TEUR 1 (previous year: TEUR 1) and current liabilities of TEUR 0 (previous year: TEUR 0).

Income of TEUR 161 (previous year: TEUR 234) and expenses in the amount of TEUR 296 (previous year: TEUR 373) result from these transactions at subsidiaries of 3U HOLDING AG in fiscal year 2018. This income amounted to TEUR 9 (previous year: TEUR 11) and expenses of TEUR 0 (previous year: TEUR 0) at 3U HOLDING AG.

Business with other related parties relate primarily to supply and service relationships that were made on commercial terms and consulting services provided at market rates. These transactions were carried out with related parties/companies of companies/managers of subsidiaries. In fiscal year 2018 there was income of TEUR 2 (previous year: TEUR 3) and expenses of TEUR 43 (previous year: TEUR 36). As at 31 December 2018 there were current loans amounting to TEUR 0 (previous year: TEUR 0) and current debt of TEUR 0 (previous year: TEUR 0).

Other business with related parties was made only to an insignificant extent, and on market conditions.

3U HOLDING AG has issued a temporary patronage agreement for the benefit of the non-fully consolidated subsidiaries 3U DYNAMICS GmbH until 31 March 2020, and 3U MOBILE GmbH, until 31 March 2019 respectively.

3U HOLDING AG received a short-term loan of TEUR 55 (previous year: TEUR 55) from EEPB Erneuerbare Energien Planungs- und Beratungsgesellschaft mbH.

In addition, as of 31 December 2017 there were receivables from a shareholder/director of a subsidiary amounting to TEUR 22. This receivable was fully settled in the 2018 financial year.

The following persons were appointed members of the Management Board of the Company in the reporting year:

Michael Schmidt — Lahntal
Speaker of the Management Board of 3U HOLDING AG

Andreas Odenbreit — Marburg
Board Member of 3U HOLDING AG
Member of the Supervisory Board of 3U ENERGY AG
Member of the Supervisory Board of Atrium 141. Europäische VV SE, Frankfurt

Christoph Hellrung — Hattingen
Board Member of 3U HOLDING AG
Member of the Supervisory Board of Atrium 141. Europäische VV SE, Frankfurt

Total remuneration of the Management Board granted in 2018 amounted to TEUR 841 (previous year: TEUR 854).

Included in the variable remuneration for 2018 are 33.33 % resp. 86.6 % of the maximum possible variable remuneration for 2018 of TEUR 300 (Michael Schmidt), TEUR 50 (Andreas Odenbreit) and TEUR 50 (Christoph Hellrung), respectively.

Name	**Fixed remuneration (in TEUR)**		**Variable remuneration (in TEUR)**		**Total remuneration (in TEUR)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Michael Schmidt (Speaker of the Management Board)	308	309	100	100	408	409
Andreas Odenbreit	171	170	43	50	214	220
Christoph Hellrung	176	175	43	50	219	225
Total	**655**	**654**	**186***	**200****	**841**	**854**

*In the amount of TEUR 75 already paid in 2018, the balance of EUR 111 is due short-term.
**In the amount of TEUR 75 in 2017, the balance of EUR 125 was due short-term.

In the 2018 financial year, stock options were issued to the Members of the Management Board. In the previous year, no stock options were granted.

Name	**Function**	**Stock options**
Michael Schmidt	Speaker of the Management Board	166,666 pieces
Andreas Odenbreit	Management Board	166,666 pieces
Christoph Hellrung	Management Board	166,666 pieces

All remuneration for Management Board activities at 3U HOLDING AG are paid for the time as Member of the Board of 3U HOLDING AG. The subsidiaries have not paid any remuneration.

Until 8 June 2018 there was a non-interest-bearing loan receivable against the Board member Michael Schmidt in the amount of TEUR 17 which was limited until 31 December 2018. This loan was redeemed in full on 8 June 2018.

Shares held by the Management Board and the Supervisory Board as of 31 December 2018:

Name	Function	Number of shares	Stock options 2018	
			Number	Value in EUR*
Michael Schmidt	Speaker of the Management Board	8,999,995	166,666	32,950
Andreas Odenbreit	Management Board	20,500	166,666	32,950
Christoph Hellrung	Management Board	0	166,666	32,950
Ralf Thoenes	Chairman of the Supervisory Board	25,000	0	0
Stefan Thies	Deputy Chairman of the Supervisory Board	33,083	0	0
Jürgen Beck-Bazlen	Supervisory Board	1,548,000	0	0

*Value when granted

Stock options can only be exercised after the expiration of a lock-up period (vesting period). Their value is distributed over the duration of the vesting period and accounted for as expense in the respective reporting period.

In the 2018 financial year, TEUR 4 (previous year: TEUR 0) were recognized as personnel expense relating to the stock options issued to members of the Management Board, executives and employees. Arithmetically, TEUR 1 (previous year: TEUR 0) related to stock options issued to the members of the Management Board.

In the reporting year as well as in the previous year, the following persons were members of the Supervisory Board:

Ralf Thoenes	Düsseldorf Lawyer in the partnership Altenburger in Düsseldorf Chairman of the Supervisory Board of 3U HOLDING AG Other Supervisory Board or Advisory Board mandates: Chairman of the Supervisory Board of 3U ENERGY AG, Marburg; Member of the Supervisory Board of Atrium 141. Europäische VV SE, Frankfurt
Stefan Thies	Heinsberg Degree in business and tax consulting in Thies & Thies Steuerberatungsgesellschaft Deputy Chairman of the Supervisory Board of 3U HOLDING AG
Jürgen Beck-Bazlen	Ostfildern Construction physicist, employed in EGS-plan Ingenieurgesellschaft für Energie-, Gebäude- und Solartechnik mbH Member of the Supervisory Board of 3U HOLDING AG Other Supervisory Board or Advisory Board mandates: Member of the Supervisory Board of Sanierungs- und Entwicklungsgesellschaft Ostfildern mbH, Ostfildern

Supervisory Board compensation for 2018 amounted to TEUR 130 (previous year: TEUR 158). For 2018, a performance-related remuneration in the amount of TEUR 54 (previous year: TEUR 90) was set aside.

Name	**Fixed remuneration in TEUR**		**Attendance-fee in TEUR**		**Performance related remuneration in TEUR**		**Total remuneration in TEUR**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Ralf Thoenes (Chairman)	10	10	18	15	24	40	52	65
Stefan Thies (Deputy Chairman)	8	8	18	15	18	30	43*	53
Jürgen Beck-Bazlen	5	5	18	15	12	20	35	40
Total*	**23**	**23**	**53***	**45**	**54**	**90**	**130***	**158**

*Due to rounding differences in the totals line and the Total Remuneration column

In addition, the members of the Supervisory Board receive a reimbursement of their travel expenses and other expenses. In the 2018 financial year, Mr Thoenes received an amount of TEUR 2.3 (previous year: TEUR 2.4), Mr Thies an amount of TEUR 1.0 (previous year: TEUR 0.8) and Mr Beck-Bazlen an amount of TEUR 1.5 (previous year: TEUR 0.8) reimbursements for their expenses. Mr Thoenes also received meeting fees and reimbursement of expenses for his work on the Supervisory Board of 3U ENERGY AG in the amount of TEUR 6 (previous year: TEUR 6).

The law firm Altenburger Rechtsanwälte, of which the chairman of the Supervisory Board, Mr Thoenes, is a partner received a total of TEUR 10.2 (previous year: TEUR 4.9) plus value added tax in the financial year ended for its consulting services and reimbursement of expenses for the 3U Group. These were provided to 3U ENERGY AG in the amount of TEUR 5.2, to 3U TELECOM GmbH in the amount of TEUR 4.6 and to 3U Euro Energy Systems GmbH in the amount of 0.4 (previous year: TEUR 4.9 to 3U ENERGY AG).

The principles of the compensation system for the Management Board and Supervisory Board are presented in the remuneration report in the combined management report.

8.4 Events after the reporting period

There were no events of special significance after the end of the financial year.

8.5 Auditor's Fees

The fees including additional expenses for the auditor Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in the financial year 2018 are (previous year: BDO AG Wirtschaftsprüfungsgesellschaft):

Annual audit services	TEUR 205*	(previous year: TEUR 230*)
Other certification services	TEUR 0	(previous year: TEUR 0)
Tax consulting services	TEUR 0	(previous year: TEUR 0)
Other services	TEUR 0	(previous year: TEUR 0)
Total	TEUR 205	(previous year: TEUR 230)

* Including recalculations for previous years in the amount of TEUR 0 (previous year: TEUR 0)

8.6 Declaration on the Corporate Governance Code in accordance with Article 161 AktG

Management Board and Supervisory Board of 3U HOLDING AG have submitted the declarations prescribed by Article 161 of the German Stock Corporation Act (AktG) and have made them permanently available (www.3u.net).

8.7 Information in accordance with Article 160 (1) No. 8 AktG

In accordance with Article 21, Section 1 of the WpHG (German Securities Trading Act), by way of a letter dated 28 November 2012, Michael Schmidt, Lahntal, notified the Company that his voting rights of 3U HOLDING AG, Marburg, Germany, exceeded the threshold of 25 % of the voting rights on 27 November 2012 and amounted to 25.49 % (this corresponds to 8,999,995 voting rights) that day.

On 4 February 2015, Mr Jürgen Beck-Bazlen, Ostfildern, has informed us according to Article 21, Section 1 of the WpHG that via shares his voting rights on 3U HOLDING AG, Marburg, Germany, have exceeded the 3 % threshold of the voting rights on 2 February 2015 and on that day amounted to 3.028 % (this corresponds to 1,069,418 voting rights).

Pursuant to Article 26, Section 1, Sentence 2 of the WpHG, 3U HOLDING AG announced on 29 April 2015 that its share in own shares has exceeded the threshold of 5 % of the voting rights and on that day amounted to 5.0088 % (this corresponds to 1,768,793 voting rights).

Additional information

The following companies owned by 3U HOLDING AG are making use of the exemptions permitted in Article 264 (3) HGB:

- 010017 Telecom GmbH, Marburg
- 3U TELECOM GmbH, Marburg
- Discount Telecom S&V GmbH, Marburg
- fon4U Telecom GmbH, Marburg
- LineCall Telecom GmbH, Marburg
- OneTel Telecommunication GmbH, Marburg

3U HOLDING AG is the supreme, dominant company of the 3U Group.

Date of approval of the financial statements for publication

The Management Board of 3U HOLDING AG approved the consolidated financial statements to be forwarded to the Supervisory Board on 12 March 2019. The Supervisory Board is responsible for examining the consolidated financial statements and for declaring that it approves the consolidated financial statements. After publication, the financial statements cannot be altered.

Marburg, 12 March 2019

The Management Board

Michael Schmidt | Christoph Hellrung | Andreas Odenbreit

Appendix to the Notes: Development of fixed assets 2018

3U Group (in TEUR)	Historical acquisition and production cost						
	As of 1 January 2018	Additions	Reclassi-fications	Disposal	Additions disposal group	Changes in the basis of con-solidation	As of 31 December 2018
I. Intangible assets							
1. Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	5,536	128	-29	0	703	0	6,338
2. Customer base	331	0	0	0	0	0	331
3. Goodwill	616	0	0	0	0	0	616
Total intangible assets	**6,483**	**128**	**-29**	**0**	**703**	**0**	**7,285**
II. Property, plant and equipment							
1. Land and buildings including buildings on third party land	17,434	46	-670	4,200	0	39	12,649
2. Technical equipment and machines	36,256	227	317	25	9,331	946	47,052
3. Other equipment, plant and office equipment	2,968	250	0	19	0	0	3,199
4. Constructions in progress	520	11	-287	0	0	0	244
Total property, plant and equipment	**57,178**	**534**	**-640**	**4,244**	**9,331**	**985**	**63,144**
III. Investment properties							
Held as investment properties	8,579	90	670	4,255	0	0	5,084
Total investment properties	**8,579**	**90**	**670**	**4,255**	**0**	**0**	**5,084**
Total fixed assets	**72,240**	**752**	**1**	**8,499**	**10,034**	**985**	**75,513**

Numbers are rounded. Rounding differences may arise in the summation.

Accumulated depreciation								Carrying amounts	
As of 1 January 2018	Additions	Reclassi-fications	Disposals	Additions disposal group	Changes in the basis of con-solidation	As of 31 December 2018		As of 31 December 2018	As of 31 December 2017
4,516	202	-2	1	38	0	4,753		1,585	1,020
331	0	0	0	0	0	331		0	0
13	0	0	0	0	0	13		603	603
4,860	**202**	**-2**	**1**	**38**	**0**	**5,097**		**2,188**	**1,623**
2,802	392	0	402	0	0	2,792		9,857	14,632
14,842	2,954	2	15	498	11	18,292		28,760	21,414
2,163	246	0	13	0	0	2,396		803	805
79	0	-79	0	0	0	0		244	441
19,886	**3,592**	**-77**	**430**	**498**	**11**	**23,480**		**39,664**	**37,292**
1,117	218	79	438	0	0	976		4,108	7,462
1,117	**218**	**79**	**438**	**0**	**0**	**976**		**4,108**	**7,462**
25,863	**4,012**	**0**	**869**	**536**	**11**	**29,553**		**45,960**	**46,377**

Appendix to the Notes: Development of fixed assets 2017

3U Group (in TEUR)	Historical acquisition and production cost					
	As of 1 January 2017	Additions	Reclassi-fications	Disposals	Departures disposal group	As of 31 December 2017
I. Intangible assets						
1. Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	6,050	164	27	2	703	5,536
2. Customer base	331	0	0	0	0	331
3. Goodwill	616	0	0	0	0	616
Total intangible assets	**6,997**	**164**	**27**	**2**	**703**	**6,483**
II. Property, plant and equipment						
1. Land and buildings including buildings on third party land	17,434	0	0	0	0	17,434
2. Technical equipment and machines	45,401	173	40	27	9,331	36,256
3. Other equipment, plant and office equipment	2,833	187	-40	12	0	2,968
4. Constructions in progress	259	288	-27	0	0	520
Total property, plant and equipment	**65,927**	**648**	**-27**	**39**	**9,331**	**57,178**
III. Investment properties						
Held as investment properties	8,580	-1	0	0	0	8,579
Total investment properties	**8,580**	**-1**	**0**	**0**	**0**	**8,579**
Total fixed assets	**81,504**	**811**	**0**	**41**	**10,034**	**72,240**

Numbers are rounded. Rounding differences may arise in the summation.

Accumulated depreciation						Carrying amounts	
As of 1 January 2017	Additions	Reclassi-fications	Disposals	Departures disposal group	As of 31 December 2017	As of 31 December 2017	As of 31 December 2016
4,345	211	0	2	38	4,516	1,020	1,705
331	0	0	0	0	331	0	0
13	0	0	0	0	13	603	603
4,689	**211**	**0**	**2**	**38**	**4,860**	**1,623**	**2,308**
2,342	460	0	0	0	2,802	14,632	15,092
12,757	2,566	36	19	498	14,842	21,414	32,644
2,021	188	-36	10	0	2,163	805	812
79	0	0	0	0	79	441	180
17,199	**3,214**	**0**	**29**	**498**	**19,886**	**37,292**	**48,728**
857	260	0	0	0	1,117	7,462	7,723
857	**260**	**0**	**0**	**0**	**1,117**	**7,462**	**7,723**
22,745	**3,685**	**0**	**31**	**536**	**25,863**	**46,377**	**58,759**

Independent Auditor's Report

To 3U Holding AG, Marburg

Report on the audit of the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of 3U Holding AG, Marburg, and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the combined management report of 3U Holding AG, Marburg, for the financial year from 1 January to 31 December 2018. We did not audit the contents of the parts of the combined management report listed under "Other information" in compliance with German law.

In our opinion, based on the findings of our audit,

– the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of 31 December 2018, and of its results of operations for the financial year from 1 January to 31 December 2018, and the attached combined management report as a whole presents an accurate view of the Group's position. The combined management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion regarding the combined management report does not extend to the contents of the parts of the combined management report listed under "Other information".

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the combined management report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were considered in connection with our audit of the consolidated financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

We present the matters that we consider key audit matters below:

1. Goodwill impairment
2. Sale of land

1) Goodwill impairment

a) Risk for the financial statements

As of the reporting date, the consolidated statement of financial position shows goodwill with a total carrying amount of EUR 603 thousand.

The company's disclosures on goodwill are included in the sections "2.3.7 Goodwill" and "6.1.1 Intangible assets" of the notes to the consolidated financial statements.

According to IAS 36.90, cash-generating units to which goodwill has been allocated shall be tested for impairment at least annually.

Complex measurement models are used in this test based on expectations for the future development of the respective operating business and the resulting cash flows. In addition, the measurement depends significantly on the discount rates used. The result of the impairment test therefore depends significantly on the influence of discretionary values. In light of this, we believe these matters were particularly significant for our audit.

b) Audit approach and conclusions

As part of our audit, we compared the methods used to perform the impairment test against the requirements of IAS 36. Our audit included the verification of the methodological procedure for the performance of the impairment test and the assessment of the calculation of the weighted cost of capital applied for discounting. We checked the plausibility of the planning underlying the impairment tests. We also assessed the company's planning accuracy by analysing past plan/actual deviations. To ensure the mathematical accuracy of the measurements, we verified them on a test basis. We validated the client's calculation results using complementary analyses, including sensitivity analyses.

In accordance with the findings of our audit and based on the information available, the assumptions applied by the legal representatives to the goodwill impairment test are appropriate.

2) Sale of land

a) Risk for the financial statements

In the 2018 financial year, 3U Holding AG, Marburg, concluded a notarial purchase agreement dated 23 April 2018 with Kindler & Fries Hannover II GmbH regarding its land (including buildings) in Hanover. The risks and rewards are transferred to the buyer effective as of the 1st of the month, or the 15th of the month as the case may be, following the payment of the purchase price. Payment of the purchase price was received in May 2018.

Notable proceeds and profit from the sale were recognised in connection with this in the annual financial statements as of 31 December 2018. The proceeds from the sale contributed to a significant improvement of the financial position and the profit from the sale to a material improvement in the results of operations in the 2018 financial year.

Due to the significant size of the effect of the sale of the land in Hanover on the company's net assets, financial position and results of operations overall, we consider the matter to be a key audit matter in the financial year.

The company's disclosures on the sale of the land are contained in the "Economic report" among the remarks on business performance and the net assets, financial position and results of operations.

b) Audit approach and conclusions

In order to evaluate the appropriate accounting treatment of the sale as part of our audit, we initially acquired an understanding of the provisions of the underlying notarial purchase agreement and evaluated their accounting impact. In addition, we verified and assessed the recognition of the profit from the sale and the presentation of the transaction in the company's financial accounting. In association with this, we also verified the company's disposal postings relating to property, plant and equipment. We were satisfied that the sale of the land was accounted for appropriately.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the reference under "Corporate governance statement (Section 289f and Section 315d HGB)" in the combined management report to the Group's corporate governance statement, published separately,
- the information separately identified as not audited in the combined management report,
- the other parts of the annual report, with the exception of the audited consolidated financial statements, the combined management report and our auditor's report,
- the corporate governance report pursuant to no. 3.10 of the German Corporate Governance Code, and
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 315 (1) Sentence 5 HGB on the combined management report.

Our audit opinions regarding the consolidated financial statements and the combined management report do not extend to the above other information; accordingly, we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the audited parts of the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

If on the basis of our work we draw the conclusion that this other information is materially misstated, we are obliged to report this fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the combined management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the combined management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other statutory and legal requirements

Other disclosures pursuant to Article 10 EU AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 3 May 2018. We were engaged by the Supervisory Board on 10 August 2018. We have been the auditor of the consolidated financial statements of 3U Holding AG, Marburg, since the 2018 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board according to Article 11 EU-AR (audit report).

Responsible auditor

The auditor responsible for the audit is Mr Martin Theis (German public auditor and tax advisor).

Bonn, 12 March 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Torsten Janβen	Martin Theis
German Public Auditor	German Public Auditor

Further Information

Financial calendar

- **Publication of quarterly announcement 1/2019**
  15 May 2019
- **Annual General Meeting 2019**
  23 May 2019
- **Publication of half year financial report 2019**
  14 August 2019
- **Publication of quarterly announcement 3/2019**
  7 November 2019

Contact

Company address
3U HOLDING AG
Frauenbergstraße 31–33
35039 Marburg
Germany

Postal address
3U HOLDING AG
Postfach 22 60
35010 Marburg
Germany

Investor relations
Dr. Joachim Fleïng
Tel.: +49 (0) 6421 999-1200
Fax: +49 (0) 6421 999-1222
ir@3u.net
www.3u.net

Glossary

Cash flow
Key ratio for assessing the financial strength and earnings power of a company

The cash flow is calculated from the inflow and outflow of payments (cash or cash equivalents) from current operations (see cash flow statement).

Cash flow from financing activities
Includes inflows from borrowing or outflows from repayment of a loan, other liabilities to banks and interest liabilities from finance leases as well as outflows of funds for dividend payments and inflows/outflows arising from capital increases/decreases

Cash flow from investment activities
Outflows for the acquisition or inflows from the disposal of intangible assets, property, plant and equipment and investment assets, and of subsidiaries

Cash flow from operating activities
Change in liquid funds from the company's actual business operations (for example, the sale of products, the purchase of materials and of goods and services, and other moneys paid out in operations) and from other operations not classifiable as investment or financing activities

Cash flow statement
The cash flow statement is the cash-based component of accounting. It is a record of the values of cash flows within a financial year. To this end, inflows and outflows in the respective reporting period are offset, thus indicating the change in cash and cash equivalents.

Consolidation
Addition of sub-accounts to an overall account, e. g. of the single-entity balance sheets of individual companies in the Group to the consolidated balance sheet

Corporate governance
The German Corporate Governance Code represents important legal provisions for the management and monitoring of German companies listed on stock exchanges (corporate governance) and contains internationally and nationally recognised standards for good and responsible corporate management. The Code is intended to ensure that the German corporate governance system is transparent and enforceable. It is intended to build the confidence of international and national investors, customers, employees and the public in the management and monitoring of German companies listed and publicly traded on stock exchanges.

Declaration of conformity
Declaration by the Management Board and the Supervisory Board, in line with Article 161 of the German Stock Corporation Act, that the recommendations of the Government Commission of the German Corporate governance Code have been implemented.

Deferred tax assets
Future tax relief or tax burdens resulting when the recognition of asset and liability positions in the commercial and tax balance sheets diverge, but the difference is reversed over time (temporary differences). When deferred taxes are recognised, the effective tax expense resulting from the tax balance sheet is adjusted to the divergent net income according to commercial law. In addition, deferred taxes are recognised for future utilisation of tax loss carryforwards to the extent that there is a good likelihood of offsetting.

Earnings per share
This key ratio indicates the share of consolidated net income or loss generated that is attributable to one share. This key ratio is calculated by dividing the net result for the year (consolidated net income/loss) by the average weighted number of ordinary shares outstanding.

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBT
Earnings before taxes

Equity ratio
The equity reported in the balance sheet divided by the total assets (the higher this key ratio is, the lower the level of debt)

Free Float
Shares which are publicly traded

Holding
The term "holding" (short for holding company or organisation) does not describe a legal form per se, but an organisational form of the parent company of affiliated companies established in practice.

IFRS
International Financial Reporting Standards

Market capitalisation
Term for the current market value of a company

It is calculated by multiplying the number of shares by the share price. Market capitalisation provides an indication of the price to be paid or realised for all shares of a company that are in circulation. However, it must be noted that large-scale acquisitions/disposals of shares can lead to an upwards or downwards trend in share prices.

Renewable Energies
Renewable energy is energy which comes from natural resources such as sunlight, wind, rain, tides, and geothermal heat, which are renewable (naturally replenished).

Risk management
Systematic method for identifying and assessing potential risks and for selecting and implementing measures to deal with risk

Risk management can be considered as the identification, assessment, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events or to maximize the realisation of opportunities.

Scope of consolidation
Group of subsidiaries in a group which are included in the consolidated financial statements

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Disclaimer

The English translation of the German 3U annual report is provided for your convenience. Only the German version is audited by the auditor.

This annual report contains statements relating to the future which are subject to risks and uncertainties and which are assessments of the management of 3U HOLDING AG and reflect its current opinions with regard to future events. Such predictive statements can be recognised by the use of terms such as "expect", "assume", "estimate", "anticipate", "intend", "can", "plan", "project", "will" and similar expressions. Statements relating to the future are based on current and valid plans, estimates and expectations. Such statements are subject to risks and uncertainties, most of which are difficult to estimate and which are generally beyond the control of 3U HOLDING AG.

The following are – by no means exhaustive – examples of factors that may trigger or affect a deviation: the development of demand for our services, competitive factors – including price pressure –, technological changes, regulatory measures, risks in the integration of newly acquired companies. If any of these or other risks and uncertain factors occur, or if the assumptions on which the statements are based prove to be incorrect, the actual results of 3U HOLDING AG may differ materially from those outlined or implied in these statements. The company does not undertake to update predictive statements of this nature.

This annual report contains a range of figures which are not part of commercial regulations and the International Financial Reporting Standards (IFRS), such as EBT, EBIT, EBITDA and investments (capex). These figures are not intended to substitute the information for 3U HOLDING AG in accordance with the German Commercial Code (HGB) or IFRS. It should be noted that the figures for 3U HOLDING AG which are not part of commercial regulations and the IFRS, can only be compared to the corresponding figures of other companies to a certain extent.

3U Group*

3U HOLDING AG

ITC

010017 Telecom GmbH
Marburg, Germany

3U TELECOM GmbH
Marburg, Germany

3U TELECOM GmbH
Vienna, Austria

Discount Telecom S&V GmbH
Marburg, Germany

Exacor GmbH
Marburg, Germany

fon4U Telecom GmbH
Marburg, Germany

LineCall Telecom GmbH
Marburg, Germany

OneTel Telecommunication GmbH
Marburg, Germany

RISIMA Consulting GmbH
Marburg, Germany

weclapp GmbH
Marburg, Germany

Renewable Energies

3U ENERGY AG
Marburg, Germany

3U ENERGY PE GmbH
Berlin, Germany

3U Euro Energy Systems GmbH
Marburg, Germany

Märkische Windkraft 110 GmbH & Co, KG
Kloster Lehnin, Germany

Repowering Sachsen-Anhalt GmbH
Marburg, Germany

Solarpark Adelebsen GmbH
Adelebsen, Germany

Windpark Klostermoor GmbH & Co, Betriebs-KG
Kirchroth, Germany

Windpark Langendorf GmbH & Co, KG
Marburg, Germany

Windpark Langendorf Verwaltungsgesellschaft mbH
Marburg, Germany

SHAC

ClimaLevel Energiesysteme GmbH
Cologne, Germany

Immowerker GmbH
Marburg, Germany

PELIA Gebäudesysteme GmbH
Montabaur, Germany

Selfio GmbH
Bad Honnef, Germany

*Consolidated subsidiaries as of 31 December 2018

3U HOLDING

3U HOLDING AG
Postfach 22 60
35010 Marburg
Germany

Tel.: +49 (0) 6421 999-1200
Fax: +49 (0) 6421 999-1222

ir@3u.net
www.3u.net

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