Annual Report 2009

ecotel®
all around communication

Key Data

Kennzahlen

Amounts in € million	2007	2008	2009
Revenue	93.2	105.5	98.7
Business Solutions	67.4	58.0	48.2
Wholesale Solutions	20.7	31.9	34.4
New Business	5.1	15.6	16.1
Gross profit	29.6	26.4	22.7
Business Solutions	27.1	21.6	17.9
Wholesale Solutions	1.5	1.7	1.2
New Business	1.0	3.1	3.6
EBITDA	9.2	6.0	4.9
as % of revenue	9,9 %	5,7 %	5,0 %
EBIT	6.0[1]	-3.7[1]	-2.2[2]
as % of revenue	6.5 %	-3.5 %	-2.2 %
Consolidated net income	3.3	-4.2	-2.2
Earnings per share[3] (in €)	0.90	-1.07	-0.57
	61.6	55.0	52.7
Total assets Equity	28.6	22.5	19.6
as % of total assets	46.4 %	40.9 %	37.2 %
Number of shares as of 12/31 (outstanding shares)	3,900,000	3,900,000	3,752,500
Net debt	13.9	11.7	7.4[4]
as a multiple of EBITA	1.51	1.95	1.5
Employees as of 12/31	217	222	193

1) Includes extraordinary write-downs of € 6.1 million

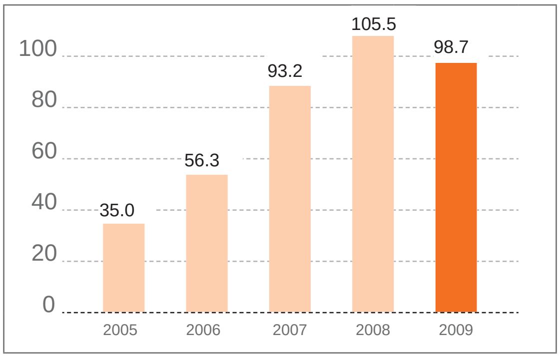
2) Includes extraordinary write-downs of € 3.2 million

3) Both basic and diluted

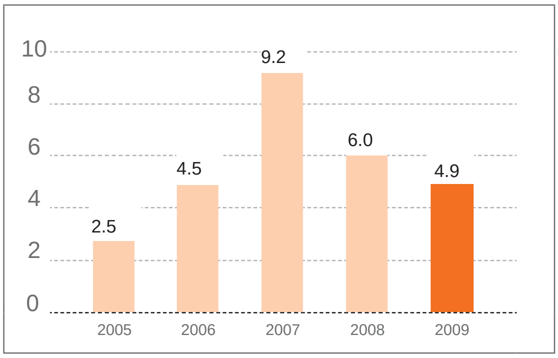
4) Due to the equity-like nature of the subordinated tranche (€ 2.5 million) of the KfW innovation loan, it is not disclosed as a financial liability.

Primary Cash Flow Data Amounts in € million	2007	2008	2009
Cash and cash equivalents as of 01/01	9.4	3.9	3.5
Cash flow from operating activities	6.5	6.5	6.1
Cash flow from investing activities	-28.9	-2.5	-3.6
Free cash flow generated	-22.4	4.0	2.5
Cash flow from financing activities	16.9	-4.4	-1.1
Cash and cash equivalents as of 12/31	3.9	3.5	7.1

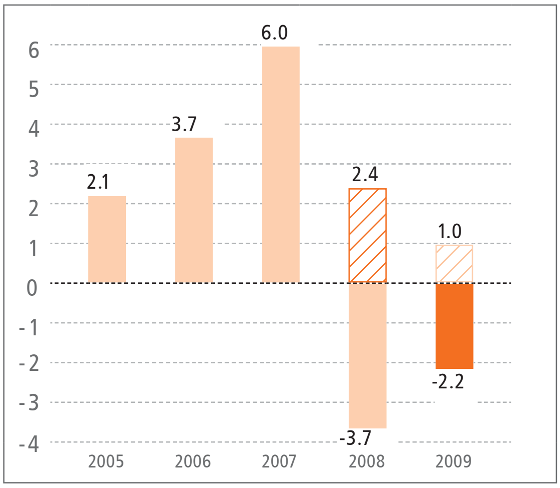
Revenues in million €



EBITDA in million €



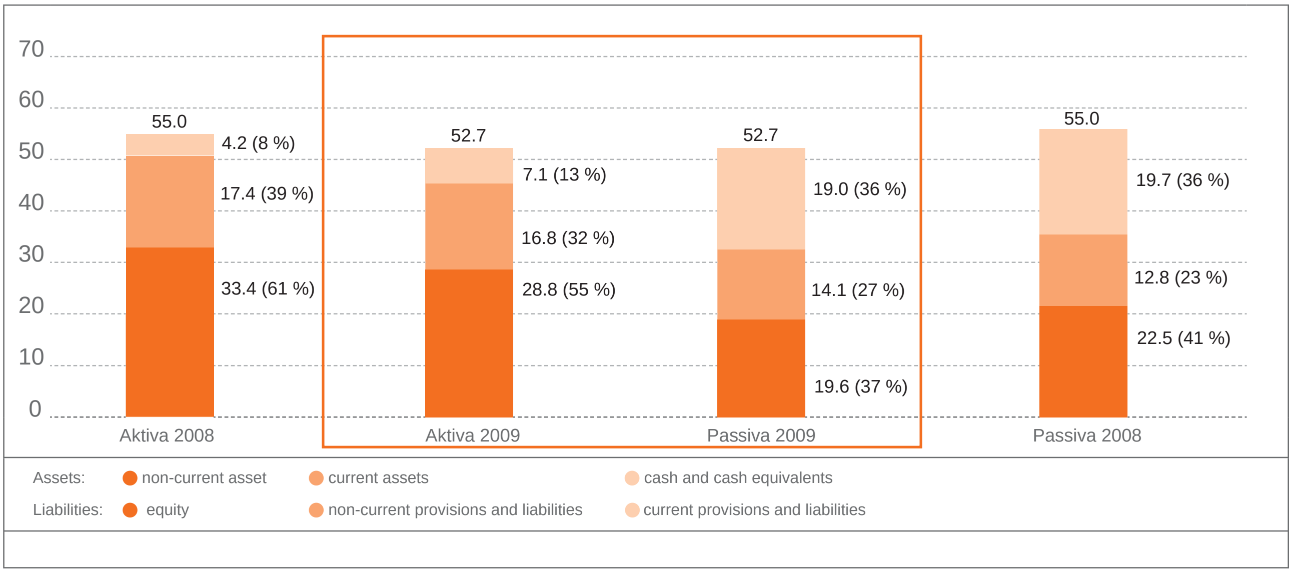
EBIT in million €



before extraordinary effects

Earnings in million €

Assets and liabilities in million €



Company Profile

ecotel communication ag, a telecommunications company active throughout Germany, has specialized in three business areas.

In its core unit, Business Solutions, ecotel supplies approximately 30,000 business customers with an integrated product portfolio of voice, data, and mobile communication solutions. This business unit combines the activities of ecotel communication ag‘s B2B business, ADTG GmbH, and nacamar GmbH, which was merged with ecotel in 2009.

In its second business unit, Wholesale Solutions, ecotel Group markets upstream products to other telecommunications companies and marketers outside the sector. Using modern enabling and communication platforms, these companies obtain access to the entire ecotel product portfolio, such as unbundled local loop and broadband connections or mobile communication solutions. At the same time, this business unit achieves high traffic volumes and therefore creates added value for the core Business Solutions unit. In addition to ecotel communication ag‘s wholesale business, i-cube GmbH and mvneco GmbH are also assigned to this business unit.

The New Business unit focuses on new, rapidly growing business areas which are covered by its operationally independent subsidiaries. In addition to easybell, nacamar New Media is also part of this independent business unit.

Including subsidiaries, ecotel communication ag, which has its headquarters in Düsseldorf, Germany, currently has approximately 190 employees.

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Foreword from the Management Board

Dear shareholders,
ecotel sustained itsposoition in fiscal year 2009 despite the global financial and economic crisis. Furthermore, ecotel was able to set the base for future growth in the B2B segment via new ISDN full access products offered through alternative network operators.

Sales revenue of the entire ecotel Group totaled € 98.7 million, slightly below the previous year‘s amount of € 105.5 million. The primary reason for the decline over the previous year was once again the loss of traditional preselection voice revenue in the Business Solutions business unit. As a result of lower revenue, EBITDA of € 4.9 million similarly fell short of the previous year‘s level of € 6.0 million.

In 2009, valuation adjustments and extraordinary write-downs of € 3.2 million were applied to ecotel‘s investment portfolio, reflecting lower expected earnings. Consequently, in 2009 EBIT was € -2.2 million after € -3.7 million in the previous year. Without the above-mentioned extraordinary write-downs, EBIT in 2009 would have totaled € 1.0 million. Consolidated net income after minority interests amounted to € -2.2 million in 2009, after € -4.2 million in the previous year. This corresponds to earnings per share of € -0.57, compared to € -1.07 last year.

The equity ratio declined from 41% to 37% due to the extraordinary write-downs.

Cash and cash equivalents doubled, going from € 3.5 million to € 7.1 million. Net debt was successfully reduced through ongoing repayments and totaled € 7.4 million at the end of 2009 after € 11.7 million in the previous year. Cash flow from operating activities of € 6.1 million was used in part for additional investments in infrastructure and IT and in part for debt repayment.

Below we provide you with an overview of the most important events in 2009.

Effective January 1, 2009, the B2B business of nacamar GmbH was legally merged with ecotel communication ag, following a successful restructuring of nacamar‘s B2B data business. The remaining nacamar GmbH now consists solely of the new media business. Furthermore, PhaseFive AG was merged with ecotel communication ag, also with effect from January 1, 2009.

In August ecotel received an Enterprise Resource Planning (ERP) innovation loan of € 5 million from the Kreditanstalt für Wiederaufbau (KfW) and Commerzbank. The capital is earmarked to support the development of new convergence products.

In addition, in September ecotel achieved an out-of-court settlement with Tiscali for a reduced purchase price for the acquisition of the shares in Tiscali Nacamar GmbH on February 5, 2007. As a result, ecotel was able to book a € 1.65 million cash settlement. The original purchase price for Tiscali Nacamar GmbH was € 18.5 million.

In May 2009, ecotel launched an efficiency improvement program, which already generated cost savings in 2009 of € 0.8 million for materials, personnel, and other operating expenses. In 2010 cost savings of more than € 2 million are anticipated.

Within the framework of the „NetMig“ project, the Germany-wide IP backbone with 21 access points was streamlined to two access points. In the process, existing customers were migrated from conventional leased-line connection technology to modern ethernet technology and connected directly to both central access points. In addition, more than 70 new ethernet customers were acquired in 2009. The main advantage of ethernet technology for customers is the more

flexible and on average five times greater bandwidth at the same cost and quality. The main advantage of the project for ecotel is the modernization of infrastructure and the setting up of a primarily variable cost base. Simultaneously, the number of upstream suppliers was successfully reduced from thirteen to four.

As part of a migration, in August the subsidiary easybell acquired about 20,000 private customers, which it provides with full access and VoIP services. As a result of this acquisition, easybell gains not only revenue but also additional expertise in the rapidly growing market for DSL full access and VoIP products, thus laying the groundwork for a market entry with own products.

With its access to the fixed-line service infrastructure of alternative local exchange carriers, such as Vodafone and Versatel, ecotel has created a new business foundation and growth perspective for the future of the B2B business, particularly in view of the further development of fixed-mobile convergence products. With the help of these upstream suppliers, ecotel can now provide more than 70% of business customers in Germany with „real" ISDN (non-VoIP) full access packages. By obtaining discounts for voice connections and better purchasing conditions for connection fees, ecotel is also optimizing the margin situation significantly. In the remaining regions, ecotel supplies the proven full access product through Deutsche Telekom AG (DTAG) and is therefore the first alternative provider to offer a „real" ISDN connection anywhere in Germany. The full access product is flanked by new convergence products, which were created with funding from a KfW loan received in mid-2009 and are still being enhanced. These include in particular the features of being able to reach mobile employees and to call a company's own sites using ecotel's new bundled offers, both without charge.

In 2010, the Company anticipates revenue of about € 80–90 million, which would approximate the previous year's level, adjusted for the deconsolidation of PPRO GmbH. We expect that EBIDTA for 2010 will be in the € 4.0–4.5 million range and thus slightly below last year's level.

For 2011, the Management Board estimates revenue of € 90–95 million and EBITDA of € 5.5–6.5 million, assuming a successful migration of complete connection products and a successful marketing of new convergence products.

Finally, we would like to thank all the employees of ecotel Group for their performance and their contribution to the success of the firm, and we would like to thank our customers, our business associates, and our shareholders for their productive and trusting collaboration. We are very confident that ecotel will promote innovation in the German telecommunications market again in 2010.

Achim Theis
(CSO, Management Board)

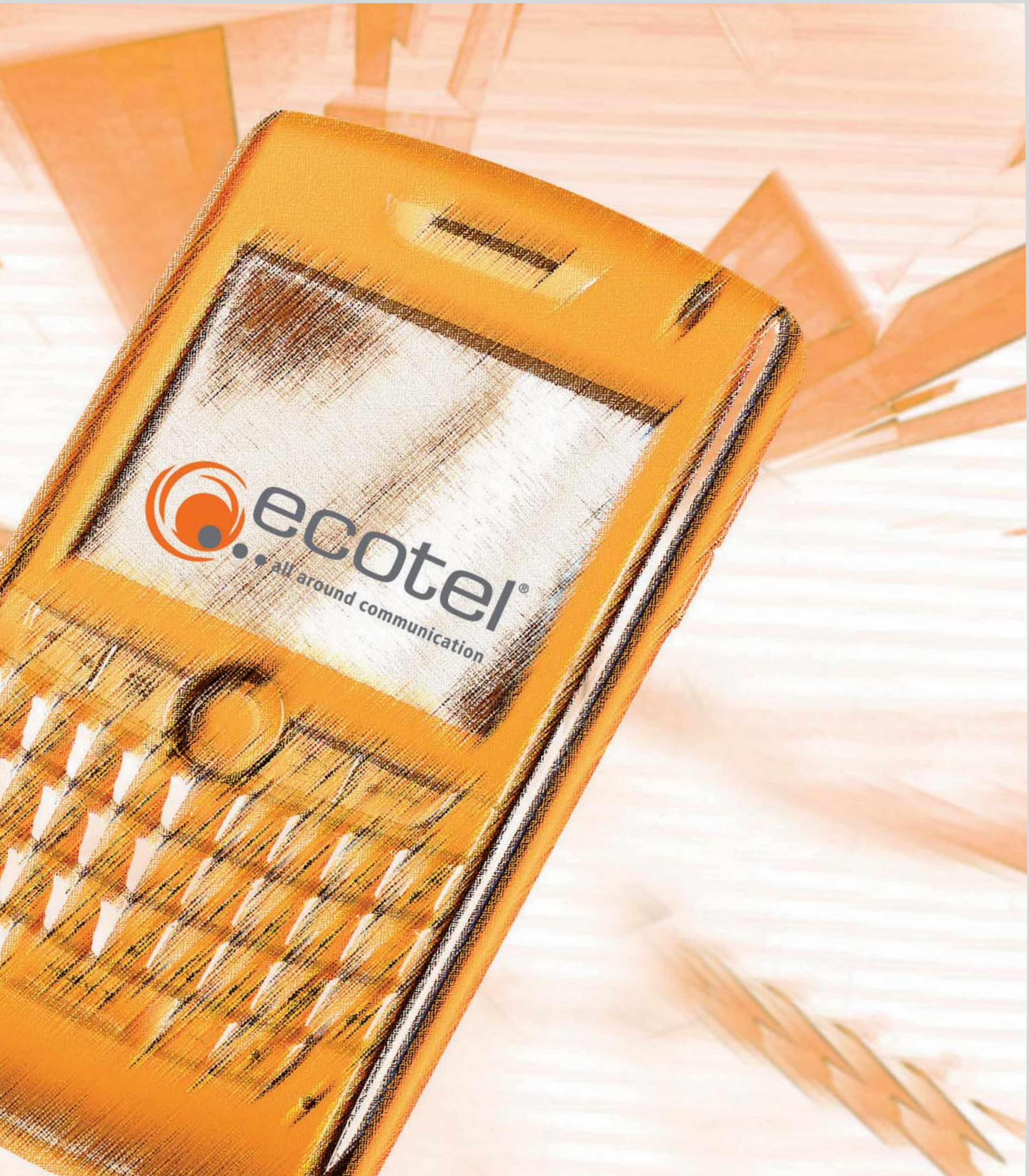
Peter Zils
(CEO, Chairman of the Board)

Bernhard Seidl
(CFO, Management Board)

Mobile

Mobile
Mobile
Mobile

As a mobile virtual network operator (MVNO), **ecotel** offers independently developed fee concepts with substantial savings potential and convergence solutions combined with full access products for fixed-line services.


ecotel®
all around communication

The Business Model

ALL AROUND COMMUNICATION – SUCCESS FOR YOUR BUSINESS!

Three Business Units

In 2009, ecotel Group's business continued to rest on three pillars: Business Solutions, Wholesale, and New Business.

In its core unit, Business Solutions, ecotel supplies approximately 30,000 business customers with an integrated product portfolio of voice, data, internet, and mobile communication solutions. This business unit combines the activities of ecotel communication ag's B2B business, nacamar GmbH, which was merged with ecotel in 2009, and ADTG GmbH.

In its second business unit, Wholesale Solutions, ecotel markets upstream products to other telecommunications companies and outside marketers. Using modern communication platforms, these companies obtain access to the entire ecotel product portfolio, such as full access, unbundled local loop and broadband connections, or mobile communication products. At the same time, this business unit achieves high traffic volumes and therefore creates added value for the core Business Solutions unit. In addition to ecotel communication ag's wholesale business, i-cube GmbH and mvneco GmbH are also assigned to this business unit.

The New Business unit focuses on new, rapidly growing business areas and niches of the subsidiaries and holdings, which remain operationally independent. Besides easybell, nacamar GmbH, which is now exclusively focused on the new media business, is part of this independent business unit.

The three pillars of the business model

Business report	**business customers**	**wholesale**	**new business**
Mark	ecotel, ADTG	ecotel, mvneco, i-cube	nacamar, easybell
Target group	smal/medium-sized enterprises corporate clients	other telecommunication provider outside marketers	media companies private customer

Strategic Reorientation of the Business Solutions Business Unit with an Innovative Product Portfolio (Germany-wide ISDN full access + Mobile Communications)

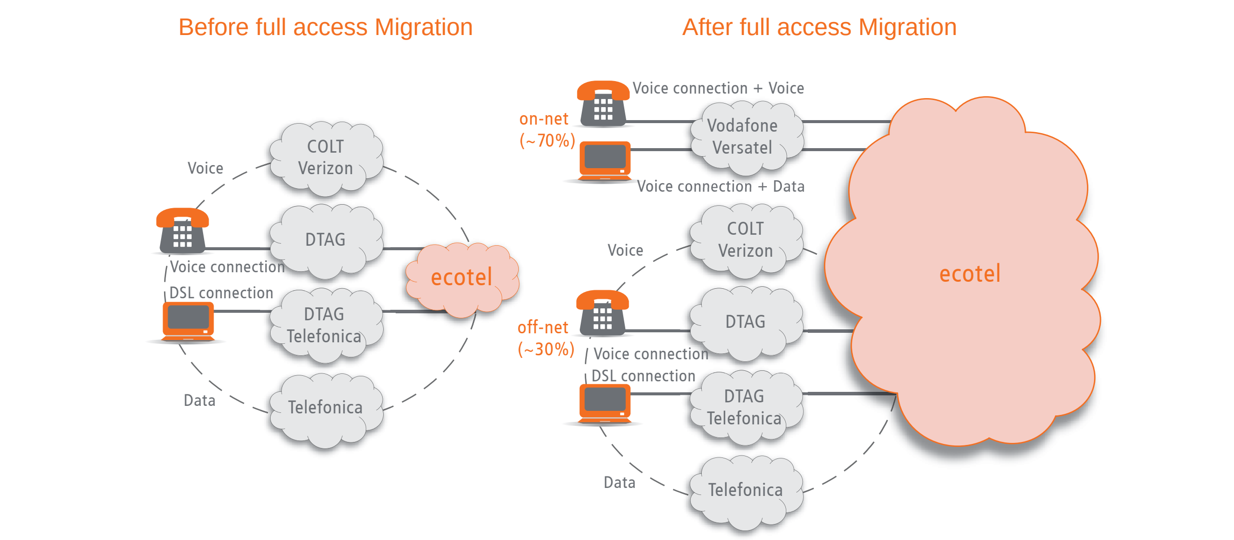
By rolling out the new ISDN full access product offered via various local exchange carriers, ecotel set the course for a sustained increase in competitiveness at the end of 2009. Since the end of 2009, ecotel has offered ISDN and DSL complete connection products via alternative local exchange carriers (Vodafone, Versatel) in so-called „on-net“ areas. With the help of these upstream suppliers, ecotel can now provide more than 70% of business customers in Germany with „real“ ISDN (non-VoIP) full access packages. By obtaining discounts for voice connections and better purchasing conditions for connection fees, ecotel is also optimizing the margin situation significantly. In the remaining regions, ecotel supplies the proven full access product through Deutsche Telekom AG (DTAG) and is therefore the first alternative provider to offer a „real“ ISDN access anywhere in Germany.

ecotel is first alternative provider to offer “real” ISDN (non-VoIP) access accessible throughout Germany

>70% of the ISDN connections are accessible in on-net regions (= the highest possible accessibility of an alternative provider in Germany)

< 30% of the ISDN connections are activated by DTAG

New Product Strategy with full access ISDN Connections Accessible Throughout Germany



New Target Group-specific Bundled Products for Small and Medium-Sized Companies

ISDN multiple-device connection + business ads/6000max connection + 3 SIM cards incl. flat rate for only € 59.90 per month net.

With the new full access products, the Company is once again in the position to offer its B2B customers attractive bundled products despite increasing competition.

First of all, existing customers are to be migrated from preselection to full access products through the already initiated product change in order to tie these customers more strongly and to enable them to benefit from the improved purchasing conditions. In order to carry out the pending product change from preselection to full access products as smoothly as possible and with a high degree of scalability, automated provisioning interfaces and network interconnects with redundant lines in Frankfurt and Düsseldorf are to be implemented by mid-2010 with the new upstream suppliers. This will ensure, for example, that an existing connection with the current configuration and calling number can be transferred to the new local exchange carrier without major malfunctions or disruptions.

In addition, in 2010 will be initiated in order to facilitate sustained growth in the Business Solutions business segment.

The full access product is flanked by new mobile communication and convergence solutions, which have already been created with funding from a KfW loan received in mid-2009 and are being systematically enhanced. ecotel's new bundled offers enable communication between firm sites and mobile employees in either direction free of charge. As a result, among other things at the beginning of 2010 three new products were successfully launched which comprehensively address customer requirements to communicate internally using both fixed-line services and combined mobile and fixed-line communications. With these attractive convergence products, which are available everywhere in Germany and are gradually being expanded via vertical sector solutions, ecotel considers itself well equipped for the future.

Awards for Innovative Products

In 2009, ecotel was also able to score points in the area of product development. Among other things, being honored with the IT Innovation Prize for 2009 exemplifies this. Under the aegis of the German Federal Ministry for Economics and Technology, the SME initiative evaluated the most innovative IT solutions for the segment. For the second time in a row, out of the 2,000 submissions ecotel's mobile communications solution was recognized as one of the top 20 IT solutions in terms of innovativeness and suitability for the SME segment.

The nacamar subsidiary was awarded the German Internet Economy prize in the area of IPTV for its innovative „medianac" new media service platform, an award made annually by the Verband der deutschen Internetwirtschaft e.V. With it, renowned experts from the fields of economics, science, and journalism grant their seal of approval for innovative products and services which have successfully established themselves in the market. medianac is a highly accessible database-supported web application for managing video assets on the basis of a service oriented architecture (SOA). The solution, which is hosted and operated in ecotel's data center, facilitates the simplified processing of increasingly complicated streaming projects.

Affiliate Marketing as a Success Factor

ecotel's direct sales and affiliate marketing serves more than 30,000 business customers across Germany. Here ecotel continues to focus on marketing through affiliates. As a result, now more than 500 marketing affiliates across the country account for over 90% of new orders. Among the marketing affiliates are IT consultants, telecom brokers, telecom and IT systems vendors, various technology providers, call centers, and telecom or IT procurement and marketing firms.

ecotel Sales Partners

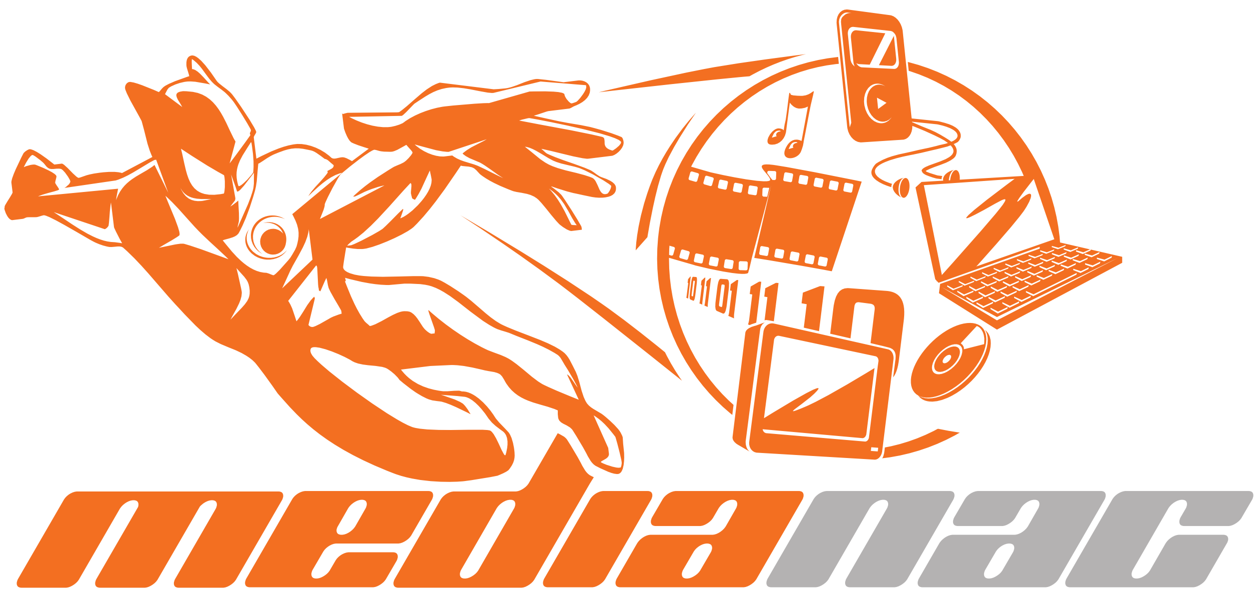
Through contracts with major distribution and business partners, ecotel is continually making contacts to new marketing partners, creating a comprehensive distribution network. The Germany-wide partner presence ensures ecotel a high degree of acceptance in the market with existing and new customers, but also with potential new partners. Altogether, ecotel has more than sixteen business partnerships in this environment.

Success Story: New Media – nacamar GmbH

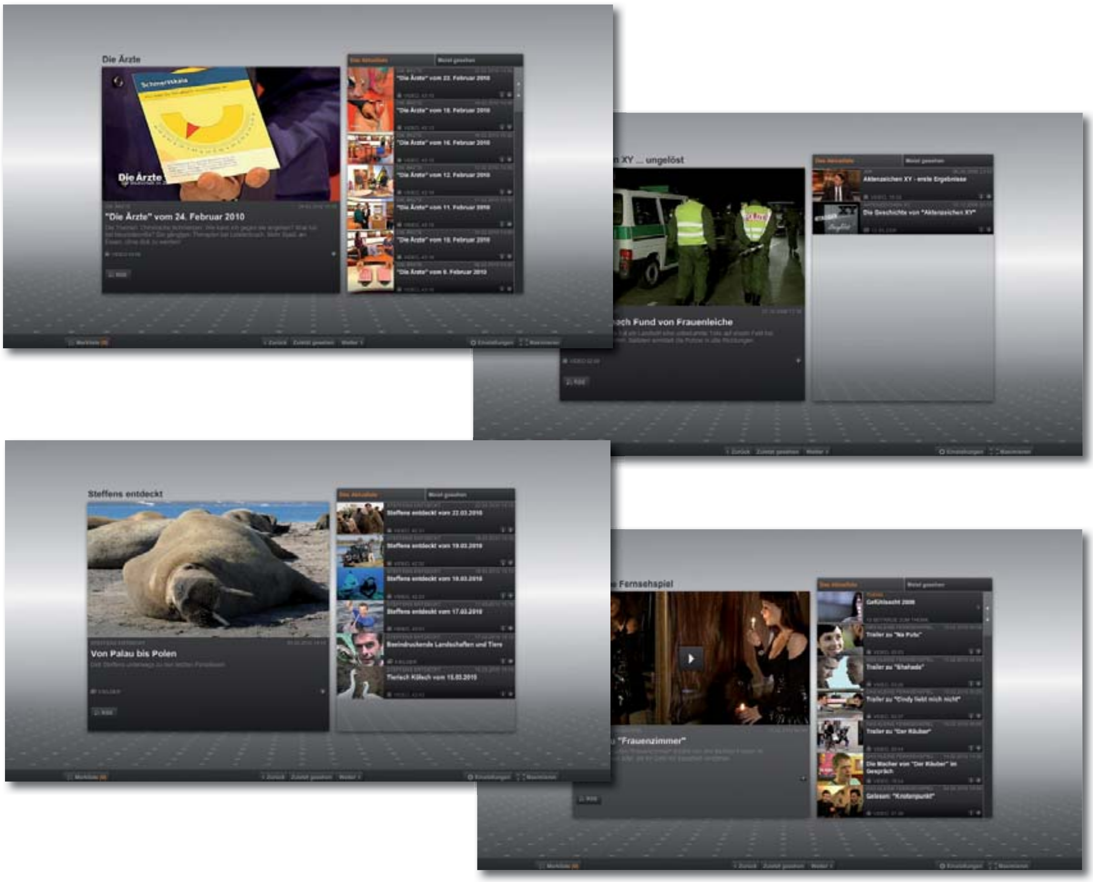
nacamar GmbH has established itself as one of the largest German streaming service providers in the market. From sites in Düsseldorf und Frankfurt, nacamar provides media companies with innovative services, such as live or on-demand streaming, pod and vod casting, online video solutions, shared hosting, professional services, systems integration, consulting, encoding, transcoding, and the integration of payment systems. nacamar's customers include ATV, Beck's, CeBIT, Cinemaxx, Kabel Deutschland, Motor TV, Sport1, SWR, Welt der Wunder, ZDF, more than 100 private radio broadcasters, and many others.

In order to live up to the expectations of an efficient full service provider in the area of streaming and new media, nacamar provides its customers with all of the tools and solutions they need in order to deliver their content quickly and profitably to the network. The most recent example for this is medianac®, a video service platform, which includes video upload, transcoding, content management, tagging, player configuration, content syndication, as well as video ad integration and distribution. In 2009 nacamar was awarded the German Internet Economy prize in the area of IPTV for this flexible online video solution, as mentioned earlier. At CeBIT 2010 nacamar will launch medianac 2.0 „powered by Kaltura" in order to offer the customer even more comfort and options.

With the aim of being able to satisfy the growing demands of its WebTV and IPTV customers for the delivery of their live and on-demand video content today and in the future, nacamar completely rebuilt its Flash streaming platform in 2009 and now operates one of the largest Flash media platforms in Europe with this new release. With this service, nacamar has been a prime contractor for the delivery of ZDF (German television network) content in the web since 2009.



Mediathek des ZDF



Live and on-demand streaming of CeBIT Webciety via nacamar's medianac®

ecotel Shares

The ecotel share has been listed on the stock exchange since March 29, 2006. It moved from the Entry Standard to the Prime Standard stock exchange segment on August 8, 2007. The capital stock totals 3,900,000 shares. Of this amount, the Company holds 147,500 treasury shares. As a result, 3,752,500 shares were outstanding as of December 31, 2009.

Share Price Development in 2009

Over the course of 2009, the stock market and related indices regained momentum. Thus the DAX index, which represents large-cap companies, was able to gain nearly 20% by the end of 2009, while the Tec-DAX, which represents technology issues, even improved by 55%.

The ecotel share opened the year at € 3.73. After the share performed almost identically to the DAX and TecDAX until the middle of the second quarter, the price of the ecotel share fell in the second and third quarters to below € 3. In the fourth quarter, the share price turned upward again and closed the year at € 4.20.

In 2009, average daily trading volume was 3,700 shares, compared with 4,600 shares in the previous year. At year end, ecotel had a market capitalization of € 15.8 million, representing 3,752,500 outstanding shares at a price of € 4.20.

Investor Relations

ecotel engages in a continuous dialogue with investors, analysts, and journalists. Again in 2009, ecotel delivered presentations at investor conferences, such as Rüttnauer Research's investor conference, but it deliberately scaled back its investor relations activities as a result of the financial crisis. Management intends to resume intensified investor relations and public relations activities beginning in mid-2010 in order to win over targeted shareholder groups for the new business model and the Company's growth prospects. Current information on the Company, such as quarterly reports, press releases, the financial calendar, and past Company presentations can be viewed on the Company's web-site by all investors immediately after publication.

Shareholder Structure

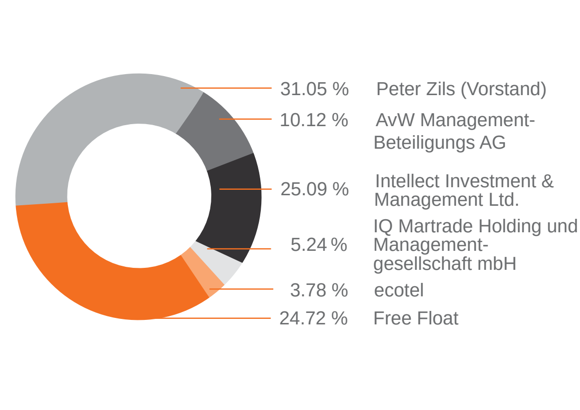
In 2009, ecotel's shareholder structure underwent two major changes. First, Intellect Investment & Man-agement Ltd. boosted its investment in the Company from 21.33% to 25.09%. Second, IQ Martrade Hold-ing und Managementgesellschaft mbH increased its stake in the Company from 3.66% to 5.24%. Other major investors in the Company are AVW Management Beteiligungs AG with 10.1% and Peter Zils (ecotel's CEO) with 31.1%. The free float declined from 33.84% to 24.72%

Overview of ecotel shares

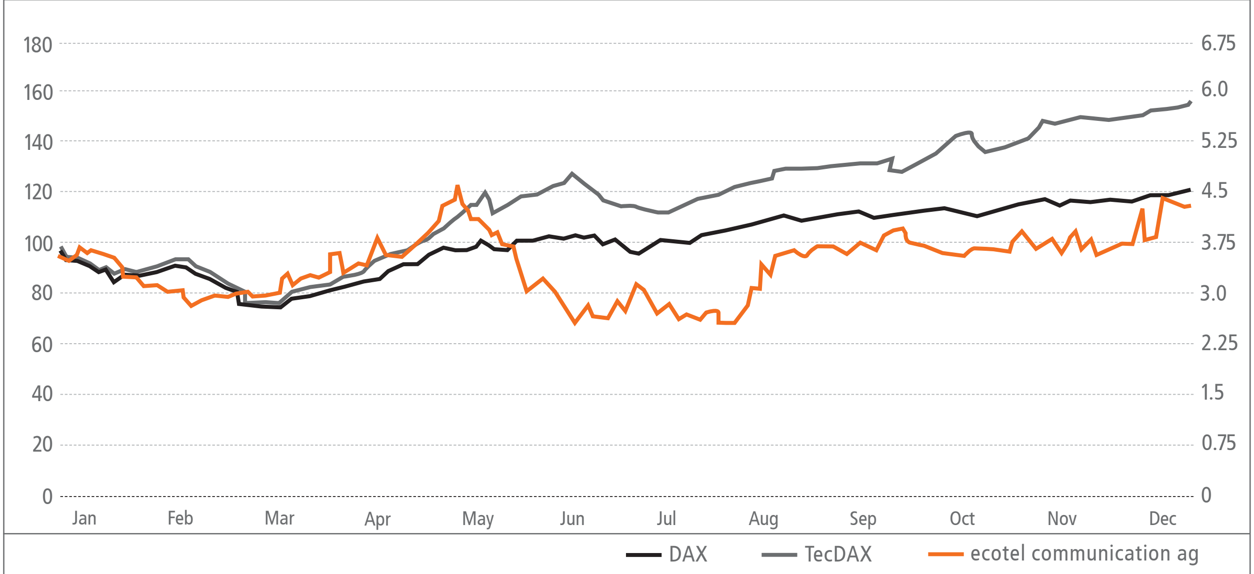
WKN	585434	Initial listing	29.03.2006
ISIN	DE0005854343	Number of shares	3,752,500
Symbol	E4C	Average daily trading volume in 2009	3,727
		Share price high 2008 (€)	4.45
Market segment as of 08.08.2007	Prime Standard	Share price low 2009 (€)	2.45
Index	CDAX, Prime All Share Technology All Share	Market capitalization (€ m)*	15.8
Type	no-par value shares	Designated Sponsor	Close Brothers Seydler

* Based on the closing share price on December 28, 2009 of € 4,2 per share.
+ 3.752.500 outstanding ecotel shares

Shareholding (12/31/2009) in percent



Variations in the ecotel share price in percent and Euro



Voice

Voice
Voice
Voice

As the sector's first alternative provider of comprehensive B2B services, **ecotel** can offer convergence products with „real“ ISDN (non-VoIP) access everywhere in Germany.

BUSINESS AND GENERAL CONDITIONS

1. OVERVIEW OF ECOTEL

The ecotel Group (hereinafter referred to as „ecotel“) is a telecommunications company that has been active throughout Germany since 1998 and is specialized in meeting the requirements of business customers. ecotel markets products and services via three business units: Business Solutions, Wholesale Solutions, and New Business.

Business Solutions

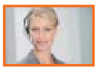
In its core segment, Business Solutions, ecotel provides an integrated product portfolio of voice, data, and mobile services to small and medium-sized companies (SMEs) all over Germany as well as to certain large enterprises, all from one source, presented on one invoice. In addition to the B2B business of ecotel communication ag, this business unit also includes ADTG Allgemeine Telefondienstleistungs GmbH.

In the area of voice services, ecotel has a comprehensive portfolio of connection, telephony, and value-added services. The range of data products extends from data connections such as ADSL, SDSL, leased lines, and ethernet to secure corporate networks via VPN, the housing of server farms, and the hosting of shared services (software as a service, cloud computing). Since 2008 ecotel has also mar-keted its own mobile communications products and offered business customers voice tariffs combined with optional mobile data access.

In the last three years, the revenue mix of the Business Solutions business unit has substantially changed, reflecting the product expansion strategy. While in 2006 approximately 96% of revenue from business customers came from voice and value-added services, this segment comprised only 60% of the total picture in 2009. The remaining product areas of voice and data access (26%), VPN and data services (6%), housing/hosting (6%), and mobile communications (2%) accounted for 40% of Business Solutions‘ revenue.

Depending on the target group, sales in Business Solutions involves a combination of direct and affiliate sales by a total of 500 active sales affiliates. As a result, ecotel gains broad access to its target group of small and mediumsized business customers. In addition, ecotel has been successful in establishing relationships with more than 100 purchasing associations.

Business Solutions Product Portfolio of ecotel Group

Fixed-line service	Voice	Voice connection		• Complete connection (ISDN), connection activation (ISDN) or unbundled local loop with VoIP
		Telephony		• Per-minute rate, minute packages, or flat rate
		Value-added services		• Service numbers (0800, 0180x, 0900)
	Data	Data connection		• Via ADSL, SDSL, ethernet, or leased line
		VPN/security		• Secure corporate networking via IP VPN
		Hosting/housing		• Housing of server farms and hosting of share services in own computer center
Mobile services	Sprache			• Attractive mobile communications rates, incl. convergence products (fixed-line to mobile)
	Daten			• Data flat rates and mobile data solutions

In the Business Solutions business unit, the Company serves approximately 30,000 SME customers all over Germany across all economic sectors by providing standard and individualized telecommunications solutions.

Wholesale Solutions

ecotel groups its services to other telecommunications companies and to outside marketers of telecommunications services under the business unit Wholesale Solutions. To this end, the Company has been active in the area of inter-network trading with telephone minutes (wholesale) for national and international carriers and has thus simultaneously created more added value for the core segment, Business Solutions. In order to do so, ecotel maintains joint network connections with approximately 100 international carriers.

This business unit also comprises the equity holdings mvneco GmbH as a technical service provider for mobile communications packages and i-cube GmbH as a technical service provider for unbundled DSL, voice over IP, and in the future, complete connection and mobile communications products for other wholesalers.

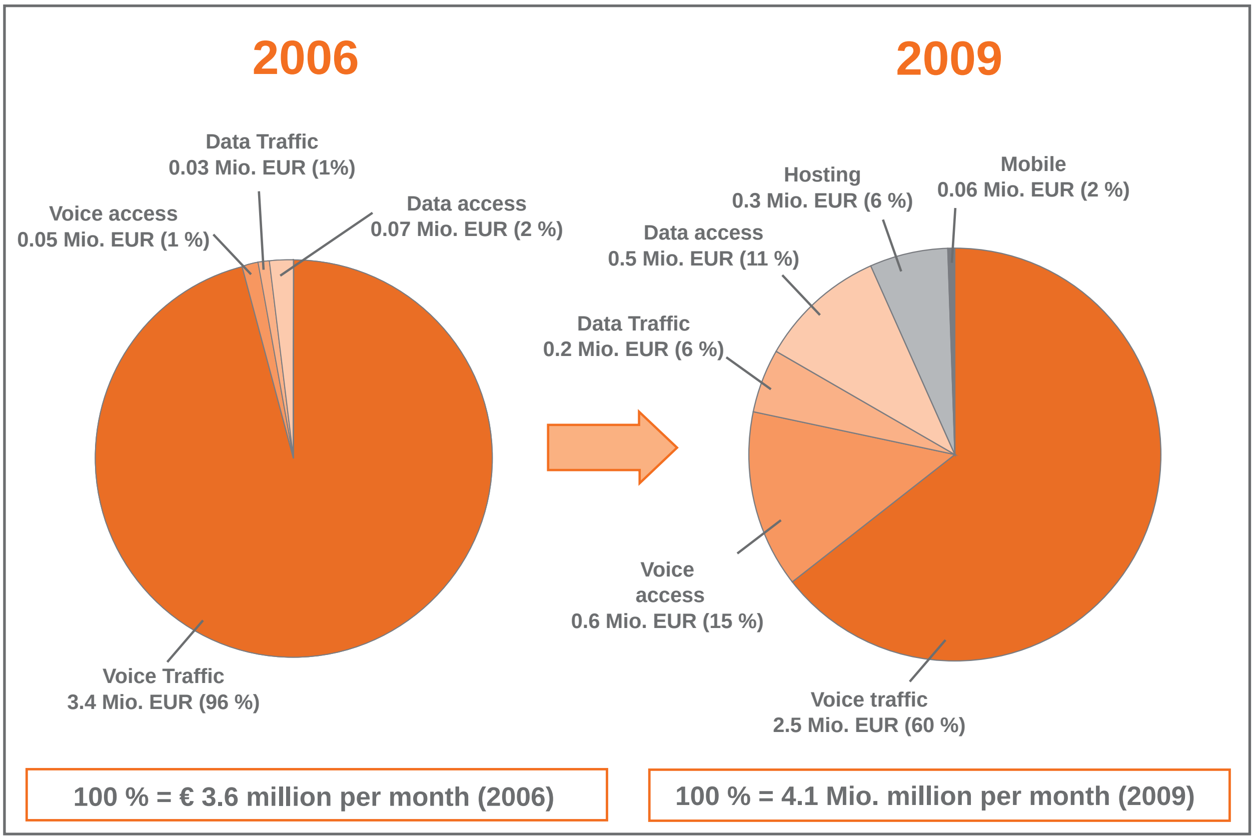
New Business

The New Business unit integrates the new, high-growth business areas. They include nacamar GmbH with its new media business and easybell GmbH with its private customer business. Furthermore, ecotel holds a minority interest in PPRO GmbH, a company that is active in the area of internetbased payment systems.

Infrastructure

ecotel maintains proprietary components of a telecommunications infrastructure, including an IP backbone with sites in Frankfurt and Düsseldorf, its

Shift in revenue distribution in Business Solutions segment



own computer center, a telephone exchange switch, and central dial-in platforms. The Company manages various server farms for the new media business. The equity holding mvneco GmbH operates a central mobile communications platform. As part of a migration project in 2009, the Germany-wide backbone was consolidated at two sites. As a result, all customer lines are now connected to the two central sites via modern, high-bandwidth ethernet technology. In addition, what were previously fixed costs can be replaced with variable costs.

On the IT side, ecotel operates its own systems for order management and billing.

2. LEGAL FRAMEWORK CONDITIONS OF THE COMPANY

Voting shares issued by ecotel communication ag have been admitted to the regulated market of Frankfurt Stock Exchange in its Prime Standard segment. The Frankfurt Stock Exchange is an organ-ized market in the sense of Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG).

Executive Body

The legal body that manages and represents ecotel communication ag is the Management Board. According to Section 5 of the Company‘s articles of association, the Management Board must consist of at least two members. Aside from this stipulation, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board can name a chairman and a deputy chairman of the Management Board. Deputy members of the Management Board can also be appointed. The members of the Management Board are appointed for a maximum of five years. A repeat appointment or an extension of the duration of the appointment is permissible, in either case for a maximum of five years. The Supervisory Board may revoke the appointment of a Board member or the appointment of the chairman for good cause. According to the articles of association of the Company, the Supervisory Board is to determine the rules of procedure for the Management Board. The Supervisory Board has fulfilled its responsibilities in this regard.

According to Section 6 (1) of the Company‘s articles of association, ecotel is to be legally represented by two members of the Management Board or one member of the Board together with an authorized representative (Prokurist). The Supervisory Board has made use of its authority and determined that the current members of the Management Board are individually entitled to represent the Company. Currently, Messers Peter Zils (CEO), Bernhard Seidl (CFO), and Achim Theis (CSO) make up the Management Board of the Company.

Remuneration of Members of Governing Bodies

Remuneration of the members of the ecotel Management Board is determined based on Section 87 of the German Stock Corporation Law (AktG) and includes a fixed basic annual salary plus a variable component. The variable part is dictated according to the achievement of fixed targets based on EBITDA and overall Group revenue. The targets are set annually by the Supervisory Board. ecotel has taken out a D&O insurance policy for the members of the Management Board.

In addition, two members of the Management Board are taking part in a stock option plan. Board members thereby participate in the long-term growth in enterprise value with the further aim of secur-ing their loyalty to the Company.

The members of the Supervisory Board receive fixed and variable annual remuneration. ecotel has also taken out a D&O insurance policy for the members of the Supervisory Board.

Total and individual remuneration of Management Board and Supervisory Board members is listed in the Notes to the consolidated financial statements (Note 29 „Remuneration of Governing Bodies").

Changes in the Articles of Association

According to Section 179 of the German Stock Corporate Law (AktG), amendments to the articles of association require a resolution by the Annual General Meeting. Exceptions to this rule are amendments that relate only to the wording of the articles of association; the Supervisory Board is authorized to make amendments of this kind.

Unless expressly forbidden by law, resolutions of the Annual General Meeting are passed with a simple majority of the votes cast, and, if the law prescribes a majority of the capital in addition to the majority of votes, with a simple majority of the capital stock represented at the time of the making of the resolution.

Capital Position

Capital Stock

The capital stock of the Company amounts to € 3,900,000.00. The capital is divided into 3,900,000 bearer common stock shares. The shares were issued as no-par-value shares corresponding to a pro-portional amount of the capital stock of € 1.00. The capital stock in the amount of € 3,900,000.00 has been fully paid in. Every no-par-value share entitles the bearer to one vote at the Annual General Meeting. No restrictions on voting rights exist. Currently ecotel holds 147,500 treasury shares, such that the subscribed capital in the balance sheet totals € 3,752,500. No differential voting rights exist where the shares are concerned. The Management Board is not aware of any limitations on the voting rights or the transfer of shares such as may arise from agreements among shareholders.

Approved Capital

The Annual General Meeting of July 27, 2007 passed a resolution authorizing the Management Board, with the approval of the Supervisory Board, to increase the capital stock of the Company by up to € 1,750,000.00 through the issuance of new bearer no-par-value shares in a one-time sale or through several sales for cash or contribution in kind. The authorization extends to July 26, 2012. The number of shares must be increased by proportionately the same amount as the capital stock. The Management Board did not make use of this authorization in fiscal year 2009.

Conditional Capital

The Annual General Meeting of July 27, 2007 approved the increase of capital stock by an amount of up to € 1,500,000.00 through the issue of 1,500,000 bearer non-par-value shares (authorized capital I). The conditional increase in capital serves the sole purpose of enabling the Company or a directly or indirectly associated company to issue shares to the holders of options and/or convertible bonds based on the authorization by the Annual General Meeting held on July 27, 2007 in return for cash paid-in by July 26, 2012. The Management Board did not make use of this authorization in fiscal year 2009.

In addition, the Annual General Meeting of July 27, 2007 voted to authorize the creation of condi-tional capital to serve the 2007 stock option plan. Under this resolution, the capital stock of the Company may be increased by up to € 150,000.00 through the issuance of up to 150,000 bearer no-par-value shares (conditional capital II). The conditional increase in capital serves exclusively the fulfillment of subscription rights that were granted by the authorization of the Annual General Meeting of July 27, 2007, which last until July 26, 2012. In fiscal year 2009, no stock options were granted to Management Board members or executive officers of ecotel.

Authorization to Acquire Treasury Shares
With the resolution of July 25, 2008, the Annual General Meeting authorized the Company to acquire treasury shares up to a total of 10% of the capital stock existing at the time of the passage of the reso-lution. The authorization may not be used by the Company for trading in treasury shares. In combination with the other shares owned by the Company or shares that are to be allocated to it according to Section 71a ff. of the German Stock Corporation Law (AktG), at no point may the acquired shares amount to more than 10% of the capital stock. During fiscal year 2009, the Company made no use of the authorization to acquire and purchase treasury shares. The authorization from July 25, 2008 to acquire treasury shares expired on December 31, 2009. An extension was rejected by resolution of the Annual General Meeting on July 31, 2009.

According to a transfer contract with the shareholders of ADTG Allgemeine Telefondienstleistungs GmbH, 147,500 earn-out shares were transferred back to ecotel communication ag free of charge. As a result, ecotel held 147,500 treasury shares as of December 31, 2009.

Capital Holdings and Control Rights
The following table shows the names of the shareholders who owned more than 10% of the capital stock as of the end of fiscal year 2009. No differential voting rights exist where the shares are concerned.

Shareholder	Ownership of shares (in %)
Peter Zils	31.05 %
Intellect Investment & Management Ltd.	25.09 %
AvW Management-Beteiligungs AG	10.12 %
Total	66.26 %

There are no owners of shares with special rights that give controlling authority. There is no voting right control for the event that employees hold Company shares and do not directly exercise their control rights.

Effects of Potential Takeover Bids
There are no material agreements between ecotel and other persons who would be affected by a change of control as a result of a takeover bid. One member of the Management Board has a special termination claim in the case of a change of control to compensation in the amount of € 75,000.00 for every calendar year between the date of change of control and August 31, 2010. No such agreements exist for the other members of the Management Board that foresee compensation in the event of a takeover offer.

In the event of a change of control at ecotel communication ag or ecotel private GmbH, the second shareholder of easybell GmbH, Consultist GmbH, has the right to acquire up to a 51% investment in easybell GmbH from ecotel communication ag or ecotel private GmbH. The purchase price must correspond to the market value of the partial investment.

3. STRUCTURE AND HOLDINGS OF THE COMPANY

ecotel communication ag, the parent company, is headquartered in Düsseldorf, Germany. At the end of 2009, the Company employed 136 staff members, including the Management Board and trainees, but excluding subsidiary companies; this was 24 more employees than at the end of 2008. The increase primarily resulted from the spin-off and merger of nacamar's B2B business with ecotel.

ecotel communication ag's subsidiaries are headquartered in Germany, the Ukraine, and Austria and had 57 employees as of the end of 2009, including managing directors and trainees (compared with 110 employees at the end of 2008).

ecotel private GmbH

ecotel private GmbH is a wholly owned subsidiary of ecotel. The company was founded in 2003 for the purpose of marketing white label services. It markets primarily voice services via outside market-ers to currently around 500 private customers. ecotel private GmbH has its headquarters in Düsseldorf.

Phasefive R&D Ltd.

ecotel holds 100% of the shares in PhaseFive R&D Ltd., an IT subsidiary located in the Ukraine which develops supply, portal, and billing software for telecommunications suppliers, including for parts of the ecotel IT system. The parent company, PhaseFive AG, was merged into ecotel communication ag in 2009.

i-cube GmbH

Through i-cube GmbH, headquartered in Düsseldorf, ecotel provides other telecommunications com-panies and outside marketers a comprehensive portfolio of unbundled DSL services and voice over IP. Customers can thus gain access from anywhere in Germany to upstream services from various suppliers such as Telefonica, QSC, or Deutsche Telekom (DTAG) via a standard interface without obligation to take delivery. ecotel holds 50.1% of the shares of i-cube GmbH.

/bin/done digital solutions GmbH

In September 2006, ecotel communication ag acquired 100% of /bin/done digital solutions GmbH, headquartered in Munich. The systems vendor specializes in the areas of supply, process automation, and system integration. There are plans to merge /bin/done digital solutions GmbH into ecotel at the beginning of 2010.

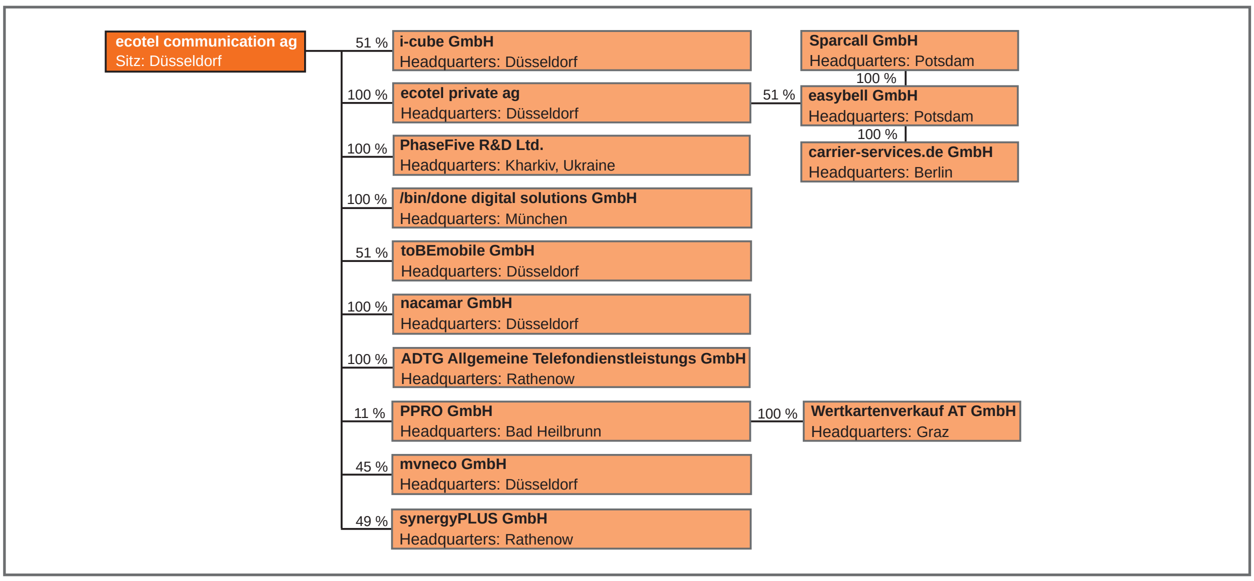
toBEmobile GmbH

ecotel holds 51% of the shares in toBEmobile GmbH, founded in 2006. The company works as a mobile virtual network operator (MVNO) in the mobile communications market, and, like si-myo or blau, markets its own prepaid SIM cards at discount prices. toBEmobile is headquartered in Düsseldorf and had three employees at the end of 2009 (previous year: three staff members).

nacamar GmbH

In March 2007, ecotel communication ag acquired all the shares in Tiscali Nacamar GmbH, which now operates as nacamar GmbH. Following the transfer

Structure and holdings of ecotel



of nacamar GmbH's B2B business to ecotel communication ag in 2009, nacamar now manages the new media business exclusively. nacamar GmbH is headquartered in Düsseldorf and had 16 employees at the end of 2009 (previous year: 62 staff members).

ADTG Allgemeine Telefondienstleistungs GmbH

In June 2007, 100% of ADTG Allgemeine Telefondienstleistungs GmbH, headquartered in Rathenow, was acquired as part of a capital increase with an additional cash component. The company is active in Germany as a telecommunications service provider for voice and data services with a focus on small and medium-sized business customers. It serves around 5,000 business customers and had 19 employees at the end of 2009 (previous year: 20 employees). There are plans to merge ADTG Allgemeine Telefondienstleistungs GmbH into ecotel communication ag in 2010.

PPRO GmbH

In July 2007, ecotel acquired 51.2% of the shares in PPRO Wertkartenverkauf GmbH ("PPRO"), now operating as PPRO GmbH, with headquarters in Bad Heilbrunn. The company specializes in internet-based payment processing. The main products of the company are a virtual prepaid credit card (paysafecard) and a business interface for the online payment process called "giropay" for dealers operating via the internet. The services of PPRO GmbH are both marketed externally and used directly in various business units of the ecotel Group. In December 2009, the company employed four staff members. After selling 40% of the shares of PPRO GmbH in December 2009, ecotel communication ag now holds 11.2% of the shares of the company.

easybell GmbH

ecotel private GmbH has held 51% of the shares of easybell GmbH, headquartered in Potsdam, since July 2007. At the end of 2009, the company had five full-time employees. It offers telecommunications products to price-sensitive and technically-oriented private customers. Currently, easybell GmbH operates in the area of narrowband services and DSL. Sales are carried out mainly via telecommunica-tions price portals. In addition, the company holds 100% of the shares in Sparcall GmbH, which markets the „01028" call-by-call number, as well as 100% of the shares in carrier-services.de GmbH, which markets the „010010" call-by-call number.

mvneco GmbH

In conjunction with other consortium partners, ecotel founded mvneco GmbH with headquarters in Düsseldorf in April 2007; it holds 45% of the shares in the company. At the end of 2008, mvneco GmbH employed ten staff members. It functions as a technical service provider and as a mobile virtual network enabler (MVNE) enables other telecommunications companies, such as ecotel communica-tion ag, to enter the mobile communications market. In the process, the mvneco technical platform is connected to the network of a mobile network operator (e.g. E-Plus), which enables it to offer its own mobile services.

synergyPLUS GmbH

synergyPLUS GmbH was founded in March 2009. ecotel has established an exclusive marketing relationship with synergyPLUS GmbH for the area of mobile communications and convergence products. The marketing agent concept makes it possible to keep fixed costs low, while simultaneously having access to directly managed sales. At the end of 2009, synergyPLUS GmbH employed two staff mem-bers and six marketing agents. ecotel holds 49% of the shares in the company.

4. CORPORATE MANAGEMENT OF THE GROUP

ecotel manages the three business units on the basis of the overall strategic orientation of the Group. Overall budget planning includes the annual budgets of the business units and those of the Group companies. Planning takes place on the product level based on the cost driver process. In this method, the direct variable costs for each product are allocated to the various types of revenue, and a gross margin is calculated for each product. Indirect costs that are not allocable to specific products are accounted for separately. Reporting during the year occurs monthly at the revenue, earnings, and cash flow levels for each unit, with detailed analysis of deviations from the planning and from the previous year. An updated outlook at the end of the fiscal year is carried out regularly. In addition, continuous monitoring of liquidity, investment, and working capital is undertaken. Specific key performance indicators for each unit (e.g. minute volumes, price per minute, purchase margin) are used to manage development and are then mapped via a reporting system.

5. RESEARCH AND DEVELOPMENT

ecotel's development expenditures mainly involve software solutions developed in-house and product development costs in the area of fixed–mobile convergence (FMC). At ecotel communication ag, development expenditures primarily pertain to the order processing system for fixed-line service, data, and mobile communications. At nacamar GmbH, such expenditures primarily involve development related to the media delivery network (MDN) and the video asset management system (medianac).

6. MARKET AND COMPETITIVE ENVIRONMENT-

The financial crisis and the global downturn struck Germany with tremendous force. For the reces-sionary year of 2009, the leading German research institutes estimate a decline in German economic output of 5% after growth of 1.3% in 2008. There are signs of a recovery in 2010.

Telecommunications Market Volume Declined Again in 2009

In 2009, the total market for telecommunications services (excluding cable networks) in Germany fell by 4.6% from € 60.6 billion to € 57.8 billion (source: German Association of Telecommunications and Value-Added Service Providers (VATM) Market Analysis 2009, p. 5). According to the VATM survey, the market share of alternative competitors remained constant at 53%.

The fixed-line market, consisting of access and voice and data services, made up 59% of the total market for telecommunications services with revenue of € 34 billion.

In the meantime, the alternative competitors have activated almost 13 million telephone lines (including voice connections over cable TV networks), and thus, with 37 million telephone lines in Germany achieved a market share of 35%. The majority of these telephone connections are based on ISDN. However, although the number of traditional fixed-line connections at the competitors is rising only slightly, distinct growth is evident with unbundled VoIP and cable TV complete connections.

At the end of 2009, there were almost 25 million broadband lines in Germany, after 23 million broadband connections at the end of 2008. Approximately 89% of the broadband lines were based on DSL technology. Of these, 8.4 million connections (34%) were via unbundled local loop (ULL), 2.1 million connections (8%) via DSL resale / wholesale DSL / IP bitstream, and 11.6 million lines (47%) from DTAG, while 2.8 million lines (8%) involved other forms of access, such as cable TV. Thus, the competitors of DTAG have a market share of 53%. It could be observed in 2009 that particularly DTAG and the cable network operators gained market share at the expense of the competitors.

In recent years, DTAG's competitors have accounted for a sharply increasing share of traffic volume for voice services, particularly in the full access segment. However, the volume has declined for call-by-call and preselection (see the illustration). In the meantime, full-access voice connection minutes account for more than 70% of the total fixed-line minutes produced by competitors. An additional factor was the replacement of fixed-line communication with mobile and of PSTN (public switched telephone network) with VoIP (voice over IP).

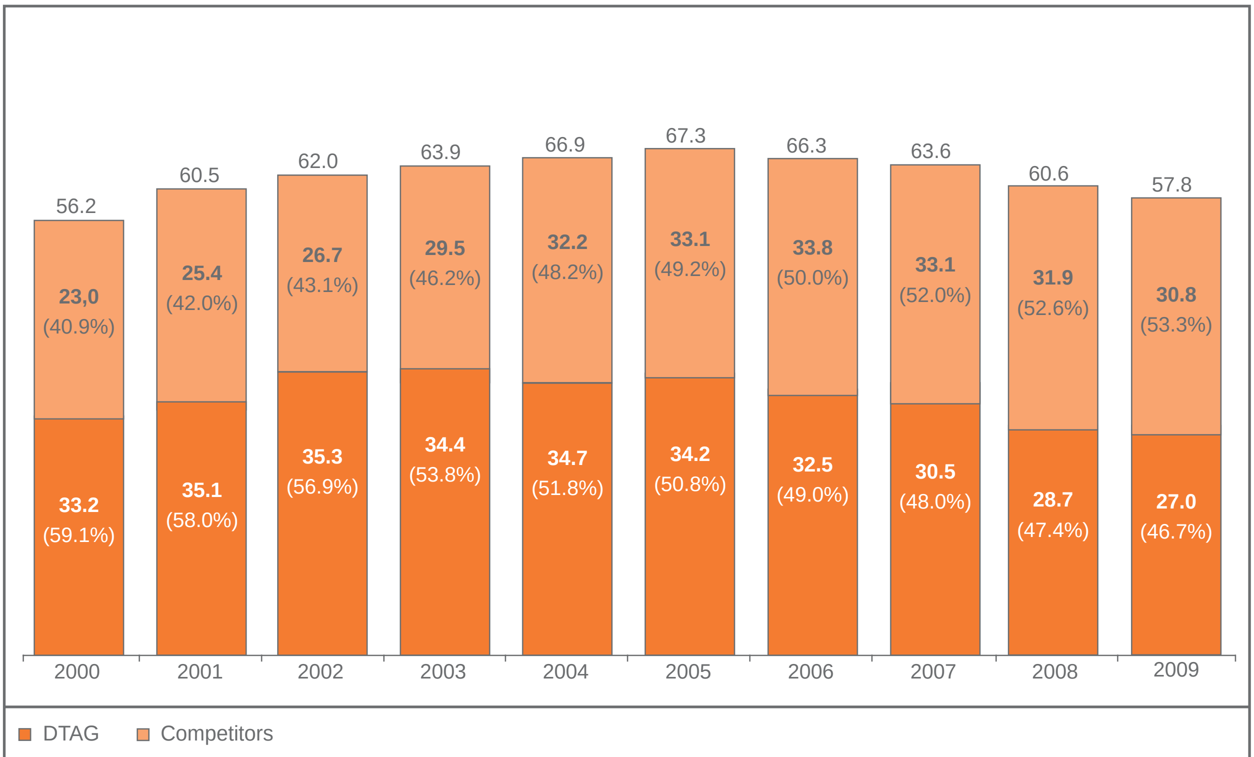
Revenue from mobile services, as measured by the total market volume of telecommunications services, declined in 2009 from € 25.6 billion to € 23.6 billion. Despite annual growth in mobile communications minutes of about 10%, total revenue from mobile services fell as a result of lower prices in the voice segment, primarily driven by aggressive pricing by mobile communications discounters. The solid revenue growth in the area of non-voice services continues to be driven by data transmission. The number of activated SIM cards at the end of 2009 was about 100 million, the same as in the previous year.

Trends in the B2B Market

The revenue trend in Germany's business sector is also downward, primarily reflecting a sharp drop in prices in the traditional telephony business and intense competition. In addition, it can be observed that customers are increasingly switching over to bundled offers which include ISDN and DSL connectivity. Furthermore, traditional voice technology is being replaced more and more by VoIP solutions.

Possible trends in the future are transferring telephone equipment to the network (IP Centrex), broad-band internet access, secure ethernet-based

Overall market for telecommunications services in Germany in Mrd. €



Source: VATM-Marktanalyse 2009

connections among corporate sites, and internet services such as software as a service (SaaS) and server-based computing (SBC).

It is also to be assumed that combined fixed-line and mobile service products—in both the voice and data domains—will also play a significant role in the B2B market in the future.

Regulatory Trends

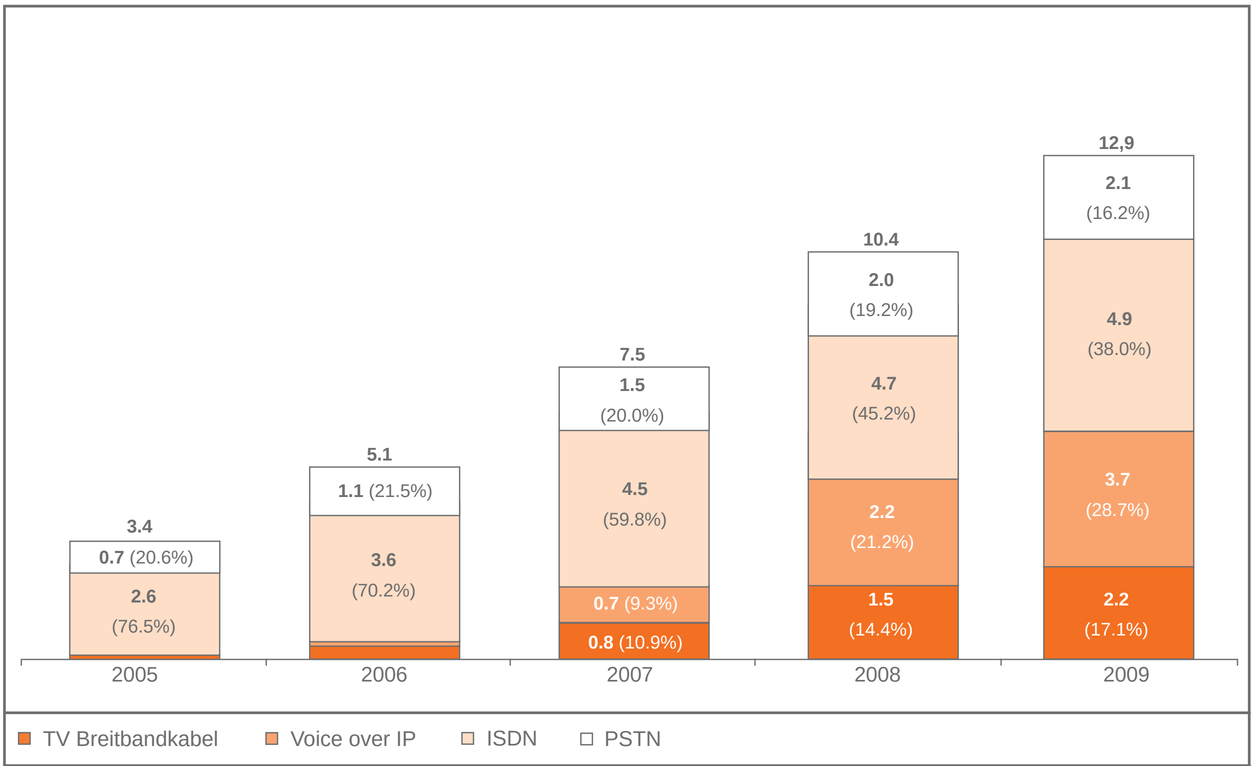
As a telecommunications company, ecotel is subject to oversight by the German Federal Network Agency for Electricity, Gas, Telecommunications, Post, and Railway (BNetzA). The BNetzA supports the liberalization and the opening of the market in the telecommunications sector. In the area of fixed-line service, starting in 2008, Deutsche Telekom AG is required by the German Telecoms Act (TKG) to offer the upstream products "IP bitstream access" and "resale PSTN." The provision of these two upstream products constitutes an important basis for the future product portfolio of ecotel. The BNetzA urged Deutsche Telekom AG to deliver on a voluntary commitment to make „resale PSTN" available. So far, a proposal has not yet been offered to competitors. Therefore, ecotel will rely more heavily on cooperation with alternative local exchange carriers in the future.

In the area of mobile communications, in 2009 there were additional reductions of voice and data roaming fees and national termination fees. The EU Roaming Regulation established additional regulatory parameters regarding the cost of receiving roaming voicemail messages and the introduction of cut-off limits for data roaming.

7. BUSINESS DEVELOPMENT IN 2009

The following will provide a short overview of the most important events for ecotel in fiscal year 2009.

Fixed-line/Telephone Lines of Competing Service Providers (in millions)



Source: VATM-Marktanalyse 2009, S. 11

KfW Innovation Loan of € 5 Million Received

In September 2009, ecotel received an Enterprise Resource Planning (ERP) innovation loan of € 5 million from the Kreditanstalt für Wiederaufbau (KfW) and Commerzbank. The money is earmarked for the development of innovative fixed-line and mobile communications convergence products. This created the basis for additional growth through investment in new development projects.

Out-of-court Settlement Achieved with Tiscali for Acquisition Price Reduction

In September 2009, ecotel achieved an out-of-court settlement with Tiscali for a reduced purchase price for the acquisition of the shares in Tiscali Nacamar GmbH on February 5, 2007. As a result of the settlement, ecotel received a cash settlement of € 1.65 million. The original purchase price for Tiscali Nacamar GmbH was € 18.5 million. Via the out-of-court settlement, it was possible to avoid a multi-year legal dispute and to further reduce net debt.

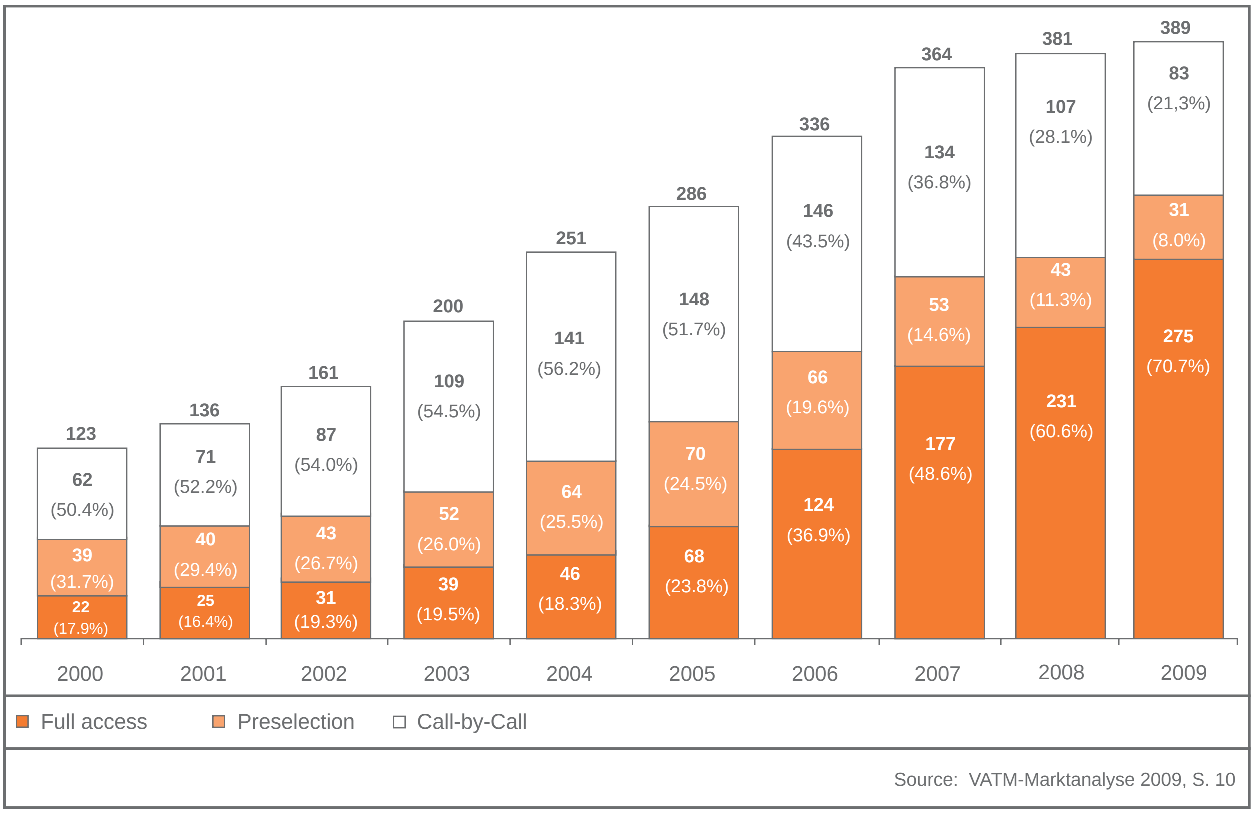
Cooperation Agreements Concluded with Versatel and Vodafone for the Marketing of Business Solutions

Within the framework of cooperation agreements with Versatel AG and Vodafone D2 GmbH, ecotel has offered full access products based on the infrastructure of both vendors since the end of 2009. Based on these new partnerships, ecotel can now provide more than 70% of business customers in Germany with „real“ ISDN (non-VoIP) full access packages at particularly attractive conditions. Furthermore, the cooperation agreements created the basis for migrating existing customers to these new full access.

Consolidation of Network Infrastructure

Within the framework of the „NetMig“ project, the Germany-wide IP backbone with 21 access points

Overall market for competing voice service providers in Germany by product (in millions of minutes per day)



was streamlined to two access points. In the process, 110 existing customers were migrated from conventional leased line connection technology to modern ethernet technology and connected directly to both central access points. It was also possible to gain 70 new ethernet customers. The main advantage of ethernet technology for customers is the more flexible and on average five times greater bandwidth at the same cost and quality. The main advantage of the project for ecotel is the modernization of infrastructure and the setting up of a purely variable cost base. Simultaneously, the number of upstream suppliers was successfully reduced from thirteen to four.

Merger with PhaseFive AG and Transfer of nacamar GmbH's B2B Area to ecotel

The restructuring of nacamar GmbH's B2B data business was successfully completed in 2009. Effective January 1, 2009, this unit was also legally transferred to ecotel communication ag via a spin-off. nacamar GmbH will continue to operate the new media business. Furthermore, PhaseFive AG was merged with ecotel communication ag, also with effect from January 1, 2009.

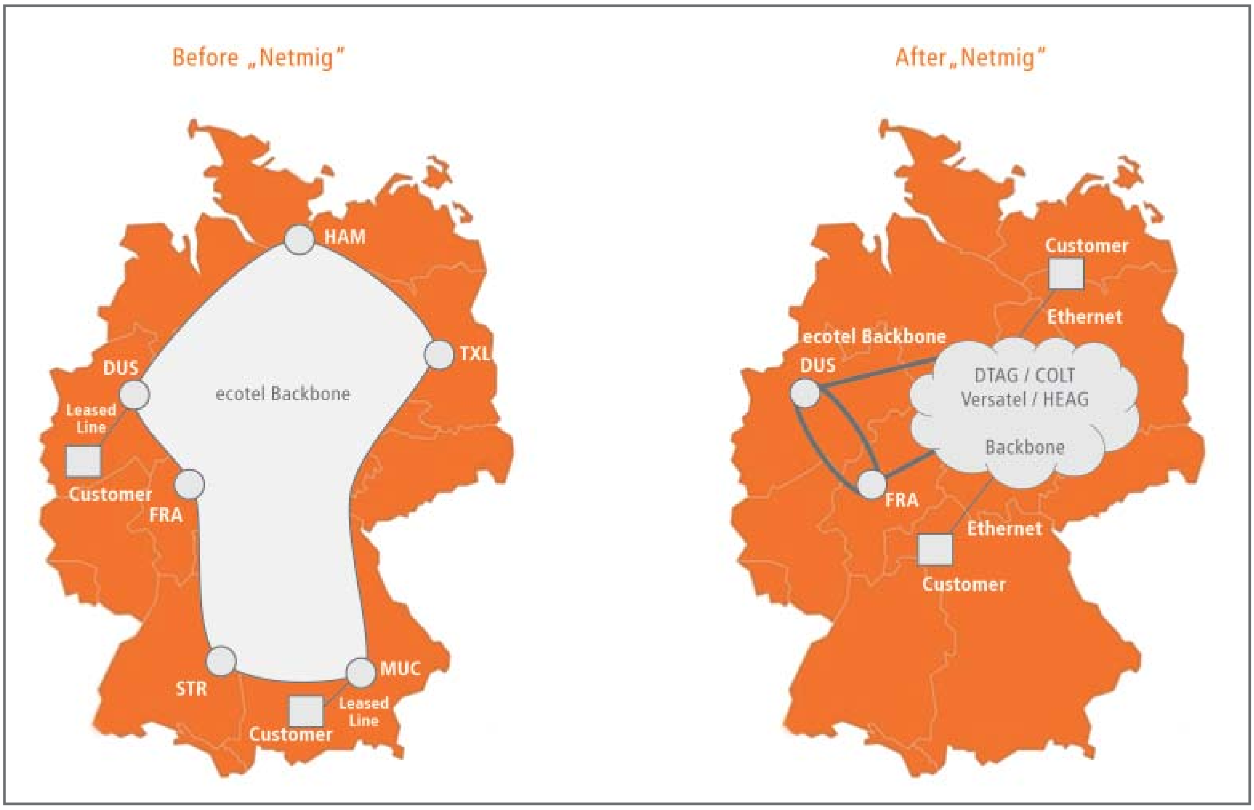
Efficiency Improvements of € 0.8 Million in 2009

In May 2009, ecotel launched an efficiency improvement program, which already generated cost savings in 2009 of € 0.8 million for materials, personnel, and other operating expenses. In 2010 cost savings of more than € 2 million are anticipated.

Sale of 40% of the Shares in PPRO GmbH

In December 2009, ecotel sold 40% of the shares in PPRO GmbH, but still owns 11.2% of the shares in the company. With this transaction, ecotel is systematically pursuing the strategy of focusing from 2010 exclusively on the marketing of telecommunications services in the Business Solutions, Whole-

Variable Cost Base and Performance Improvement „Through NetMig“



sale Solutions, and New Business business units. Beginning in 2010, PPRO GmbH is no longer included in ecotel's consolidated group and is now disclosed as a financial asset.

Acquisition of the Private Customer Base of Carpo Deutschland GmbH

In August 2009, easybell acquired from Carpo Deutschland GmbH about 20,000 private customers, which it provides with full access and VoIP services. As a result of this acquisition, easybell GmbH gains additional expertise in the still nascent market for DSL full access and VoIP products, thus laying the groundwork for a market entry with own products.

EARNINGS, FINANCIAL, AND ASSET POSITION

1. EARNINGS POSITION

In 2009, Group revenue of € 98.7 million was achieved, meaning a decline of 6% from the previous year's amount of € 105.5 million. The gross profit (sales revenue minus cost of materials and services) fell from the previous year by 11% from € 26.4 million to € 22.7 million. The gross profit margin declined from the previous year from 25% to 23%.

Lower Figures in the Business Solutions Business Unit

The Business Solutions unit accounted for 49% of the total revenue and 79% of the gross profit of ecotel Group. Revenue in the Business Solutions business unit totaled € 48 million compared with € 58 million in the previous year. The revenue decline of 17% from the previous year was attributable to the continued impact of the product-related loss of customers in the voice preselection revenue area, which could not yet be offset by sufficient new revenue in 2009. As a result, extensive activities are planned for existing and new customers in 2010 in order to engineer a product change by preselection customers to the new full access product and thus usher in a turnaround in this business unit. The gross profit in 2009 was € 17.9 million, after € 21.6 million in the previous year. The gross profit margin of 37% remained at the same level as the previous year.

Further Growth in the Wholesale Solutions Business Unit

The Wholesale Solutions business unit contributed 35% of total revenue and 6% of total gross profit. Revenue in this unit increased by 8%, from € 31.9 million to € 34.4 million. Gross profit amounted to € 1.3 million, in comparison with € 1.7 million in the previous year.

Sustained Growth in New Business Unit

The New Business unit contributed 16% of total revenue and 16% of total gross profit. Revenue in the New Business unit increased from € 15.6 million to € 16.1 million, while the gross profit rose from € 3.2 million to € 3.6 million.

Lower Personnel Expenses

Personnel expenses were reduced in 2009 by € 0.6 million from € 10.2 million to € 9.6 million. The number of employees declined as a result of restructuring measures to 193 (previous year: 222).

Other operating expenses fell by 13% from € 11.3 million to € 9.8 million, primarily reflecting lower costs of delivering goods (particularly sales commissions to partners) and realized cost savings.

Lower EBITDA than in the Previous Year

Earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2009 declined by 18% from € 6.0 million to € 4.9 million. This corresponds to an EBITDA margin of 5.0%. EBITDA in 2009 included one-time expenses of € 0.9 million. They consist of € 0.6 million in expenses for extraordi-nary write-downs on receivables, provisions for losses on receivables, and credit notes relating to other periods, as well as € 0.3 million of one-time expenses for the consolidation of the network infrastruc-ture (NetMig project). The total of one-time gains included in EBITDA amounted to about € 0.6 mil-lion as a result of the reversal of provisions.

Depreciation and amortization increased in 2009 from € 3.6 million to € 4.0 million. Of this amount, € 0.8 million related to the amortization of the existing customer bases of the acquired companies. In addition, there were € 3.2 million in extraordinary write-downs on non-current assets. These consisted of € 1.6 million in value adjustments for the existing customer base of nacamar GmbH and the former DSLCOMP GmbH as well as € 1.0 million in value adjustments for goodwill to reflect diminished expectations at PPRO GmbH and bindone GmbH, and € 0.4 million in value adjustments for intangible assets of ecotel communication ag (software developed in-house). Value adjustments on operating capital due to unutilized advertising amounted to € 0.2 million.

Reflecting these special effects, earnings before interest and taxes (EBIT) amounted to € -2.2 million after € -3.7 million in the previous year. Without the extraordinary write-downs of € 3.2 million, EBIT in 2009 would have totaled € 1.0 million.

The finance result in 2009 amounted to € -0.1 million after € -0.7 million in the previous year. It included expenses for interest payments of € 0.7 million, the result of synergyPLUS GmbH of € -0.1 million accounted for using the equity method, and the write-down of a shareholder's loan to mvneco GmbH of € 0.8 million accounted for using the equity method, which recently had been disclosed under non-current loans within financial assets. These were offset by extraordinary income of € 1.65 million from the out-of-court settlement for a purchase price reduction for the acquisition of the shares in Tiscali Nacamar GmbH less the related legal expenses incurred in 2009 of € 0.4 million as well as proceeds of € 0.2 million from the return of 147,500 shares from the transaction involving ADTG Allgemeine Telefondienstleistungs GmbH.

The tax expense for 2009 was € 0.03 million.

Consolidated net income after minority interests amounted to € -2.2 million in 2009, after € -4.2 million in the previous year. This corresponds to earnings per share of € -0.57, compared with € -1.07 in the previous year.

2. FINANCIAL POSITION

Cash flow from operating activities in 2009 totaled € 6.1 million, compared with € 6.5 million in the previous year. Working capital (the difference between receivables and liabilities) increased by € 0.2 million.

Cash flow from investing activities came to € -3.6 million in 2009. It consisted of investments of € 0.5 million for development costs, investments of € 2.0 million for server, network, and computer center infrastructure, investments of € 0.4 million for the development of the CAP platform, investments of € 0.5 million for software licenses, and investments of € 0.2 million for the acquisition of CARPO's existing customer base. Furthermore, there were investments of € 0.1 million for the founding of synergyPLUS GmbH and inflows of € 0.1 million from the PPRO GmbH share sale less related cash outflows.

Cash flow from financing activities totaled € 1.1 million in 2009 and consisted primarily of inflows of € 5.0 million from the KfW innovation loan, lease purchases of € 0.6 million, outflows related to loan repayments of € 3.5 million, the repayment of lease obligations of € 0.2 million, and interest payments of € 0.8 million.

Cash and cash equivalents doubled, going from € 3.5 million at the beginning of 2009 to € 7.1 million at the end of 2009.

ecotel has a revolving credit facility of € 6 million at two banks. Of this amount, at the end of 2009 € 2.3 million was being used as collateral, meaning € 3.7 million remained available.

As in previous years, the Company was able to meet its payment obligations as required and on time.

3. ASSET POSITION

Total assets as of December 31, 2009 amounted to € 52.7 million; this represents a decline of 4% from the figure of € 55.0 million as of December 31, 2008. The decline in total assets was primarily driven by depreciation and amortization totaling € 7.1 million.

On the assets side, non-current assets fell by 14%

from € 33.4 million to € 28.8 million. Goodwill declined from € 13.5 million to € 12.1 million due to write-downs. The value of customer relationships decreased from € 6.8 million to € 4.5 million, reflecting ongoing depreciation and amortization and an extraordinary write-down of € 0.5 million. Current assets (excluding cash and cash equivalents) decreased slightly from € 17.4 million to € 16.8 million.

On the equity and liabilities side, equity contracted by 13% from € 22.5 million to € 19.6 million. As a result, the equity ratio declined from 41% at the end of 2008 to 37% at the end of 2009. Non-current provisions and financial liabilities increased from € 12.8 million to € 14.1 million, reflecting the ac-ceptance of the KfW innovation loan. Of that amount, € 0.9 million pertained to deferred income tax-es. Current provisions and liabilities slumped slightly from € 19.6 million to € 19.0 million. Taking into account the equity-like nature of the KfW subordinated tranche (€ 2.5 million), net debt (financial liabilities minus cash and cash equivalents) amounted to € 7.4 million, equivalent to a reduction of € 4.3 million compared with the previous year.

The net working capital of the Company, which is the difference between current assets (including cash and cash equivalents) and current provisions and liabilities, is positive.

SUPPLEMENTARY REPORT

Since the end of the fiscal year, there have been no material changes in the underlying conditions. Neither the economic environment changed to an extent that there would be significant effects on ecotel's business activities nor did the situation in the economic sector appear different from that of December 31, 2009.

RISK REPORT

1. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

ecotel has adopted an appropriate risk management system for the early identification, evaluation, and correct handling of business and existential risks.
The Management Board has the Group-wide responsibility for the early recognition of risks and for taking countermeasures against them. The Board is supported by the managers of the subsidiaries and the members of ecotel company management in the ongoing identification and evaluation of risks to the Company.

With the help of quarterly risk reports, the Management Board and Supervisory Board monitor the identified risks in relation to targeted earnings over the course of the entire year. The focus is on identifying any needed actions and on the status of measures introduced for systematically managing the identified risks. All material risks which could endanger earnings and the existence of the Company are listed in the form of a risk matrix. All potential risks are evaluated according to their probability of occurrence and the possible extent of damages. In addition, risks are quantified as to how they could lead to potential deviations from targeted earnings. Finally, the steps taken to manage any potential risk are listed.

The risk of financial reporting consists of the possibility that our annual and interim financial statements could contain false representations which could have a material impact on the decisions of the intended audience. Our accounting-based internal control system is designed to identify possible sources of errors and limit the resulting risks. In order to ensure correct and reliable accounting, the internal control system is designed in such a way that for all material business transactions the double-check principle applies and that a functional separation between categories (creditors, debtors) is maintained during the accounting process. Financial reporting guidelines are applied to ensure accu-rate accounting. External service providers are consulted for the preparation of financial statements in accordance with IFRS and for complex accounting topics. The same applies to the preparation of the tax declaration. In addition, key financial figures are routinely monitored and analyzed for any deviations from their targets.

2. RISKS TO FUTURE GROWTH

As part of its business activity, ecotel is exposed to operating risks, finance risks, strategic risks, and market environment risks.

Operating Risks

Operating risks are short-term in nature and for ecotel are concentrated mainly in the possible malfunctioning of infrastructure (e.g. backbone, computer center, transmission technology, or server farms) and the correct execution of Company-critical processes, for example in the areas of supply, invoicing, receivables management, and customer service.

Assuring maximum availability of infrastructure through appropriate system redundancies is one of the most important measures for combating risk; ecotel has implemented these consistently. As a result of the NetMig project, the risk of failm of the backbone infrastructure fail has, been eliminated. In the area of computer center infrastructure, extensive modernization efforts were made in 2007. The focus of measures to expand the computer center in 2010/2011 is on increasing the capacity of the power supply and in creating additional redundancies in the area of emergency power supply. The effects of a possible failure of transmission technology were mitigated by the fact that now only international B2B and narrow-margin wholesale traffic is terminated over the own network and most B2B voice traffic is handled dirctly by upstream supplier networks. Regarding the accessibility of server farms belonging to nacamar‘s media delivery network, in 2010 additional efforts will be undertaken to completely duplicate server farms at separate sites.

An additional operational risk factor is the new order interface (WITA) of Deutsche Telekom (DTAG). WITA was conceived as middleware between the existing telecom IT structure and competitors. It was supposed to facilitate uniform order entry and processing. In reality, this complex interface functions only to a limited extent and in practice is a considerable obstacle for ecotel and other alternative market participants in terms of order processing. This leads in turn to customer dissatisfaction and a higher customer attrition rate. ecotel assumes that DTAG will come to grips with this problem in Q2 2010.

In addition, ecotel is currently suffering from delivery bottlenecks with regard to DTAG's prompt facilitation of ethernet lines. Since delivery delays have a direct impact on customer satisfaction, the growth potential of this new product, and thus the earnings position of the Company, ecotel is hopeful that here too a solution to the problem of delivery delays and adherence to deadlines will be found in Q2 2010.

Furthermore, ecotel always attempts to communicate expertise on Company-critical processes to a number of employees so as to avoid creating too strong a dependence on individual key employees.

A legal claim is currently pending against ecotel for non-acceptance of hardware equipment. The amount being contested is € 166 thousand. ecotel considers it unlikely that it will lose the lawsuit.

Finance Risks

ecotel is exposed to finance risks in the form of credit risks, liquidity risks, and interest rate risks.

As part of its acquisition financing, ecotel has agreed standard market financial covenants with the financing institutions, which refer to the relationship between specific financial markers. A violation of the covenants could cause notice of cancellation and thus lead to early repayment of the loan and revolving credit facility. This would cause a significant deterioration of the liquidity position of ecotel if no agreement could be reached for adjusting the financial covenants or refinancing. ecotel is clearly within the range stipulated by two of the three current financial covenants: equity ratio (target: >25%; actual: 37%) and net debt / EBITDA (target: <2.5; actual: 1.5). For the third covenant (EBITDA / sales revenue [target: >5%; actual: 5.1%]), ecotel is only slightly above the agreed threshold. The risk exists that the Company could fall short of this threshold in 2010, given continued solid growth in Wholesale Solutions and temporary margin compression pending a turn-around in the B2B area. ecotel is capable of ensuring compliance with the EBITDA margin covenant in 2010 and in the future, but this requires it to scale back activities in the Wholesale Solutions business unit. ecotel is engaged in discussions with its banks in order to enable the Wholesale Solutions business unit to continue to make sustainable progress. The banks have already signaled their willingness to come to an accommodation on this issue.

As of the end of 2009, ecotel had cash and cash equivalents of € 7.1 million. Net debt at the end of the year totaled € 7.4 million (after € 11.7 million in the previous year), which corresponds to 1.5 times the EBITDA of 2009. The Company assumes that the cash on hand and the expected inflow of capital from operating business activity will be sufficient to finance the continuation of its business strategy. As an additional liquidity reserve, ecotel has a revolving credit facility of € 6 million at two banks. Of this amount, at the end of 2009 € 2.3 million was being used as a line of collateral, meaning € 3.7 million remain available. Of the revolving credit facility, € 3.5 million have a term

until June 30, 2010. The risk exists that a portion of this revolving credit facility might not be extended.
Possible interest payment fluctuations due to interest rate changes are limited by the fact that ecotel has negotiated interest rate swaps and interest rate caps for a large portion of its outstanding loans.

Strategic Risks

Strategic risks are more medium-term in nature and are influenced by the strategic alignment of the Company in terms of purchasing, products, sales, technology, and IT.

Dependence on suppliers is reduced by implementing a two-supplier strategy for crucial products. However, because of the market dominance of Deutsche Telekom, this is not possible in all product segments.
A particular strategic risk is the high degree of readiness of preselection customers to switch to the bundled products of other providers (particularly DTAG), which reduces the customer base. If ecotel does not succeed in tying its customers more strongly, such as with own competitive bundled offers, and thus succeed in achieving a lower rate of customer attrition, this might have significant negative effects on the asset, finance, and earnings position of ecotel.

In addition to small to medium sized business customers, ecotel also supplies certain large enterprises with telecommunications services. The risk exists that ecotel could lose not only relatively small companies but also large enterprises as customers in 2010 and subsequent years.

For the activation of the access lines for business customers, ecotel continues to be dependent on the cooperation of Deutsche Telekom AG. In this context, on February 2, 2009, the German Federal Network Agency ruled against DTAG with respect to the unimpeded activation of telephone connections, regarding it as a product subject to general business terms and conditions. According to the ruling, DTAG is required to make end customer telephone connections available to competitors like ecotel without interruption. In addition, the current ruling called upon DTAG to make a voluntary commitment to facilitate uninterrupted provisioning of access lines for competitors. So far, DTAG has not complied on either point. This constitutes a massive impediment to ecotel‘s competitiveness and therefore has a direct impact on its earnings position. It was possible to lessen ecotel‘s dependence on DTAG in the future by having ecotel offer full access products via alternative local exchange carriers (Vodafone, Versatel) in addition to connection activation via DTAG. As a result, more than 70% of households and business customers in Germany can obtain „real“ ISDN (non-VoIP) access lines at particularly attractive conditions. In addition, the Company intends in 2010 to move the majority of existing customers from DTAG connections (voice + DSL) to alternative local exchange carriers‘ connections as part of a migration project. As a result, it will be possible to reduce costs for upstream products substantially.

Since migrations are typically fraught with risks (e.g. the loss of customers, process and interface problems), under unfavorable conditions a complete connection migration might engender a greater willingness by customers to switch. As a result, the Company‘s earnings position could suffer lasting harm. This could lead to a greater necessity to recognize impairment expenses on intangible assets (goodwill, existing customer base) in ecotel‘s annual financial statements for 2010.

Market Environment Risks

Other material risks that might cause a notable deterioration of the economic position of ecotel are market and economic sectorrelated.

The telecommunications sector is characterized by intense competition, including aggressive pricing. The existing strong competition in the private customer segment that focuses on prices wars and the crowding out of competitors could spread in the future even more to the business customer segment. A sharp consolidation of the telecommunications industry might have negative effects on the asset, financial, and earnings position of ecotel as it would thereby become dependent on specific suppliers.

In addition, ecotel sees a risk of higher outstanding items and increased losses of receivables in the aftermath of the financial crisis and the sluggish macroeconomic recovery. The Company is attempt-ing to counteract this trend through consistent receivables management.

In addition, DTAG is intensifying its efforts—through customer retention measures—to migrate as many telephony customers as possible to long-term contracts in order to prevent their switch to a com-petitor. In so doing, it hinders and impedes the sales activities of the competition, including ecotel.

Furthermore, new products and business models are emerging as a result of rapid technological change. It is therefore not out of the question that in this way, the ecotel products may become less competitive and thus less sought after. ecotel therefore observes the market environment continually in order to be able to react quickly and effectively to changes in technology.

Existing regulatory conditions might also change to the detriment of ecotel's business and thereby lead to negative changes affecting its business.

Total Risk is Calculable

In summary, ecotel is convinced that the material risks identified above neither individually nor in their totality specifically threaten the ongoing existence of the Company, and that ecotel will in 2010 again quickly recognize any risks through its flexible business model and its monitoring system and will be able to react to the risks and take countermeasures.

3. OPPORTUNITIES FOR FUTURE DEVELOPMENT

Besides risks, there are many opportunities that could have a lasting impact on the business development of ecotel Group.

Marketing of Full Access to Existing and New Customers

Through the cooperation agreements with Versatel AG and Vodafone D2 GmbH, ecotel offers business customers full access products (ISDN + DSL) with particularly attractive conditions. The products are accessible in more than 70% of Germany. Furthermore, the cooperation agreements created the basis for migrating up to 10,000 existing customers in the next two to three years to these new complete connections. By obtaining discounts for voice connections and better purchasing conditions for line fees, ecotel can improve the margin situation significantly. At the same time, the new full access lines are laying the groundwork for more competitive products and new growth prospects for ecotel.

Marketing of Fixed-line/Mobile Communications Convergence Products

Since 2010 ecotel has marketed integrated fixed-line, internet, and mobile communications solutions to business customers. Along with the complete connection, customers receive additional SIM cards free of charge. With these SIM cards, ecotel customers can telephone from their fixed-line connection for free. In addition, the SIM cards do not have any basic monthly fees, minimum charges, or contract periods. Only when the SIM cards are used do connection charges accrue and then at an attractive price of € 0.15 for connections to all networks as well as to foreign fixed-line service in the 36 most impotant business countries (EU, USA, China, etc.). Customers may keep their telephone numbers if they wish.

Marketing of Attractive Ethernet Products

Following the successful conclusion of the NetMig project, which involved the migration of leased line customers to innovative ethernet-VPN products, ecotel is focusing in 2010 on the marketing of ethernet products to new customers. These products set themselves apart through their high accessibility, simple integration in corporate networks, and high bandwidths of 10 Mbps to 10 Gbps. For business customers with traditional broadband requirements, ecotel continues to rely on the SHDSL product.

Marketing of New Private Client Products

In 2009 easybell GmbH successfully developed new fields of business, which more than compensate for the decline in the traditional dial-up business. In mid-2009, easybell GmbH began marketing the call-by-call number „01028“ and with it grew into one of the largest and best-known call-by-call providers in Germany within a short period of time. As a result of the acquisition of carpo customers in August 2009, easybell gained additional expertise in the still nascent market for DSL complete con-nection and VoIP products, thus laying the groundwork for a market entry with own unbundled con-nection products in 2010. In addition, easybell GmbH plans to market its own mobile communications products beginning in summer 2010.

Additional Growth for the New Media Business of nacamar GmbH

The market for internet-based audio/video applications, in which nacamar GmbH is active, is one of the strongest growth areas in the ICT sector (information technology + telecommunications). nacamar was able to win large enterprises such as ZDF Mediathek as new customers in 2009, creating the foundation for the further expansion of nacamar GmbH's media delivery network (MDN). The ultramodern server farm infrastructure, together with a renovated back office/customer portal, are setting the stage for additional growth in the years to come. In addition to the traditional pillars of streaming and advertising, with its „medianac“ video asset management solution, nacamar has tapped into an additional attractive B2B field of business for the future.

Efficiency Improvements in Internal and External Business Processes

As of now, ecotel has four different IT systems in use. In 2010, these four systems are to be merged into one system and thus lead to more efficient order processing and execution. At the same time, in view of technological progress and not least of all environmental protection, invoicing processes are to be increasingly automated and itemized bills and customer invoices delivered electronically via the ecotel customer portal beginning in 2010. The portal will make the invoices available to the customers in unrevised form and digitally signed. The ecotel customer portal offers the customer quick and se-cure access to his or her itemized bills and invoices at all times. If requested, customers may continue to receive their original invoices in paper form. Furthermore, beginning in 2010 internal business processes are to be handled more and more on a paperless basis, which will lead to additional effi-ciency gains in the years to come.

4. NOTES ON FORECASTS

This Management Report includes forward-looking statements and information – statements, that is, about events that lie in the future. Such forward-looking statements are recognizable through formulations such as “expect,” “intend,” “plan,” “estimate,” or similar. They are based on current expectations and specific assumptions. They are, therefore, subject to a number of risks and uncertainties. A large number of factors, many of which are beyond the control of the ecotel Group, influence the business activities, success, business strategy, and results of ecotel. As a result of these factors, the actual results, profit, and performance of the ecotel Group may deviate significantly from the forward-looking statements expressly or implicitly contained in the information on results, profit, and performance.

OUTLOOK

Efficient Internal and External Business Processes

On the one hand, the conversion of the backbone network infrastructure to a next-generation network (NetMig project) in 2009 has led to cost savings combined with a variable cost basis. On the other hand, it has led to an improvement in quality, service, and increased bandwidth for customers. An improvement in the cost base for the infrastructure area will become noticeable starting from the second quarter of 2010.

Following the infrastructure measures taken in 2009, intensified efforts will be undertaken in the IT domain in 2010. First, the four existing IT systems will be consolidated into a single IT system in 2010 in order to achieve more efficient order processing. Second, internal and external business processes will be increasingly managed on a paperless basis, reflecting technological innovation and environmental protection. However, cost savings and efficiency enhancements will begin to take effect only towards the end of 2010.

Marketing of Full Access Lines to Existing and New Customers to Reinforce Business

ecotel's focus in 2010 is on migrating existing customers to Versatel's and Vodafone's full accesss lines and on marketing full access to new customers. With the successful conclusion of this project, ecotel's medium and long-term prospects will be strengthened.

Convergent Mobile Communication and Full Access Products for New B2B Revenue

ecotel expects the new integrated fixed-line, internet, and mobile communication solutions with partially cost-free internal telephony to drive growth in 2010.

New Business as a Growth Area

Particularly at nacamar GmbH and easybell GmbH, we anticipate interesting growth prospects in 2010 based on a variety of new products.

Additional Streamlining of the Corporate Structure

The merger of the subsidiaries /bin/done digital solutions GmbH and ADTG Allgemeine Telefondienstleistungs GmbH with ecotel is planned in 2010 in order to further streamline the corporate structure.

Forecast for 2010 and 2011

In 2010, the Company anticipates revenue of about € 80–90 million, thus approximating the previous year's level, adjusted for the deconsolidation of PPRO GmbH. We expect that EBIDTA for 2010 will be in the € 4.0–4.5 million range and thus slightly below last year's level. A further reduction in net debt is also anticipated.

For 2011, the Company estimates revenue of € 90–95 million and EBITDA of € 5.5–6.5 million, assuming success in migrating full access products and marketing new convergence products.

Statement

Statement on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB), including the Statement of Compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Law (AktG)

The Management Board and the Supervisory Board of ecotel communication ag have issued the required statement on corporate governance in accordance with Section 289a of the German Commercial Code (HGB), including the prescribed statement of compliance in accordance with Section 161 of the German Stock Corporation Law (AktG), and made them available to shareholders on the website of ecotel communication ag (http://ir.ecotel.de/cgi-bin/show.ssp?id=6000&companyName=ecotel&language=English).

Responsibility Statement According to Section 37y of the German Securities Trading Act (WpHG)

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's asset, financial, and earnings position, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, Germany, March 25, 2010
ecotel communication ag

The Management Board
Peter Zils Bernhard Seidl Achim Theis

Data

Data

Data

Data

As the first alternative provider of comprehensive B2B services in the German market, **ecotel** can offer high-performance ethernet connections with bandwidth of 10 Mbit/s to 10 Gbit/s anywhere in Germany.

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Consolidated Balance Sheet as of December 31, 2009

Assets Amounts in €	(Notes)	12/31/2008	12/31/2009
A, Non-current assets			
I. Goodwill and other intangible assets	(1)	23,614,060.67	19,758,791.64
II. Property, plant, and equipment	(2)	6,116,326.30	6,305,178.23
III. Financial assets accounted for using the equity method	(3)	0.0	1,602,490.63
IV. Other financial assets	(3)	107,529.19	219,529.19
V. Non-current receivables	(4)	2,282,823.80	171,275.01
VI. Deferred tax assets	(7)	1,274,788.61	775,339.01
Total non-current assets		**33,395,528.57**	**28,832,603.71**
B. Current assets			
I. Inventories	(5)	77,926.15	107,297.91
II. Trade receivables	(6)	14,387,678.98	14,726,109.55
III. Other receivables and current assets	(6)	2,777,055.00	1,745,051.74
IV. Current tax assets	(7)	134,907.60	222,743.79
V. Cash and cash equivalents	(8)	4,188,387.27	7,071,935.85
Total current assets		**21,565,955.00**	**23,873,138.84**
Total assets		**54,961,483.57**	**52,705,74.55**

Liabilities Amounts in €	(Notes)	12/31/2008	12/31/2009
A. Equity			
I. Subscribed capital	(9)	3,900,000.00	3,752,500.00
II. Capital reserve	(9)	17,914,406.41	17,602,454.58
III. Other reserves		46,506.01	-2,078,362.24
Total equity attributable to Group shareholders		21,860,912.42	19,276,592.34
IV. Minority interests	(9)	594,207.23	314,233.94
Total equity		**22,455,119.65**	**19,590,826.28**
B. Non-current provisions and liabilities			
I. Deferred tax liabilities	(10)	1,332,142.82	852,910.26
II. Non-current loans	(11)	11,250,000.00	12,750,000.00
III. Other financial liabilities	(11)	261,380.90	473,766.82
Total non-current provisions and liabilities		**12,843,523.72**	**14,076,677.08**
C. Current provisions and liabilities			
I. Current tax liabilities	(10)	353,782.59	18.603,26
II. Financial liabilities	(11)	4,470,805.40	3,963,256.81
III. Trade liabilities	(11)	13,919,859.82	14,077,264.19
IV. Liabilities to associated companies	(11)	1,852.80	115,793.42
V. Other liabilities	(11)	916,539.59	863,321.51
Total current provisions and liabilities		**19,662,840.20**	**19,038,239.19**
Total liabilities		**54,961,483.57**	**52,705,742.55**

ecotel communication ag

Consolidated Statement of Comprehensive Income for Fiscal Year 2009

Amounts in €	(Notes)	01/01 – 12/31/2008	01/01 – 12/31/2009
1, Sales revenue	(14)	**105,451,433.05**	**98,698,796.43**
2. Other operating income	(15)	554,965.52	1,131,734.48
3. Other own work capitalized		542,748.22	469,511.82
4. Total revenue		**106,549,146.79**	**100,300,042.73**
5. Cost of materials and services			
Expenses for purchased services	(16)	-79,012,584.60	-75,963,307.99
6. Personnel expenses	(17)		
6.1 Salaries and wages		-8,899,045.90	-8,391,866.01
6.2 Contributions to social insurance, pension plans, and other benefits		-1,339,868.73	-1,217,384.28
7. Depreciation and amortization	(18)	-3,624,035.04	-3,922,655.84
8. Impairment	(18)		
8.1 of non-current assets	(18)	-5,954,205.63	-2,953,049.89
8.2 of operating capital	(18)	-100,000.00	-216,002.61
9. Other operating expenses	(19)	-11,270,129.29	-9,785,917.59
10. Earnings before interest and tax (EBIT)		**-3,650,722.40**	**-2,150,141.48**
11. Financial income		584,381.13	2,209,052.76
12. Financial expenses		-1,296,164.68	-1,388,658.60
13. Result of companies accounted using the equity method		0.00	-910,297.61
14. Finance result	(20)	**-711,783.55**	**-89,903.45**
15. Result of ordinary business activity before income taxes		**-4,362,505.95**	**-2,240,044.93**
16. Taxes on income and earnings	(21)	94,695.61	-31,369.42
17. Consolidated net income (= consolidated comprehensive income)		**-4,267,810.34**	**-2,271,414.35**
18. Net income attributable to minority interests	(22)	79,008.90	116,765.56
19. Net income attributable to ecotel communication ag shareholders		**-4,188,801.44**	**-2,154,648.79**
Basic earnings per share	(23)	-1.07	-0.57
Diluted earnings per share	(23)	-1.07	-0.57

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Consolidated Cash Flow Statement for Fiscal Year 2009

Amounts in €	(Notes)	2008	2009
Consolidated net income for the year before taxes and minority interests	(24)	-4,362,505.95	-2,240,044.93
Net interest income	(24)	957,196.15	667,597.51
Write-downs	(24)	9,576,465.17	7,091,708.29
Result of companies accounted for using the equity method	(24)	0.00	910,297.61
Cash flow		**6,171,155.37**	**6,429,588.48**
Other non-cash expenses (+) and income (-)	(24)	88,247.15	299,397.41
Profit (-) / loss (+) on disposals of non-current assets	(24)	0.00	12,482.01
Increase (-) / decrease (+) in trade receivables	(24)	-1,597,366.45	-337,586.08
Increase (+) / decrease (-) in receivables and other assets	(24)	-387,561.92	-82,245.10
Increase (+) / decrease (-) in other provisions	(24)	-148,760.00	0.00
Increase (+) / decrease (-) in trade liabilities	(24)	2,732,642.67	157,404.37
Increase (+) / decrease (-) in liabilities (excl. financial liabilities)	(24)	-352,992.69	60,722.54
Taxes paid (-) / received (+)	(24)	-15,442.46	-434,167.89
Cash flow from operating activities		**6,489,921.67**	**6,105,565.74**
Inflow from disposals of items of property, plant, and equipment and intangible non-current assets	(24)	18,402.98	0.00
Outflow for investments in items of property, plant, and equipment and intangible non-current assets	(24)	-2,548,980.53	-3,639,435.77
Inflow from the sale of financial assets	(24)	0.00	135,761.15
Outflow for investments in financial assets	(24)	0.00	-149,700.00
Inflow/outflow for share purchases/sales by/to minority shareholders	(24)	-111,800.00	0.00
Inflow from interest	(24)	116,315.80	32,545.83
Cash flow from operating activities		**-2,526,061.75**	**-3,620,828.79**
Inflow from minority shareholders	(24)	99,600.00	0.00
Inflow from assumed credit facilities	(24)	0.00	5,587,090.00
Outflow for loan repayments	(24)	-3,399,255.51	-3,681,172.14
Outflow for interest	(24)	-1,077,450.93	-784,871.06
Cash flow from investing activities		**-4,377,106.44**	**1,121,046.80**
Cash changes in cash and cash equivalents		**-413,246.52**	**3,605,783.75**
Cash and cash equivalents at beginning of period		**3,879,398.62**	**3,466,152.10**
Cash and cash equivalents at end of period		**3,466,152.10**	**7,071,935.85**

Statement of Changes in Equity

Amounts in € thou Notes (9)	Sub-scribed capital	Capital reserve
As of January 1, 2008	**3,900**	**17,826**
Change due to purchases or sales of shareholdings	0	0
Change due to purchases or sales of shareholdings	0	0
Umbuchung Vorjahresergebnis	0	0
Equity changes not recognized in income	**0**	**0**
Stock option plan	0	88
Consolidated net income 2008	0	0
Equity changes recognized in income	0	88
As of December 31, 2008	**3,900**	**17,914**
Change due to purchases or sales of shareholdings	0	0
Share repurchases	-148	-390
Reclassification due to easybell GmbH profit/loss transfer agreement	0 0	0 0
Transfer of prior-year result	0	0
Equity changes not recognized in income	**-148**	**-390**
Stock option plan	0	79
Consolidated net income 2009	0	0
Equity changes recognized in income	0	79
As of December 31, 2009	**3,752**	**17,603**

Revenue reserves		Equity attributable to ecotel communication ag shareholders	Minority interests	Total
Other revenue reserves	Consolidated net income			
1,435	**3,312**	**26,473**	**2,094**	**28,567**
-553	0	-553	-1,380	-1,933
41	0	41	-41	0
3,312	-3,312	0	0	0
2,800	**-3,312**	**-512**	**-1,421**	**-1,933**
0	0	88	0	88
0	-4,188	-4,188	-79	-4,267
0	-4,188	-4,100	-79	-4,179
4,235	**-4,188**	**21,861**	**594**	**22,455**
0	0	0	-134	-134
0	0	-538	0	-538
29	0	29	-29	0
0	0	0	1,806	1,806
-4,188	4,188	0	0	0
-4,159	**4,188**	**-509**	**-163**	**-672**
0	0	79	0	79
0	-2,154	-2,154	-117	-2,271
0	-2,154	-2,075	-117	-2,192
76	**-2,154**	**19,277**	**314**	**19,591**

Notes to the Consolidated Financial Statements

Accounting Principles

General Information

ecotel communication ag is a company headquartered in Germany (Prinzenallee 9–11, 40549 Düsseldorf) and is active throughout the country as a telecommunications firm, specializing in the needs of medium-sized businesses in three areas of business.

In its core unit, Business Solutions, ecotel offers small and medium-sized companies as well as large enterprises an integrated product portfolio of voice, data, and mobile communication solutions as a complete package from one source. ecotel supplies about 30,000 business customers across Germany with standard and individualized telecommunications solutions. In addition to ecotel communication ag‘s B2B business, ADTG GmbH is also assigned to this business unit.

In its second business unit, Wholesale Solutions, ecotel markets upstream products to other telecommunications companies and outside marketers. Using modern enabling and communication platforms, these companies obtain access to the entire ecotel product portfolio, such as unbundled local loop and broadband connections or mobile communication solutions. At the same time, this business unit achieves high traffic volumes and therefore creates added value for the core Business Solutions unit. In addition to ecotel communication ag‘s wholesale business, i-cube GmbH and mvneco GmbH are also assigned to this business unit.

The New Business unit focuses on new, rapidly growing business areas and niches of the subsidiaries and holdings, which remain operationally independent. sparcall GmbH was transferred to this independent business unit, along with nacamar GmbH, easybell GmbH, ecotel private GmbH, and toBEmobile GmbH.

All applicable standards that are mandatory in the EU as of the balance sheet date have been used. In addition, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) have been observed.

The International Accounting Standards Board (IASB) has adopted a series of amendments to existing International Financial Reporting Standards (IFRS) as well as a few new IFRS, which must be applied as of January 1, 2009. The following standards and interpretations, which are to be applied for the first time in the current fiscal year, have no material impact on ecotel‘s consolidated financial statements:

- Amendment to IFRS 1 and IAS 27 „Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate“
- Amendments to IFRS 7 „Improved Disclosures on Financial Instruments“
- IAS 1 „Presentation of Financial Statements“
- Amendment to IAS 32 – changes in disclosures on puttable financial instruments and obligations arising on liquidation
- Amendments to IFRIC 9 and IAS 39 (2009) – „Embedded Derivatives“

- Various improvements of IFRSs with respect to
- IAS 16 „Property, Plant and Equipment"
- IAS 19 „Employee Benefits"
- IAS 20 „Accounting for Government Grants and Disclosure of Government Assistance"
- IAS 23 „Borrowing Costs"
- IAS 29 „Financial Reporting in Hyperinflationary Economies"
- IAS 40 „Investment Property"
- IFRIC 13 „Customer Loyalty Programmes"

The following new and revised standards and interpretations had been adopted as of the compilation of these consolidated financial statements on December 31, 2009. However, these do not come into effect until a later date and were not used in the current consolidated financial statements earlier than required. Their effects on the consolidated financial statements of ecotel communication ag have not yet been fully analyzed, and as a result, the expected effects, as presented at the bottom of the tables, merely represent an initial estimate.

Standard/ Interpretation		FN	To be used starting in fiscal year	Planned first-time use
IFRS 2	Share-based Payment – Amendments in relation to group cash-settled share-based payment transactions	1.3	January 1, 2010	January 1, 2010
IFRS 3	Business Combinations – Comprehensive revision of the application of the purchase method	1	July 1, 2009 (EU: 07/01/2009)	January 1, 2010
IFRS 9	Financial Instruments – Classification and Measurement (revised)	1.3	January 1, 2013	January 1, 2013
IAS 24	Related Party Disclosures (revised definition of related parties)	1.3	January 1, 2011	January 1, 2011
IAS 27	Consolidated and Separate Financial State ments according to IFRS – Changes arising from amendments to IFRS 3	1	July 1, 2009 (EU: 07/01/2009)	January 1, 2010
IAS 28	Investments in Associates – Changes arising from amendments to IFRS 3	1	July 1, 2009 (EU: 07/01/2009)	January 1, 2010
IAS 31	Interests in Joint Ventures – Changes arising from amendments to IFRS 3	1	July 1, 2009 (EU: 07/01/2009)	January 1, 2010
IAS 32	Financial Instruments: Presentation (revised)	1	February 1, 2010 (EU: 02/01/2010)	January 1, 2011
IAS 39	Financial Instruments – Recognition and Measurement (revised) – Risk positions qualifying for hedge accounting (supplement)	1	July 1, 2009 (EU: 07/01/2009)	January 1, 2010
IFRIC 12	Service Concession Arrangements	1	January 1, 2008 (EU: 03/28/2009)	January 1, 2010
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1.3	January 1, 2011	January 1, 2011
IFRIC 15	Agreements for the Construction of Real Estate	1	January 1, 2009 (EU: 01/01/2010)	January 1, 2010

Standard/ Interpretation		FN	Anzuwenden für Geschäftsjahre ab	Geplante erstmalige Anwendung ab
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1	1. Oktober 2008 (EU: 30.06.2009)	1. Januar 2010
IFRIC 17	Distributions of Non-cash Assets to Owners	1	1. Juli 2009 (EU: 31.10.2009)	1. Januar 2010
IFRIC 18	Transfers of Assets from Customers	1	1. Juli 2009 (EU: 31.10.2009)	1. Januar 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1,3	1. Juli 2010	1. Januar 2011
Various	Improvements to IFRSs	1,3	diverse	1. Januar 2010

FN

1 No significant effects on the consolidated financial statements of ecotel communication ag are expected.

2 Primarily additional or modified disclosures in the Notes to the consolidated financial statements of ecotel communication ag are expected.

3 Pronouncement of the IASB/IFRIC has not yet been adopted by the EU.

In addition to the balance sheet and the income statement, a cash flow statement and a statement of changes in equity have been prepared.

In order to improve the clarity of presentation, various items have been combined on the consolidated balance sheet and the consolidated income statement. These entries are correspondingly broken down and explained in the Notes. The income statement has been prepared according to the total cost method.

The fiscal year used by ecotel communication ag and its fully consolidated subsidiaries corresponds to the calendar year. The consolidated financial statements are presented in Euros. All amounts, including figures from the previous year, are listed in thousands of Euros (€ thousand).

The audited consolidated financial statements, as well as the Group Management Report, are filed with the electronic version of the German Federal Gazette. The consolidated financial statements are to be approved for publication on March 26, 2010 by the Supervisory Board of ecotel communication ag.

Basis of Consolidation

For subsidiaries included for the first time in the consolidated financial statements, capital consolidation is carried out in accordance with the acquisition method using the purchase method of accounting (IFRS 3). In this method, the acquisition costs of the shares acquired are offset against the newly assessed share of equity in the subsidiaries. Any difference between the acquisition costs and the newly acquired share of equity is allocated to the assets and liabilities of the subsidiary. Subsequently, any positive differences are recognized as goodwill under non-current intangible assets. Negative differences are recognized immediately with an effect on net income. In the course of deconsolidation, the remaining carrying amounts of the goodwill and the negative differences are taken into account in the calculation of the result of the disposal.

Intra-Group expenses and earnings, receivables and liabilities, and provisions are set off against one another. The results of intra-Group transactions are eliminated if they are not insignificant.

Write-downs and write-ups conducted on shares in consolidated companies in the individual financial statements are reversed.

Investments in joint ventures and associates are accounted for using the equity method. According to the equity method, investments in an associate/joint venture are recognized in the balance sheet at cost of acquisition plus post-acquisition changes in the Group's equity holdings. Goodwill related to the associate/joint venture is included in the carrying amount of the investment and is not amortized. The Group's statement of comprehensive income reflects the Group's participation in the success of the associate/joint venture. Changes recognized directly in the equity of the associate/joint venture are recognized proportionally and presented in the statement of changes in equity if appropriate. With one exception, the financial statements of the associate/joint venture are prepared as of the same balance sheet date as the parent company's. If necessary, adjustments are made to the Group's uniform accounting and valuation methods.

Consolidated Group

In addition to ecotel communication ag, the consolidated financial statements include all but two of the domestic and foreign subsidiaries in which ecotel communication ag directly or indirectly controls the majority of voting stock. The Ukrainian subsidiary PhaseFive R&D Ltd. and the subsidiary of the fully consolidated easybell GmbH, carrier-services.de GmbH (previously: 010010 Telecom GmbH), were not included in the consolidated financial statements for reasons of materiality. The initial or deconsolidation takes place at the time of the acquisition or sale of the shares. sparcall GmbH was included in the consolidated group for the first time this year.

ecotel communication ag had the following direct and indirect holdings during the reporting and comparison periods:

Previous year's figures in parentheses	Share of capital in %[2)]	Equity € thousand[2)]	Earnings € thousand[2)]	Revenue € thousand[2)]	Employees[1)] (average)[2)]
ecotel private GmbH	100.0	579 (721)	24 (80)	42 (64)	0 (0)
easybell GmbH	50.98	342 (437)	61 (48)	2,738 (4,771)	5 (3)
carrier-services.de GmbH[4)] (vorm.: 010010 Telecom GmbH)	100.0	33 (30)	3 (1)	340 (218)	0 (0)
sparcall GmbH	100 (0.0)	23 (25)	-2 (0)	1,598 (0)	0 (0)
i-cube GmbH	50.1	133 (222)	-3 (-60)	543 (14)	0 (0)
Phase Five R&D Ltd./ Ukraine[4)]	100.0	28 (30)	1 (6)	184 (95)	1 (1)
/bin/done digital solutions GmbH	100.0	29 (64)	-35 (21)	227 (480)	3 (6)
toBEmobile GmbH	51.03	27 (197)	-48 (-219)	102 (427)	1 (1)
nacamar GmbH	100.0	5,000 (13,487)	-690 (-3,608)	5,223 (17,087)	30 (62)

Previous year's figures in parentheses	Share of capital in %[2)]	Equity € thousand[2)]	Earnings € thousand[2)]	Revenue € thousand[2)]	Employees[1)] (average)[2)]
ADTG Allgemeine Telefon-dienstleistungen GmbH	100.0	22 (22)	545 (586)	6,320 (5,980)	16 (15)
PPRO GmbH[4)]	11.2 (51.2)	304 (355)	-33 (70)	6,543 (5,965)	2 (2)
mvneco GmbH[3)]	45.0	-2,931 (-1,466)	-1.465 (-726)	1,466 (1,951)	9 (7)
synergyPLUS GmbH[3)]	49.9 (0.0)	-107 (0)	-407 (0)	23 (0)	1 (0)

1) Excluding Management Board members/managing directors and trainees

2) Previous year's figures in parentheses

3) Consolidated using the equity method

4) nicht konsolidiert

The balance sheet cut-off date for the consolidated financial statements is December 31 and is also the cut-off date for the individual financial statements of the parent company and all fully consolidated subsidiaries.

Acquisitions and Disposals of Equity Interests

In fiscal year 2009, the following transactions were carried out with regard to existing investments in fully consolidated subsidiaries:

In December 2009, ecotel sold 40% of the shares of PPRO GmbH and now owns 11.2% of the shares of the company. With this transaction, ecotel is systematically pursuing the strategy of focusing from 2010 exclusively on the marketing of telecommunications services in the Business Solutions, Wholesale Solutions, and New Business business units. As a result, PPRO GmbH is no longer included in ecotel's consolidated group and is now disclosed as a financial asset.

toBEmobile GmbH has been fully consolidated since 2006. Since the date of acquisition and as of the balance sheet date of December 31, 2009, ecotel has held 51.03% of the shares and has a purchase option for the minority interests of 48.97%. The purchase option could be exercised by ecotel at the earliest on December 31, 2008. The option purchase price would have been determined in this case on the basis of the sum of the company's goodwill at the time of purchase. ecotel had not exercised this option as of the preparation of the consolidated financial statements for 2009. As of December 31, 2009, the option had no significant value due to a lack of any profits at toBEmobile GmbH.

Unconsolidated Companies on Grounds of Materiality

As in the previous year, the following two subsidiaries had not been consolidated as of December 31, 2009 on grounds of materiality:

As of December 31, 2009, PhaseFive R&D Ltd. (Ukraine) had assets of € 28 thousand (previous year: € 33 thousand) and liabilities of € 4 thousand (previous year: € 3 thousand). For the entire 2009 fiscal year, the company's revenue totaled € 184 thousand (previous year: € 95 thousand) with an annual result of € 1 thousand (previous year: € 6 thousand).

As of December 31, 2009, carrier-services.de GmbH (previously 010 010 Telecom GmbH), which was acquired by the sole shareholder easybell GmbH, had assets of € 1,637 thousand (previous year: € 214 thousand) and liabilities of € 1,599 thousand (previous year: € 184 thousand). In 2009, the company's sales revenue amounted to € 340 thousand (previous year: € 218 thousand).

Accounting and Valuation Methods

The annual financial statements of the domestic and foreign companies that are consolidated in the Group are presented according to uniform accounting and valuation methods. The values recognized in the consolidated financial statements are not affected by tax regulations except as determined by IFRS regulations for the presentation of the asset, finance, and earnings position.

In addition, the supplementary provisions of Section 315a of the German Commercial Code (HGB) are observed in the consolidated financial statements.

Assets are recognized when the Group is entitled to all substantial opportunities and risks associated with their use. Measurement occurs on the basis of historical cost of acquisition or manufacture, with the exception of specific financial assets.

Acquisition costs include all considerations completed in order to acquire an asset and to put it into operational condition. Manufacturing costs include all costs that can be directly allocated to the manufacturing process and appropriate parts of the overhead costs associated with production. Borrowing costs related to the acquisition or manufacture of a qualifying asset are not capitalized.

Acquired **intangible assets** are recognized at cost of acquisition; self-provided intangible assets from which the firm will obtain future benefit and that can be reliably assessed are recognized at the cost of manufacture and amortized using the straight line method over the period of their presumed useful lives, unless another amortization method better pertains to the course of their use, as in certain exceptional cases.

Research costs are treated as current expenses. **Development costs** are capitalized and written down using the straight line method if a newly developed product or process can be clearly identified, is technically achievable, and is intended either for its own use or sale. Capitalization also requires that a clear assignment of costs is possible and that costs can be covered by future cash inflows with sufficient probability.

Goodwill from consolidation is subject to an impairment test at least once annually or if there are indications of an impairment. For impairment testing, the value in use is generally determined under the going-concern assumption. If there is a specific intent to sell, then fair value less costs to sell applies.

The following useful lives are regularly used as the basis for assessment:

Concessions and commercial property rights	3 - 5 years
Development costs	5 years
Software	3 years

If there are grounds for impairment and the recoverable amount is less than the historical cost of acquisition or manufacture, the intangible assets are written down. The recoverable amount of an asset corresponds to the higher amount of the net sales proceeds and the cash value of future cash flows that can be allocated to the asset (value in use).

Property, plant, and equipment are valued at the cost of acquisition or manufacture, depreciated, and where necessary, written down to reflect an impairment loss. Items of property, plant, and equipment are depreciated using the straight line method over their presumed useful lives, unless another depreciation method better corresponds to the useful life, as in exceptional cases. As a rule, property, plant, and equipment are depreciated over the following useful lives:

Other equipment, operating and office equipment	3 - 7 years

If specific reasons for impairment are apparent and the recoverable amount is less than the historical cost of acquisition or manufacture, an impairment loss is recognized for the item of property, plant, and equipment concerned. If the reasons for impairment losses recognized in previous years cease to apply, appropriate write-ups are carried out. For reasons of simplicity and materiality, low-value items of property, plant, and equipment are completely written down in the year of acquisition and recognized as disposals.

Inventories are estimated at acquisition cost or at net sale value.

Receivables and other assets are initially recognized at acquisition cost, taking account of any transaction costs, and are correspondingly carried forward. Receivables bearing no or little interest with terms of over one year are discounted. All identifiable individual risks and general default risks based on experience are carried at appropriately impaired values. Receivables denoted in a foreign currency are valued at the exchange rate on the balance sheet date.

Pre-paid rent and insurance premiums are recognized as prepayment and accrued income under other assets.

Borrowing costs are recognized in the period in which they occur. ecotel Group has no qualified assets in the sense of IAS 23.

Other provisions comprise all identifiable obligations as of the balance sheet date which are based on past transactions or other past events and for which the amount or date of settlement is unclear. The provisions are recognized for the probable settlement amount. Offsetting with positive profit contributions does not occur. Provisions are only formed if a legal or actual obligation to a third party exists. Non-current provisions are carried at their discounted settlement amount as of the balance sheet date in so far as the interest effect resulting from discounting is material.

The settlement amount also includes any cost increases to be accounted for in accordance with IAS 37 as of the balance sheet date.

Liabilities are recognized at the time of their being incurred at the amount of the consideration received, taking any transaction costs incurred into account. Liabilities are subsequently valued at the historical cost of acquisition. Non-current non-interest-bearing liabilities are discounted. Liabilities denoted in a foreign currency are valued at the exchange rate on the balance sheet date.

Deferred taxes are created for differences between the assessments of the assets and liabilities in the consolidated balance sheet and in the tax balances of the individual companies if these assessments may lead in the future to a higher or lower taxable income than would have been the case according to the consolidated balance sheet. The deferred tax assets also include claims for tax reductions that result from the expected future use of current tax loss carryforwards and whose realization is assured with reasonable certainty. The deferred taxes are determined on the basis of tax rates that are applicable or are expected in the various countries at the time of recognition. Deferred taxes on corporation tax loss carryforwards of domestic companies were therefore calculated as in the previous year at 15%, plus 5.5% solidarity surcharge, and on trade tax loss carryforwards at 11–17%. These rates were used for the reporting of deferred taxes on temporary differences if these differences are to be reversed in the future.

Derivative financial instruments are used in the ecotel Group in a limited manner and exclusively for hedging interest rate risks from operating business. In accordance with IAS 39, derivative financial instruments are valued at fair value; changes in value are recognized with affect on net income in the finance result. Determination of the fair value occurs based on the publicly noted market prices on the capital market as sampled at the appropriate lending institutions as of the balance sheet date. Derivative financial instruments with a positive fair value are recognized under other financial assets, and derivative financial instruments with a negative fair value are recognized under other financial liabilities. Initial booking in occurs on the settlement date, which is usually a few days after the date of incurring the debt (date of the transaction). The implemented interest rate swap agreements of ecotel communication ag belong to the category „financial instruments held for sale“ (IAS 39.9) and are recognized in the balance sheet at their fair values as financial assets or financial liabilities until their booking out in the case of expiration or dissolution.

Securities are held as current assets in cash and cash equivalents and are assigned to the category “held for sale.” They are therefore valued at fair value as of the balance sheet date.

Investments in non-consolidated companies are recorded at cost of acquisition as a result of the lack of available market prices.

The **other financial instruments** of the ecotel Group relate to the category “loans and receivables.” At the time of their initial recognition in the balance sheet, these are valued at fair value, including any directly allocable transaction costs. They are subsequently carried at historical cost of acquisition using the effective interest method.

The recognition of sales revenue and other operating income occurs when a service has been provided or when the asset has been delivered and the transfer of risk has been completed. Provisions for warranties are made at the time of the realization of the corresponding sales revenue. If conditions according to IAS 18.20 ff. for the realization of service revenue according to the level of completion of the transaction are fulfilled as of balance sheet date, the corresponding revenue is recognized on the basis of the assessment of completed services using this method.

Operating expenses are recognized with effect on net income when the service is utilized or at the time the service is called into being.

Interest income and expense are recognized in the period in which they occur. Dividends are collected when the claim legally originates. Costs of capital procurement which cannot be offset against equity, such as the costs of supporting the share price, are posted in the **finance result.** The result of companies accounted for using the equity method is shown separately as a part of the finance result.

During the preparation of the consolidated financial statements, **assumptions** are made and **estimates** used that have an effect on the amount and the identification of recognized assets and liabilities, earnings and expenses, and on contingent liabilities. The assumptions and estimates relate primarily to the consolidated Group's uniform definition of useful lives, the reporting of provisions, and the possible realization of future tax relief. The assumptions underlying the estimates are explained under the individual items of the balance sheet and the income statement. The actual values may in some cases deviate from the assumptions and estimates made. Such deviations are recognized with effect on net income at such a time as when improved knowledge makes this necessary.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) GOODWILL AND OTHER INTANGIBLE ASSETS

The intangible assets developed in the fiscal year 2009 as follows:

Development 2009 Amounts in € thousand	Goodwill	Concessions, commercially protected rights, and other rights and assets	Development costs	Customer relationships	Total
Acquisition and manufacturing costs as of 01/01/2009	**16,711**	**5,565**	**2,183**	**9,263**	**33,722**
Change in basis of consolidation	0	-74	0	0	-74
Additions	0	868	547	164	1,579
Disposals	-2,062	0	0	-3	-2,065
Balance as of 12/31/2009	**14,649**	**6,359**	**2,730**	**9,424**	**33,162**
Write-downs as of 01/01/2009	**3,240**	**3,928**	**496**	**2,444**	**10,108**
Change in basis of consolidation	0	-46	0	0	-46
Scheduled additions	0	759	495	843	2,097
Unscheduled additions	1,003	0	350	1,600	2,953
Disposals	-1,709	0	0	0	-1,709
Balance as of 12/31/2009	**2,534**	**4,641**	**1,341**	**4,887**	**13,403**
Carrying amount as of 12/31/2008	13,471	1,637	1,687	6,819	23,614
Carrying amount as of 12/31/2009	**12,115**	**1,718**	**1,389**	**4,537**	**19,759**

In fiscal 2008, the development of the Group's fixed assets was as follows:

Development 2008 Amounts in € thousand	Goodwill	Concessions, commercially protected rights, and other rights and assets	Development costs	Customer relationships	Total
Acquisition and manufacturing costs as of 01/01/2008	**16,711**	**4,402**	**1,538**	**9,168**	**31,819**
Additions	0	1,164	646	95	1,905
Disposals	0	-1	-1	0	-2
Balance as of 12/31/2008	**16,711**	**5,565**	**2,183**	**9,263**	**33,722**
Write-downs as of 01/01/2008	**0**	**1,162**	**39**	**1,007**	**2,208**
Scheduled additions	0	627	382	937	1,946
Unscheduled additions	3,240	2,139	75	500	5,954
Disposals	0	0	0	0	0
Balance as of 12/31/2008	**3,240**	**3,928**	**496**	**2,444**	**10,108**
Carrying amount as of 12/31/2007	16,711	3,240	1,499	8,162	29,612
Carrying amount as of 12/31/2008	**13,471**	**1,637**	**1,687**	**6,819**	**23,614**

Recognized development costs in fiscal year 2009 came to € 547 thousand (previous year: € 646 thousand). These costs primarily relate to the order processing system for fixed-line service, data, and mobile communications, which was put into service in 2008 and will be written-down over 5 years using the straight line method. In addition, development costs of € 66 thousand were recognized in the fiscal year for an online customer portal, which enables the customer to obtain uniform and modern access to itemized statements. The system was put into operation in 2009. Development costs of € 30 thousand relate to the complete connection product. As in the previous year, there were no research expenditures.

Also in 2009, at nacamar GmbH development costs of € 69 thousand were capitalized for an online portal solution which enables small and medium-sized companies to access nacamar GmbH's services. In addition, € 47 thousand was recognized for an accounting system for logging performance data. It is expected that both systems will be put into operation in 2010.

Additions to intangible assets included licensing costs at ecotel for a mobile SIM card management and transfer system (integrated circuit card system [ICCS]) and an IBM backup tape robot of € 188 thousand, initial usage fees at i-cube GmbH for a DSL service platform of € 350 thousand, and licensing fees for Adobe Flash licenses at nacamar GmbH of € 127 thousand.

Pre-paid commissions to outside agents for the acquisition of new customers were recognized as customer relationships (€ 164 thousand; previous year: € 94 thousand). These contracts are made for an average of 12 months. These pre-payments are written down in accordance with the length of the contract with each customer.

In addition, the existing customer bases acquired in 2007 at nacamar GmbH (€ 2,631 thousand; previous year: € 4,297 thousand) and ADTG Allgemeine Telefondienstleistungs GmbH (€ 788 thousand; previous year: € 1,013 thousand) were recognized. The existing customer base of ADTG is amortized over a useful life of 6 years and the existing customer base at nacamar over a useful life between 10 and 18 years, depending on the customer segment. Customer relationships for DSL COMP, which was acquired in 2006, were recognized at € 983 thousand as of the balance sheet date (previous year: € 1,483 thousand); these are amortized in a linear manner over a 10-year period. Additional customer relationships were recognized as of the balance sheet for easybell GmbH (€ 135 thousand; previous year: € 26 thousand); they are amortized over 6 and 2 years, accordingly.

In fiscal year 2009, impairment losses of € 1,300 thousand were recognized on intangible assets (without goodwill) for the existing customer base of nacamar and of € 300 thousand for the existing customer base of DSLCOMP. In both cases, unanticipated customer departures triggered the write-downs. Furthermore, impairment losses of € 350 thousand were recognized on development costs („Balloon" project) as a result of lower expected utility.

In the previous year, impairment losses of € 2,139 thousand were recognized on intangible assets (without goodwill) for user rights for backbone capacity, a further € 75 thousand for capitalized development costs (evolution contracts), and € 500 thousand for capitalized customer relationships at nacamar GmbH.

The reported goodwill consists of the following, taking into account the impairment losses recognized in 2009 due to lower recoverability:

Cash-Generating Unit (CGU) Amounts in € thousand	Buchwert 31,12,2008	Außerplanmäßige Abschreibungen 2009	Abgang wegen Entkonsolidierung 2009	Buchwert 31,12,2009
Geschäftskunden (DSLCOMP/ADTG)	8,732	0	0	8,732
bin/done	294	-294	0	0
i-cube	25	0	0	25
nacamar New Media	3,453	0	0	3,453
ADTG	3,234	0	0	3,234
PPRO	1,062	-709	-353	0
easybell	124	0	0	124
Summe	**13,471**	**-1,003**	**-353**	**12,115**

In accordance with IAS 36, an impairment test was conducted in the fiscal year ended using the discounted cash flow method to determine the recoverability of the goodwill recognized. Data from the respective company planning was used as a basis for this (5-year forecast period). In the 2009 reporting year, it was necessary to recognize an impairment expense of € 709 thousand for the „PPRO" CGU and of € 294 thousand for „bindone."

In the previous year, impairment losses on goodwill totaling € 3,240 thousand were recognized.

The following assumptions were used in the performance of the impairment test: a discount rate of 8.6% after taxes (previous year: 8.6%) or 11.7% before taxes (previous year: 11.7%), a beta factor of 1.3 (previous year: 1.3), and a debt ratio of 41% (previous year: 41%). The growth rates for the individual companies were set at between 0% and 5% for the first 5 years (previous year: between -10% and 5%). For the extrapolation, a growth rate of 0% was used for all companies. The corporation income tax rate used was 31%, as in the previous year.

The determination of fair value of the „PPRO" CGU took into account due diligence from the purchase negotiations.

(2) PROPERTY, PLANT, AND EQUIPMENT

The property, plant, and equipment developed in fiscal year 2009 as follows:

Development 2009 Amounts in € thousand	Land, land rights, and buildings and buildings on third-party land	Andere Ant, operating and office equipment	Payments on account and assets under construction	Total
Acquisition and manufacturing costs as of 01/01/2009	**4,926**	**5,665**	**109**	**10,700**
Change in basis of consolidation	0	-57	0	-57
Additions	330	1,658	73	2,061
Transfers	0	0	0	0
Disposals	-77	-111	0	-188
Balance as of 12/31/2009	**5,179**	**7,155**	**182**	**12,516**
Write-downs as of 01/01/2009	**861**	**3,724**	**0**	**4,585**
Change in basis of consolidation	0	-21	0	-21
Additions	771	1,055	0	1,826
Disposals	-34	-145	0	-179
Balance as of 12/31/2009	**1,598**	**4,613**	**0**	**6,211**
Carrying amounts as of 12/31/2008	4,065	1,942	109	6,116
Carrying amounts as of 12/31/2009	**3,581**	**2,542**	**182**	**6,305**

The property, plant, and equipment of the Group for the fiscal year 2008 developed as follows:

Development 2008 Amounts in € thousand	Land, land rights, and buildings and buildings on third-party land	Andere Ant, operating and office equipment	Payments on account and assets under construction	Total
Acquisition and manufacturing costs as of 01/01/2008	**2,144**	**5,346**	**2,390**	**9,880**
Additions	530	407	0	937
Transfers	2,281	0	-2,281	0
Disposals	-29	-103	0	-132
Balance as of 12/31/2008	**4,926**	**5,650**	**109**	**10,685**
Write-downs as of 01/01/2008	**347**	**2,662**	**0**	**3,009**
Additions	527	1,149	0	1,676
Disposals	-13	-103	0	-116
Balance as of 12/31/2008	**861**	**3,708**	**0**	**4,569**
Carrying amounts as of 12/31/2007	1,797	2,684	2,390	6,871
Carrying amounts as of 12/31/2008	**4,065**	**1,942**	**109**	**6,116**

No impairment losses on items of property, plant, and equipment were necessary in either the reporting period or in the comparison period.

Future lease payments

As of December 31, 2009, the outstanding lease obligations from finance lease contracts consisted of the following:

Amounts in € thousand	Minimum payment obligations		Cash value of minimum payment obligations	
	12/31/2008	12/31/2009	12/31/2008	12/31/2009
Up to 1 year	106	316	95	288
From 1 to 5 years	160	334	152	322
Over 5 years	0	0	0	0
	266	650	247	610
Interest portion	-19	-40	-	-
Cash value	247	610	247	610
Recognized as:				
– current financial liabilities			95	288
– non-current financial liabilities			152	322
			247	610

As of December 31, 2008, the following financial obligations existed as a result of operating lease contracts:

Amounts in € thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total 12/31/2009
Operating and office equipment (leasing)	147	94	0	241
Other lease contracts	1,161	2,679	98	3,938
	1,308	**2,773**	**98**	**4,179**

As of December 31, 2008, the following financial obligations existed as a result of operating lease contracts:

Amounts in € thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total 12/31/2008
Operating and office equipment (leasing)	309	314	0	631
Other lease contracts	2,028	5,289	520	5,152
	2,337	**5,603**	**520**	**5,783**

Lease obligations mainly resulted from lease contracts on technical equipment and software, company vehicles, and lease obligations on leased office equipment. The other lease contracts include the rental of office space and the computer center and the framework agreements for utilities.

(3) FINANCIAL ASSETS

Financial assets accounted for using the equity method primarily involve a loan of € 1,594 thousand (disclosed last year as € 2,257 thousand under non-current receivables) from ecotel communication ag to the company mvneco GmbH, which is valued using the equity method, with a term until September 2010 and an annual interest rate of 5.0%. Based on the assumption of a long-term investment of the funds, the loan is accounted for this year under financial assets using the equity method. A write-down of € 769 thousand was recognized on loan for the amount of the negative equity value of mvneco GmbH as of December 31, 2009.

As of December 31, 2009, the carrying amount of the investment in mvneco GmbH, which is valued using the equity method, amounted as in the last year to € 0 since the original acquisition cost of this investment of € 234 thousand had to be completely written off due to the cumulative annual losses of the company in previous years (€ -861 thousand). The carrying amount included pro-rata goodwill of € 45 thousand. As of the balance sheet date, the company disclosed assets of € 1,811 thousand and liabilities of € 4,742 thousand.

The carrying amount of the investment in synergyPLUS GmbH, which is valued using the equity method, amounted to € 8 thousand as of December 31, 2009 since the original acquisition cost of this investment of € 150 thousand had to be completely written off due to the company's pro-rata loss in 2009 (€ -142 thousand). As of the balance sheet date, the company disclosed assets of € 223 thousand and liabilities of € 330 thousand.

As of the balance sheet date, the non-consolidated investments in PhaseFive R&D Ltd. (€ 51 thousand) and carrier-services.de GmbH (€ 56 thousand) as well as the minority interest in PPRO GmbH (€ 112 thousand) are reported under other financial assets for reasons of materiality.

(4) NON-CURENT RECEIVABLES

Under non-current receivables, an amount of € 171 thousand (previous year: € 2,283 thousand) pertains to loans to associates.

(5) INVENTORIES

Reported inventories primarily relate to data terminal equipment and SIM cards.

(6) TRADE RECEI VABLES AND OTHER RECEIVA-BLES AND CURRENT ASSETS

Amounts in € thousand	Remaining period of over 1 year	Total 12/31/2008	Remaining period of over 1 year	**Total 12/31/2009**
Trade receivables				
from third parties	0	14,388	0	13,245
from associated companies	0	0	0	1,474
	0	**14,388**	**0**	**14,419**
Other receivables and current assets				
Securities	0	155	0	0
Prepayments received and accrued income	0	91	0	323
Miscellaneous other receivables and current assets	0	2,531	0	1,422
	0	**2,777**	**0**	**1,745**

Trade receivables from associated companies of € 1,475 thousand relate to receivables of sparcall GmbH (€ 1,076 thousand) and easybell GmbH (€ 399 thousand) from carrier-services.de GmbH, which was not fully consolidated for reasons of materiality. The effect on results of the increase of the provision for losses on trade receivables is recognized in other operating expenses and that of the dissolution of adjustments in other operating income. The receivables bear no interest and thus are exposed to no interest rate risk. The carrying amounts correspond to the fair value.

(7) CURRENT AND DEFERRED TAXES ON EARNINGS

Amounts in € thousand	12/31/2008	12/31/2009
Deferred tax assets	1,275	775
Current tax assets	135	223
	1,410	**998**

Deferred tax assets comprise deferred tax claims of € 656 thousand (previous year: € 467 thousand) due to existing corporation and trade tax loss carryforwards of two (previous year: three) subsidiaries as well as € 119 thousand (previous year: € 808 thousand) in deferred tax assets due to temporary differences among the subsidiaries. The current tax assets relate to claims for reimbursement of taxes on earnings originating in credits for trade tax, corporation tax, and interest discount tax.

(8) CASH AND CASH EQUIVALENTS

Amounts in € thousand	12/31/2008	12/31/2009
Deposits in banks	4,186	7,045
Cash on hand and checks	2	27
	4,188	**7,072**

(9) EQUITYI

The changes in Group equity are presented in the statement of changes in equity.

The number of ecotel communication ag shares in free float as of December 31, 2009 was 3,752,500. The shares were issued as no-par-value shares with a pro-rata amount of the capital stock of € 1.00.

As a result of the repurchase of 147,500 treasury shares at a price of € 3.65 per share at the beginning of the fiscal year, the capital stock and capital reserve were reduced by € 148 thou-sand and € 390 thousand, respectively. The capital reserve totaled € 17,603 thousand (previous year: € 17,914 thousand). Besides the effect of the share repurchase, this is the result of an increase in the proportional expense from the stock option plan of € 79 thousand.

Share-based Remuneration

The stock option plan is based on a resolution of ecotel communication ag's Annual General Meeting on July 27, 2007. For 45,000 shares of this option plan that were already issued before 2007, the exercise price to receive a share of the Company corresponds to the 30-day average market price of a share before the day of issuance (€ 13.45). The duration of this option plan is five years. The share options may be exercised for the first time after a waiting period of two years after the day of issuance. After expiration of the waiting period a third of the options can be exchanged each year. After the end of the waiting period, options may be exercised only if the average market price of the share has risen at least 5% a year relative to the exercise price and it has developed at least two percentage points better than the HDAX (includes the values of all 110 companies in the DAX, MDAX, and TecDAX indices).

The fair value of the obligation from the share-based compensation agreement was as-sessed on the basis of a binomial model. The following parameters were used:

Dividend yield	0.00 %
Risk-free interest rate	3.90 %
Volatility of ecotel shares	35.97 %
Volatility of HDAX indices	15.96 %

The exercise price to receive a share of Company stock also corresponds to the 30-day average market price of a share before the day of issuance (€ 12.27) for the 100,000 stock op-tions that were additionally issued on the grant date of October 1, 2007. In accordance with IFRS 2, the va-luation of the old 45,000 share options was based on an exercise price of € 13.45. The assumed volatilities for all options are based on historically annualized volatilities tracked by Bloomberg for a 260-day period. The expected exercise period is 3 to 5 years.

The 145,000 options existing at the end of 2009 were given to two members of the Management Board (120,000 options, market value upon issuance: € 282 thousand) and another top manager of ecotel communication ag (25,000 options, market value as of issuance: € 36 thousand), for which the expense for the addition to the capital reserve was € 11 thousand (previous year: € 13 thousand). A listing of the market values by person is included in Note 29. The newly granted options have the same features as previously granted options. Due to the values at the date of issuance, October 1, 2007, the determination of the fair value of these newly granted options was also based on the use of a binomial model with the following parameters:

Dividend yield	0.00 %
Risk-free interest rate	4.15 %
Volatility of ecotel shares	36.00 %
Volatility of HDAX indices	15.13 %

The assumed volatilities are based on historically annualized volatilities tracked by Bloomberg for a 260-day period. The expected exercise period is 3 to 5 years.

The addition to the capital reserve (€ 79 thousand; previous year: € 88 thousand) is proportion-ate to the period and recognized in personnel expenses. As of December 31, 2009, the capital reserve included an amount of € 257 thousand (previous year: € 178 thousand) for the existing stock options.

Minority Interests

Minority interests are comprised of the minority equity interests in toBEmobile GmbH (€ 54 thousand; previous year: € 96 thousand), PPRO GmbH (€ 0; previous year: € 173 thousand), ea-sybell GmbH (€ 194 thousand; previous year: € 214 thousand), and i-cube GmbH (€ 66 thousand; previous year: € 110 thousand).

Share Ownership

The following material investments exceeding 10% are held in the Company:

Amounts in € thousand	%
Peter Zils	31.05 %
AvW Management-Beteiligungs AG	10.12 %
Intellect Investment & Management Ltd.	25.09 %

During fiscal year 2009, the following reports were made, which in connection with Section 20 (1) or (4) of the German Stock Corporation Law (AktG) or in connection with Section 21 (1) or (1a) of the German Securities Trading Law (WpHG), have led to disclosures in accor-dance with Section 160 (1)(8) of the AktG:

May 12, 2009
Notification from IQ Martrade Holding und Managementgesellschaft mbH, Düsseldorf, Germany, that on May 11, 2009 its share in the voting rights of ecotel communication ag exceeded the threshold of 5% and on this day amounted to 5.24% (204,513 shares; capital stock in shares: 3,900,000). The voting stock is held by the following companies, which have more than 5% of the votes: (1) MARTRADE Logistic GmbH & Co. Kommanditgesellschaft, Düsseldorf, (2) MARTRA-DE Logistic Verwaltungs GmbH, Düsseldorf, (3) Günther Hahn, Germany.

July 1, 2009
Notification from Intellect Investment & Management Ltd., Tortola, British Virgin Islands, that on July 1, 2008 its share in the voting stock of ecotel communication ag exceeded the threshold of 25% and on this day amounted to 25.09% (978,489 shares; capital stock in shares: 3,900,000). The voting stock is held by Andrey Morozov, Finland, who owns more than 3% of the voting stock in the Company.

Capital Management

The ecotel Group manages its capital with the paramount goal of supporting business activity and securing the Company as a going concern. Capital management encompasses both equity and borrowings. One important goal is compliance with financial covenants arranged with banks, which is therefore monitored continuously. In the process, future developments are ana-lyzed in terms of their impact on the financial covenants in order to take appropriate steps in a timely manner.

(10) CURRENT AND DEFERRED INCOME TAXES

Amounts in € thousand	Amount at beginning of period 1/1/2009	Changes in basis of consolida-tion	Utilization	Dissolution	Allocations	Transfers	**Amount at end of period 12/31/2009**
Current tax liabilities	354	-10	328	0	3	0	19
Deferred tax liabilities	1,332	-7	0	186	59	-345	853
Provisions for income taxes	**1,686**	**-17**	**328**	**186**	**62**	**-345**	**872**
Of which with term of up to 1 year	354	-10	328	0	3	0	19

(11) OTHER FINANCIAL LIABILITIES, TRADE LIABILITIES, AND OTHER LIABILITIES

Amounts in € thousand	Remaining term of up to 1 year	Total 12/31/2008	Remaining term of up to 1 year	**Total 12/31/2009**
Borrowings	4,471	15,721	3,963	16,713
Other	0	261	0	474
Financial liabilities	**4,471**	**15,982**	**3,963**	**17,187**
Trade liabilities	**13,920**	**13,920**	**14,077**	**14,077**
Liabilities to associated companies	**2**	**2**	**116**	**116**
Other taxes	525	525	459	459
Social security	52	52	21	21
Salaries and wages outstanding	2	2	0	0
Accrued vacation	143	143	87	87
Audit/Supervisory Board	58	58	98	98
Other	137	137	198	198
Other liabilities	**917**	**917**	**863**	**863**

All financial liabilities are to banks. Financial liabilities of € 175 thousand (previous year: € 154 thousand) resulted from an interest swap at fair value. The change in the fair value is included in the finance result.

Borrowings primarily involve the remaining amount of two acquisition loans taken out in 2007 and a KfW innovation loan taken out in 2009. The loans taken out in 2007 have a term of five years; the interest rate is determined by a reference rate plus a margin. As collateral, the Company shares of nacamar GmbH were pledged to the lending bank. Half of the loan taken out in 2009 consists of an outside capital tranche and the other half of a subordinated tranche. Both tranches have a term of ten years at a fixed interest rate. Current borrowings primarily relate to the repayment due in 2010 of the two acquisition loans taken out in 2007.

(12) DISCLOSURES ON FINANCIAL INSTRUMENTS

In the normal course of business, the Group is exposed to risks associated with exchange rate and interest rate changes and changes in the cost of credit, all of which may have an effect on the asset, finance, and earnings position.

Exchange rate risk: Exchange rate risks arise from receivables, liabilities, liquid funds, and planned transactions that occur or will occur in a currency that is not the functional currency of the Company. The Company is examining the use of derivative financial instruments to hedge against exchange rate risks. Since the exchange rate risk was low in past fiscal years, no derivative financial instruments were used to hedge exchange rate risks.

Interest rate risk: In the ecotel Group, interest rate risks principally relate to the Group‘s financial liabilities and interest-bearing investments. Hedging against negative changes in value due to unexpected interest rate fluctuations was carried out through primary and de-rivative financial transactions. At the end of 2009, there were two interest rate swaps and one interest rate cap. The two interest rate swaps have nominal values of € 5,000 thousand and € 2,750 thousand, respectively. The interest rate cap has a nominal value of € 4,500 thou-sand. All derivative financial instruments have been recognized as financial assets or finan-cial liabilities at fair value as of the balance sheet date. One should note that in interpreting the positive or negative fair values of derivative financial instruments, underlying transactions as a rule balance them out via compensating risks. The maturity of the concluded interest rate derivatives is oriented on the maturity of the underlying transactions and is thus over-whelmingly short to medium term.

Credit risk: A credit risk exists for the Group if transaction partners do not meet their obliga-tions in the standard payment periods. The maximum default risk is presented on the bal-ance sheet by the carrying amount of the particular financial asset. The development of the receivables portfolio is monitored constantly in order to be able to identify default risks as soon as possible and to undertake corresponding countermeasures.

Accordingly, value adjustments for Group receivables under the following balance sheet items have developed as follows:

Receivables adjustments 2009 Amounts in € thousand	Trade receivables	Sonstige Forderand other current assets	**Total 12/31/2009**
Balance as of 01/01/2009	393	110	503
Adjustments in the reporting year	256	216	472
Disposals	160	326	486
Balance as of 12/31/2009	**489**	**0**	**489**

Receivables adjustments 2008 Amounts in € thousand	Trade receivables	Sonstige Forderand other current assets	**Total 12/31/2008**
Balance as of 01/01/2008	202	10	212
Adjustments in the reporting year	223	100	323
Disposals	32	0	32
Balance as of 12/31/2008	**393**	**110**	**503**

As of December 31, 2009, past-due unadjusted receivables existed in the following amounts:

Past-due unadjusted receivables Amounts in € thousand	Gross value 12/31/2009	Past-due adjusted receivables	Nicht wertberichtigte, in den folgenden Unadjuswing time periods				
			0–30 days	31–60 days	61–90 days	91–120 days	Over 120 days
Financial receivables	171	0	0	0	0	0	0
Trade receivables	15,215	489	279	309	83	4	250
Other receivables and other current assets	1,745	0	0	0	0	0	0
	17,131	**489**	**279**	**309**	**83**	**4**	**250**

Individual impairment losses have been recognized on past-due financial assets threatened by default if the fair value of these receivables lies under the stated carrying amount due to unreco-verability or impairment.

Of the unadjusted trade receivables with a term past due of over 120 days, € 250 thousand (previous year: € 1,411 thousand) relate to services of € 126 thousand (previous year: €153 thousand) provided by ecotel communication ag for the „access lines“ product as of the bal-ance sheet date. These involve undisputed but not yet invoiced revenue. There were no pro-vided but unbilled services in the form of commission claims in the current fiscal year (previ-ous year: € 904 thousand). Another € 37 thousand (previous year: € 48 thousand) pertain to the barter transaction of nacamar GmbH, for which liabilities for outstanding invoices were recognized corresponding to the missing counterclaims.

As of December 31, 2008, the situation was as follows:

Past-due unadjusted receivables Amounts in €	Gross value 12/31/2008	Past-due adjusted receivables	Nicht wertberichtigte, in den folgenden Unadjuswing time periods				
			0–30 days	31–60 days	61–90 days	91–120 days	Over 120 days
Financial receivables	2,283	0	0	0	0	0	0
Trade receivables	14,781	393	532	742	835	508	1,411
Other receivables and other current assets	2,887	110	0	0	0	0	0
	19,951	**503**	**532**	**742**	**835**	**508**	**1,411**

Financial instruments measured at fair value in the consolidated balance sheet can be cate-gorized according to the following valuation hierarchy, which reflects the extent to which the fair value is observable:

Level 1: Measurement at fair value based on listed (unadjusted) prices for identical assets or liabilities on active markets.

Level 2: Measurement at fair value based either on directly (as prices) or indirectly (derived from prices) observable input data for the asset or liability—not listed prices as in Level 1.

Level 3: Measurement at fair value by means of input data for the asset or liability not based on observable market data (unobservable input data).

ecotel's financial instruments belong exclusively to Levels 1 and 2. No reclassifications between Levels 1 and 2 were undertaken during fiscal year 2009. All of the financial assets measured at fair value listed in the following presentation as of December 31, 2009 are as-signed to Level 1. Under financial liabilities, current financial liabilities of € 175 thousand be-long to Level 2. They relate to the negative market value of the interest rate swaps held by ecotel communication ag as of December 31, 2009.

The financial assets and liabilities can be subdivided into measurement categories with the following carrying amounts:

Financial assets as of 12/31/2009 Amounts in € thousand	Fair value	Carrying amounts				
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Available-for-sale financial assets	**Total Carrying Amounts**
Cash and cash equivalents	7,072	7,072	0	0	0	7,072
Trade receivables	14,719	0	14,719	0	0	14,719
Other current receivables and assets	1,752	0	1,752	0	0	1,752
Financial assets	1,822	0	0	0	1,822	1,822
Non-current financial assets	171	0	171	0	0	171
TOTAL	**25,536**	**7,072**	**16,642**	**0**	**1,822**	**25,536**

Financial liabilities as of 12/31/2009 Amounts in € thousand	Fair value	Carrying amounts		
		Other liabilities	Financial instruments measured at fair value through profit and loss	**Total Carrying Amounts**
Current financial liabilities	4,079	3,904	175	4,079
Trade liabilities	14,077	14,077	0	14,077
Other current liabilities	863	863	0	863
Non-current loans	12,750	12,750	0	12,750
Other non-current financial liabilities	474	474	0	474
TOTAL	**32,243**	**32,068**	**175**	**32,243**

As of 12/31/2008, the breakdown was as follows:

Financial assets as of 12/31/2008 (Amounts in € thousand)	Fair value	Carrying amounts				
		Cash and cash equiva-lents	Loans and receivables	Financial instruments measured at fair value through pro-fit and loss	Available-for-sale financial assets	Total Carrying Amounts
Cash and cash equivalents	4,188	4,188	0	0	0	4,188
Securities	155	0	0	155	0	155
Trade receivables	14,382	0	14,382	0	0	14,382
Other current receivables and assets	2,628	0	2,628	0	0	2,628
Financial assets	108	0	0	0	108	108
Non-current financial assets	2,283	0	2,283	0	0	2,283
TOTAL	**23,744**	**4,188**	**19,293**	**155**	**108**	**23,744**

Financial liabilities as of 12/31/2008 (Amounts in € thousand)	Fair value	Buchwerte		
		Sonstige Schulden	Erfolgswirksam zum beizulegenden Zeitwert bilanzierte Finanzinstrumente	Gesamtbuchwerte
Current financial liabilities	4,473	4,319	154	4,473
Trade liabilities	13,920	13,920	0	13,920
Other current liabilities	917	917	0	917
Non-current loans	11,250	11,250	0	11,250
Other non-current financial lia-bilities	261	261	0	261
TOTAL	**30,821**	**30,667**	**154**	**30,821**

The derivative financial instruments categorized as “held for trading” were recognized in the in-come statement at € -175 thousand (previous year: € -154 thousand) based on the as-sessment of fair value as of the balance sheet date. This is exclusively the result of interest rate swaps since the interest rate cap had a fair value of zero both this year and last year.

Liquidity risk: The refinancing of the ecotel Group companies is as a rule carried out cen-trally by ecotel communication ag. The risk exists that liquidity reserves are not sufficient to fulfill fi-nancial obligations in a timely manner. In 2010 repayments are due with a nominal value of € 3.5 million. To cover the liquidity need, cash and cash equivalents of € 7.1 million are available. In addition, ecotel communication ag has a contractually agreed revolving cre-dit facility of € 6.0 million, which came to € 3.7 million (previous year: € 5.0 million) after de-duction of credit fees of € 2.3 million as of December 31, 2009. Of the revolving credit facility, € 3.5 million expires on June 30, 2010. Financial covenants exist with reference to the bank loans of € 23 million taken out by ecotel communication ag and the available credit line. Violation of the financial covenants could lead to notice of cancellation and premature repay-ment of the loan and credit line, if no agreement can be reached on an adjustment of the financial covenants or on refinancing. Overall, liquidity risk is judged to be moderate.

The following (undiscounted) payments are expected to fall due in the next few years for the financial liabilities:

Redemption and interest pay ments for financial liabilities Amounts in € thousand	Carrying amounts 12/31/2009	Redemption payments			Interest payments		
		2010	**2010 to 2014**	Starting 2015	**2010**	2010 to 2014	**Starting 2015**
Liabilities to banks	16,250	3,500	8,766	3,984	120	990	510
Liabilities from finance leasing	610	288	322	0	28	13	0
Derivative financial liabilities	175	0	0	0	155	99	0

This resulted in the following presentation as of the previous year's balance sheet date:

Redemption and interest pay ments for financial liabilities Amounts in € thousand	Carrying amounts 12/31/2008	Redemption payments			Interest payments		
		2009	**2010 to 2013**	Starting 2014	**2009**	2010 to 2013	**Starting 2014**
Liabilities to banks	14,750	3,500	11,250	0	393	504	0
Liabilities from finance leasing	247	95	152	0	11	7	0
Derivative financial liabilities	154	0	0	0	224	254	0
Other financial liabilities	831	831	0	0	0	0	0

(13) CONTINGENT RECEIVABLES AND LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingencies due to contingent liabilities not shown on the balance sheet as of December 31, 2009 were € 2,532 thousand (previous year: € 3,274 thousand) for credit fees.

Contingent receivables relate to currently on-going legal proceedings. Here a claim for damages against ancotel GmbH has been filed based on property damage to ecotel IT equip-ment at ancotel GmbH's computer center. Future claims from the proceedings are considered to be probable, but they cannot be accurately quantified as yet.

Other financial liabilities resulted exclusively from the obligations shown above from operat-ing lease agreements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(14) SALES REVENUE

Amounts in € thousand	2008	2009
Domestic	86,809	82,260
Foreign	18,642	16,439
	105,451	**98,699**

Distribution of sales revenue across the Business Solutions, Wholesale Solutions, and New Business units can be taken from the segment reporting. The sales revenue is obtained exclusively through the performance of services.

(15) OTHER OPERATING INCOME AND OTHER OWN WORK CAPITALIZED

Other operating income consists of the following:

Amounts in € thousand	2008	2009
Dissolution of liabilities	117	571
Recharging of fees and expenses	141	189
Reversal of provisions for losses on receivables	7	19
Exchange rate gains	68	13
Disposal of intangible assets, property, plant, and equipment, and financial assets	3	2
Other	219	338
	555	**1.132**

As in the previous year, own work capitalized in 2009 comprises programming projects that were developed inside the Group.

(16) COST OF MATERIALS AND SERVICES

The cost of materials and services comprises exclusively outside services utilized.

(17) PERSONNEL EXPENSES

Amounts in € thousand	2008	2009
Salaries and wages	8,899	8,392
Social security contributions	1,340	1,217
– of which expenses for pensions and support	700	636
	10,239	**9,609**

During the fiscal year, the average number of staff employed in the consolidated companies

Staff	2008	2009
Full-time employees	187	174
	187	**174**

In addition, the number of members of the Management Board and managers in Group com-panies was 8 (previous year: 8) and of trainees was 12 (previous year: 17). In 2009 those employed in the unconsolidated associated companies were as follows: one managing director, no full-time employees (previous year: two), and at the companies accounted for using to the equity method, twelve full-time employees (previous year: eight) and two managing directors.

(18) DEPRECIATION AND AMORTIZATION AND IMPAIRMENT

An itemized listing of depreciation and amortization on intangible assets, items of property, plant, and equipment, and financial assets may be found in the Notes to the particular item.

In fiscal year 2009, impairment testing led to unscheduled write-downs on goodwill from the cash-generating units totaling € 1,003 thousand (previous year: € 3,240 thousand) and on other non-current intangible assets of € 1,950 thousand (previous year: € 2,714) thousand.

In addition, in 2009 other assets of € 216 thousand (previous year: € 100 thousand) were recognized as impaired.

(19) OTHER OPERATING EXPENSES

Amounts in € thousand	2008	2009
Cost of delivering goods	4,631	3,951
Legal, auditing, and consulting costs	1,506	1,421
Rents, leases, space costs	1,008	946
EDP costs	1,427	842
Other administrative costs	587	505
Vehicle costs	389	436
Marketing expenses	231	345
Change in provisions for losses on receivables	223	256
Insurance premiums	197	161
Repairs and maintenance	42	46
Leasing	131	38
Loss on disposal of intangible assets and items of property, plant, and equipment	0	1
Other	898	838
	11,270	**9,786**

(20) FINANCE RESUL

Angaben in TEUR	2008	2009
Interest income		
Interest income from bank deposits/fixed-term deposits	27	3
Other interest income and similar earnings	192	315
	219	**318**
Interest expense		
Interest expense on credit liabilities	-1,021	-669
Net result from derivative financial instruments	-102	-202
Other interest and similar expenses	-53	-114
	-1,176	**-985**
Net interest income	-957	-667
Other financial expenses and income		
Purchase price reimbursement for nacamar	0	1,650
Purchase price reimbursement for ADTG	365	173

Amounts in € thousand	2008	2009
Miscellaneous other financial income	0	68
Costs of supporting the share price and other financial expenses	-120	-404
Result of companies accounted for using the equity method	0	-910
	245	**577**
Finance result	**-712**	**-90**

(21) TAXES ON INCOME AND EARNINGS

The following is a reconciliation of the expected with the actual tax expense. To obtain the expected tax expense, the result before income taxes is multiplied by 32% (previous year: 32%), a standard tax rate set by the Group. This consists of a 15% tax rate for corporation tax (previous year: 15%), plus 5.5% for solidarity surcharge, and 16% for trade tax (previous year: 16%). The expected tax expense is compared with the actual tax expense.

The reconciliation of the expected to actual income tax expense for the reporting year and the previous year are presented below:

Amounts in € thousand	2008	2009
Result before taxes	-4,363	-2,240
Group tax rate	32,0 %	32,0 %
Expected tax income	**1,396**	**717**
Differences due to tax rates differing from Group tax rate	-93	-31
Tax reductions due to tax-exempt earnings	210	278
Tax increases due to non-tax-deductible expenditures	-1,255	-306
Previous year's taxes	54	0
Valuation adjustment of deferred tax assets on loss carryforwards	-134	-373
Earnings from equity holdings in other companies	0	-286
Other tax effects	-83	-30
Tax expense according to the income statement (expense - / income +)	**95**	**31**
Effective tax rate in %	**-2,2 %**	**-1,4 %**

The determination of deferred taxes is carried out using the balance-sheet-oriented liability method. According to this method, tax reliefs or burdens that are likely to come to bear in the future are balanced to account for temporary differences between the carrying amounts listed in the consolidated financial statements and the taxable amounts of assets and liabilities that are recognized. If the temporary differences relate to items that directly increase or reduce equity, the deferred taxes associated with these are set off directly against equity. Offsetting without effect on net income did not arise as of December 31, 2009 or December 31, 2008.

The deferred taxes are to be applied to the following items:

Amounts in € thousand	2008 assets	2008 equity and liabilities	**2009 assets**	**2009 equity and liabilities**
Tax loss carryforwards	467	0	656	0
Property, plant, and equipment / intangible assets	1,116	1,532	770	1,407
Trade receivables	0	37	0	38
Other financial assets	0	114	0	114
Other provisions/liabilities	0	0	0	0
Financial liabilities	48	0	55	0
Other items	0	5	0	0
Balance of assets and liabilities	-356	-356	-706	-406
Valuation adjustment	0		0	
	1,275	**1,332**	**775**	**1,153**

Deferred tax assets in a single tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction insofar as their terms correspond.

All tax loss carryforwards that are taxable as of balance sheet date were taken into account in the recognition of deferred tax assets since in the subsequent years there will presumably be enough taxable earnings available for their use. In 2009 ecotel communication ag fully took into account the corporation tax loss of € 2,002 thousand (previous year: € 1,096 thousand) and the trade tax loss of € 1,327 thousand (previous year: € 734 thousand) for the tax group of companies with nacamar GmbH and ADTG Allgemeine Telefondienstleistungs GmbH, including tax adjustments to be considered in 2009 for the recognition of deferred tax assets.

No deferred taxes are created for the taxable temporary differences in connection with shares in subsidiaries and companies accounted for using the equity method, insofar as the conditions are met for an exemption from IAS 12.39.

(22) MINORITY INTERESTS

Minority interests of € -117 thousand (previous year: € -79 thousand) comprise the pro-rata annual profit of easybell GmbH of € 10 thousand (previous year: € 24 thousand) as well as the pro-rata losses at PPRO GmbH (€ -40 thousand; previous year: € 34 thousand), toBE-mobile GmbH (€ -42 thousand; previous year: € -107 thousand), and i-cube GmbH (€ -45 thousand; previous year: € -30 thousand).

(23) EARNINGS PER SHARE

In line with IAS 33, basic earnings per share are determined as the consolidated net income for the year attributable to shareholders of ecotel communication ag divided by the weighted average number of bearer no-par-value shares in circulation during the fiscal year.

Dilution of earnings per share occurs when the average number of shares increases by taking into account the issue of potential shares from stock options and convertible financial instruments. As of December 31, 2007 and December 31, 2008, the existing 145,000 stock options are to be considered dilutive equity instruments. Based on the values as of December 31, 2009 and

December 31, 2008, however, the exercise price for these options lay well above the recorded average stock market price of the ecotel shares for the corresponding period. In accordance with IAS 33.47, these options would therefore have no dilutive effect as of December 31, 2009 and December 31, 2008, and as a result, the basic and the diluted earnings are the same.

	2008	2009
Attributable consolidated net income for the year (in €)	-4,188,801.44	-2,154,648.79
Weighted average number of shares	3,900,000.00	3,752,500.00
Basic earnings per share (in €)	**-1.07**	**-0.57**
Diluted earnings per share (in €)	**-1.07**	**-0.57**

Adjusted for deferred taxes, earnings per share for the fiscal year 2009 were € -0.58 (previous year: € -1.05).

NOTES TO THE CASH FLOW STATEMENT

(24) CASH FLOW STATEMENT

The cash flow statement is presented according to the regulations of IAS 7 and classified by cash flows from operating, investing, and financing activities. The effects on cash and cash equivalents of changes in the basis of consolidation and changes in the exchange rate are shown separately.

The cash and cash equivalents in the cash flow statement correspond with the item “cash and cash equivalents” shown in the consolidated balance sheet, less short-term current account liabilities (€ 0; previous year: € 722 thousand).

As a result of the sale of 40.0% of the shares in PPRO GmbH, the Company experienced an inflow of € 400 thousand, less the outflow of PPRO GmbH‘s cash and cash equivalents of € 264 thousand.

This year the inflow from assumed credit facilities includes € 587 thousand from newly concluded finance lease contracts.

OTHER NOTES

(25) DIVIDEND PAYMENTS

In accordance with Section 58 (2) of the German Stock Corporation Law (AktG), the balance sheet result shown on the legal annual financial statements of ecotel communication ag is definitive for determining dividends distributed to the shareholders of the Company; this amounts to € -13,936 thousand (previous year: € -9,285 thousand).

(26) RELATED PARTY DISCLOSURES

The volume of services supplied to or from related parties is as follows:

Amounts in € thousand	Volumen der erbrachten Leistungen		Volumen der in Anspruch genommenen Leistungen	
	2008	2009	2008	2009
PhaseFive R&D Ltd.				
– goods and services	131	197	0	0
synergyPlus GmbH				
– goods and services	0	16	0	32
carrier-services.de GmbH (previously: 010010 Telecom GmbH)				
– goods and services	218	3,905	0	0
mvneco Gmbh				
– goods and services	1,580	550	181	169

As of December 31, 2009, there were receivables of € 1,475 thousand from the non-consolidated carrier-services.de GmbH (previously: 010010 Telecom GmbH). In the previous year, no revenue was generated with this subsidiary; receivables or liabilities in relation to this subsidiary did not exist as of the balance sheet date.

As of December 31, 2009, there were, as in the previous year, no receivables or liabilities of the Group due to or from PhaseFive R&D Ltd.

Receivables of € 178 thousand (previous year: € 2,263 thousand) from synergyPLUS GmbH and mvneco GmbH, which are accounted for using the equity method, are included in the consolidated balance sheet.

ecotel communication ag's loan of € 2,363 thousand to mvneco GmbH, which is accounted for using the equity method, was written down by € 769 thousand as a result of impairment due to the negative equity value of mvneco GmbH as of December 31, 2009. It is disclosed in the reporting year under financial assets as a loan to an associated company (in the previous year, it was disclosed under non-current receivables at € 2,257 thousand).

The ecotel Group maintained service relationships with the following related parties in 2009:

Agreements with QITS GmbH

QITS GmbH, Quality Information Technology Services ("QITS"), whose managing director is Chairman of the Supervisory Board **Mr. Johannes Borgmann**, has since 1999 supplied various services to ecotel communication ag. In addition to services under the framework agreement for software, in particular for the Company billing system, services relating to printing, IT, and data protection, as well as financial bookkeeping, were provided. In fiscal year 2009, remuneration of approximately € 861 thousand (previous year: € 638 thousand) was paid to QITS.

Agreements with Nörr Stiefenhofer Lutz

Nörr Stiefenhofer Lutz, a partnership of attorneys, accountants, and auditors, has supplied consulting services to the Company since November 2005. **Dr. Thorsten Reinhard**, a member of the Supervisory Board, is an attorney and partner in Nörr Stiefenhofer Lutz. In fiscal year 2009, remuneration of approximately € 34 thousand (previous year: € 81 thousand) was paid to Nörr Stiefenhofer Lutz.

Agreements with MPC Service GmbH

A business representation agreement has existed since August 2002 between MPC Service GmbH and ecotel communication ag and its subsidiary ADTG GmbH. Under this contract, MPC Service GmbH receives a closing commission for monthly order acquisition and a commission which varies by product for the monthly revenue from all customers supplied by MPC. The agreement is comparable to the agreements with the other sales partners of the Company. The Supervisory Board member **Mirko Mach** is managing director and shareholder of MPC Service GmbH and is a former shareholder of ADTG GmbH. In fiscal year 2009, remuneration of € 342 thousand (previous year: € 396 thousand) was paid to MPC as sales commissions.

Consulting Contract Between toBEmobile GmbH and **Etzel Consulting and Borutta Consulting GmbH**

A consulting contract has existed since 2006 between toBEmobile GmbH and Etzel Consulting GmbH and Borutta Consulting GmbH. **Alexander Etzel** and **André Borutta** are managing directors and shareholders of both toBEmobile GmbH and of Etzel Consulting GmbH or Borutta Consulting GmbH, respectively. In fiscal year 2009, a total of € 0 thousand (previous year: € 80 thousand) each was paid to Etzel Consulting GmbH and Borutta Consulting GmbH as consulting fees.

For more information, reference is made to Note 29.

The internal organization and management structure as well as the internal reporting to the Management Board and the Supervisory Board form the basis for defining the segmentation criteria for the business units of ecotel communication ag.

(27) SEGMENT REPORTING

The **segment format** is effected in accordance with internal reporting by business units, defined as follows:

- In the Business Solutions segment (operative core area), ecotel offers “complete packages” of voice, data, and value-added services as well as direct connections for voice and data traffic from one source to small and mediumsized companies.

- In the Wholesale Solutions segment, ecotel sells products and complete solutions for other telecommunications companies (including resellers and call shops) and for outside marketers.

- The New Business segment comprises the high-growth business areas and subsidiaries as well as the new media business.

The segment result is the annual result for the segment before interest and income taxes. The segment assets correspond to the sum of all segment-related reported assets, not including income tax assets. The segment liabilities include the segment-related provisions, liabilities, and financial liabilities, but no liabilities for income taxes.

Amounts in € thousand	Business Solutions		Wholesale Solutions		New Business		Consolidated / Across segments		Group	
	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
External revenue	58,003	48,192	31,856	34,414	15,593	16,093	0	0	105,451	98,699
Inter-segment revenue	150 0	2,597	1,971	1,880	0	381	-1,971	-4,857	0	0
Annual result	-3,349	-181	390	386	-692	-2,421	-617	-56	-4,268	-2,271
Gross profit	21,601	17,877	1,678	1,250	3,160	3,608	0	0	26,439	22,735
Write-downs										
– scheduled	-1,931	-2,322	-224	-167	-1,467	-1,433	0	0	-9,576	-3,923
– impairment	-5,714	-650	0	0	-340	-2,519	0	0	-6,054	-3,169
Interest income	0	0	0	0	0	0	219	318	219	318
Interest expense	0	0	0	0	0	0	-1,176	-985	-1,176	-985
Segment assets	32,160	26,320	7,285	9,329	11,715	14,965	3,801	2,092	54,961	52,706
Segment liabilities	9,557	11,312	4,291	6,645	2,101	2,906	16,697	12,252	32,506	33,115
Investments in intangible assets and items of property, plant, and equipment	1,990	1,782	362	350	491	1,507	0	0	2,843	3,639

Inter-segment transactions were carried out at market prices.

With regard to the classification of revenue according to sales regions, reference is made to the Notes on sales revenue. Segment assets and investments are attributable entirely to Germany.

(28) STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB), INCLUDING THE STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION LAW (AKTG)

The Management Board and the Supervisory Board of ecotel communication ag have issued the required statement on corporate governance in accordance with Section 289a of the German Commercial Code (HGB), including the prescribed statement of compliance in accordance with Section 161 of the German Stock Corporation Law (AktG), and made them available to shareholders on the website of ecotel communication ag (www.ecotel.de under Investor Relations / Corporate Governance).

(29) REMUNERATION OF GOVERNING BODIES

In the reporting year 2009, the Management Board of ecotel communication ag was composed as follows:

- Peter Zils, Ingenieur, Düsseldorf (Chairman)
- Bernhard Seidl, engineer, Munich
- Achim Theis, businessman, Düsseldorf

In the reporting year 2009, the following were appointed to the **Supervisory Board:**

- Johannes Borgmann, Kaufmann, Düsseldorf (Chairman)
- Mirko Mach, Kaufmann, Heidelberg (Deputy Chairman)
- Brigitte Holzer, businesswoman, Murnau
- Stephan Brühl, businessman, Düsseldorf
- Dr. Thorsten Reinhard, attorney, Berlin
- Mag. Reinhold Oblak, businessman, Krumpendorf

Remuneration to the Management Board and the Supervisory Board in 2009 consisted of the following components:

Amounts in € thousand	Fixed remu-neration	Per-formance-related remunera-tion	Stock option plan	Total	Stock options – number	Stock options – fair value at issue
Bernhard Seidl	201.1	0	53.7	254.8	90,000	239
Achim Theis	199.2	0	13.8	213.0	30,000	43
Peter Zils	295.6	0	0	295.6	0	0
Johannes Borgmann	8.0	0	0	8.0	0	0
Brigitte Holzer	4.5	0	0	4.5	0	0
Dr. Thorsten Reinhard	3.5	0	0	3.5	0	0
Mirko Mach	4.8	0	0	4.8	0	0
Stephan Brühl	2.5	0	0	2.5	0	0
Mag. Reinhold Oblak	2.1	0	0	2.1	0	0

In 2009 Ms. Sandra Zils received total remuneration of € 11 thousand for her activities at the ecotel Group (previous year: € 0).

In 2008, remuneration consisted of the following components:

Amounts in € thousand	Fixed remu-neration	Per-formance-related remunera-tion	Stock option plan	Total	Stock options – number	Stock options – fair value at issue
Bernhard Seidl	210.9	0	59.7	291.6	90,000	239
Achim Theis	213.7	0	15.6	229.3	30,000	43
Peter Zils	313.6	0	0	313.6	0	0
Johannes Borgmann	4.1	0	0	4.1	0	0
Brigitte Holzer	3.2	0	0	3.2	0	0
Dr. Thorsten Reinhard	2.6	0	0	2.6	0	0
Baldur Lücke	1.5	0	0	1.5	0	0
Enrico Karolczak	1.5	0	0	1.5	0	0
Mirko Mach	1.4	0	0	1.4	0	0
Stephan Brühl	1.3	0	0	1.3	0	0
Mag. Reinhold Oblak	0	0	0	0	0	0

(30) AUDIT EXPENSES

In fiscal year 2009, the fee for the expense of the auditors of the consolidated financial statements of ecotel communication ag for the audits of the consolidated financial statements and the individual financial statements of the parent company and consolidated subsidiaries was € 60 thousand (previous year: € 63 thousand). No other expenses for the Group auditors were recorded for other confirmation or evaluation services, for tax consulting services, or for other consulting services.

(31) EXEMPTION FROM PUBLI SHING INDIVIDUAL FINANCIAL STATEMENTS

In accordance with Section 264 (3) of the German Commercial Code (HGB), use is made of the exemption from publishing individual financial statements for the two subsidiaries ADTG Allgemeine Telefondienstleistungs GmbH and nacamar GmbH.

Düsseldorf, Germany, March 25, 2010

The Management Board

Peter Zils　　Bernhard Seidl　　Achim Theis

Auditor's Report

We have issued the consolidated financial statements and Group Management Report of ecotel communication ag, Düsseldorf, Germany, for fiscal year 2009 in the version of Attachment 1 the following unqualified audit certificate, signed on March 29, 2010:

We have audited the consolidated financial statements prepared by ecotel communication ag, Düsseldorf, Germany, comprising the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the consolidated financial statements, together with the Group Management Report for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and Group Management Report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of the German Commercial Code (HGB) Section 315a (1) are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report on the basis of our audit.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the proper audit of financial statements. Those standards require that the audit be planned and performed in such a way that misstatements and errors materially affecting the presentation of the asset, financial, and earnings position in the consolidated financial statements in accordance with the applicable financial reporting principles and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system as well as the audit evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on the basis of random sampling. The audit includes assessing the annual financial statements of those entities included in the consolidated group, the definition of the basis of consolidation, the accounting and consolidation principles used, and any significant estimates made by the company's Management Board, as well as evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the knowledge gained in the audit, in our opinion, the consolidated financial statements of ecotel communication ag, Düsseldorf, Germany, in accordance with IFRS, as adopted by the EU, and the additional requirements of HGB Section 315a (1), convey under observance of these regulations a true and fair view of the asset, finance, and earnings position of the Group. The Group Management Report is consistent with the consolidated financial statements, provides an overall accurate picture of the position of the Group, and presents accurately the opportunities and risks of future development.

Düsseldorf, Germany, March 29, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Heinz Dieter Schlereth
Auditor

Christian Frank
Auditor

Corporate Governance

ecotel communication ag (ecotel) has organized itself according to international and national standards for value-oriented and responsible company management. Using public information and transparent decision-making structures, we attempt to foster trust among our investors, customers, employees, and the interested public. ecotel sees corporate governance as an ongoing process.

In the following, the Management Board and Supervisory Board of ecotel report on corporate governance in accordance with Section (3)(10) of the German Corporate Governance Code (the Code) in the version of June 6, 2008 as it applies from June 18, 2009, and discuss any deviations from those recommendations. The following report also incorporates the remuneration report required by Section (4)(2)(5) of the Code.

The Management Board and the Supervisory Board work closely together for the good of the Company with the common goal of a continual increase in the value of the Company. The Management Board reports to the Supervisory Board regularly in written and verbal form, promptly, and completely on the situation of the Company, the development of business, corporate planning, and the risk situation.

The Supervisory Board meets regularly in order to fulfill its monitoring and advising function. It has created a three-member Audit Committee, intended to handle issues of accounting, risk management, and compliance more efficiently. The Supervisory Board also has set up a three-member Nomination Committee, which prepares voting selections for the Annual General Meeting.

The central informational gathering for shareholders is the Annual General Meeting. The Management Board presents the individual and consolidated annual financial statements as approved by the Supervisory Board to the Annual General Meeting. The annual financial statements are adopted via approval by the Supervisory Board unless the Management Board and the Supervisory Board decide to give that determination to the Annual General Meeting. The Annual General Meeting decides on the appropriation of any distributable profit, releases Management Board and Supervisory Board members from their duties, and gives formal approval to the choices made by the Management Board and the Supervisory Board regarding members of the Supervisory Board and the auditor. It also decides on the articles of association as well as in other instances as provided for by law. With appropriate notice before the opening of the Annual General Meeting, the shareholders may comprehensively inform themselves about pending decisions on the basis of the annual report and the agenda of the Annual General Meeting. All documents and information are also available on the ecotel website.

Company communication sets itself the standard of providing true, complete, regular, and prompt information. The shareholders are informed about important deadlines regularly via the quarterly reports and on an ongoing basis via the internet and the Company website. Presentations made at road shows or at other informational events are published immediately and completely on the ecotel website under the section Investor Relations. All annual and quarterly reports, press releases, and ad-hoc announcements can also be found on the ecotel website.

The remuneration of the Supervisory Board members is at the lower end of the appropriate range relative to their tasks and responsibilities. It consists of fixed and variable components, the details of which are stipulated by the Company articles of association. For fiscal year 2009, the members of the Supervisory Board have a claim only to the fixed remuneration component. As of December 31, 2009, the following stock options were granted to the Management Board:

Remuneration for members of the Management Board is appropriate to their tasks and their responsibilities. All three Management Board members receive remuneration consisting of fixed and variable components. The variable part is dictated according to the achievement of fixed targets based on EBITDA and overall Group revenue. Each of the three members of the Management Board has a company car. In addition, a stock option plan for members of the Management Board and for top executives of ecotel was implemented on the basis of a resolution of the Annual General Meeting on July 27, 2007. More information on the stock option plan can be found on the website www.ecotel.de under the heading Investor Relations/Corporate Governance and in the Notes to the financial statements.

Information on individual remuneration for members of the Management and Supervisory Boards is contained in the Notes to the consolidated financial statements.

The following table shows holdings of the Management and Supervisory Board members in the capital stock of the Company as of the end of 2009:

Body	Shares of stock (in %)
Management Board	31.3 %
Supervisory Board	1.2 %
Total	**32.5 %**

Information on transactions with ecotel shares on the part of members of the Management Board, the Supervisory Board, and other members of management, or with closely associated third parties (directors' dealings) can also be found on the website www.ecotel.de under the section Investor Relations/Corporate Governance.

In addition, ecotel has taken out appropriate D&O insurance for the Management Board and for the members of the Supervisory Board.

ecotel has followed the recommendations of the Code since January 1, 2009 with the following exceptions:

Section 3 (8)(2)

The D&O insurance policy does not provide for a deductible for members of the governing bodies. As part of the extension of D&O insurance in mid-2010, the Company intends to arrange a deductible for members of the Management and Supervisory Boards of at least 10% of damages up to at least 150% of the fixed annual remuneration of the Management Board or Supervisory Board member.

Section 4 (2)(1)
On March 26, 2009, the rules of procedure for the Management Board were supplemented by a resolution of the Supervisory Board regarding the division of responsibilities.

Section 5 (1)(2)
The Management Board and the Supervisory Board regularly conduct discussions on the development of ecotel management. Questions of long-term succession planning were, however, not discussed in 2009.

Section 5 (4)(3)
The Supervisory Board considers it neither practical nor expedient to inform the shareholders of suggestions for candidates for the post of chairman of the Supervisory Board.

The statement of compliance of ecotel communication ag in accordance with Section 161 of the German Stock Corporation Law (AktG) can be reviewed on the Company website at www.ecotel.de. The complete Code can found on the internet at www.corporate-governance-code.de.

ecotel communication ag

The Management Board The Supervisory Board

Report by the Supervisory Board

The Supervisory Board of ecotel communication ag (ecotel) has regularly monitored and advised the work of the Management Board in the 2009 fiscal year. The extensive written and oral reports made by the Management Board provided the basis for this work. The Chairman of the Supervisory Board regularly exchanged information and ideas with the Chairman of the Management Board. In addition, various members of the Supervisory Board shared their technical expertise with the Management Board without requesting or receiving any compensation in excess of the Supervisory Board remuneration provided for in the articles of association. These consultations involved a number of areas, including Company organization, personnel, sales, finance, legal affairs, and communications.

The Supervisory Board of ecotel ag had a total of nine meetings during the reporting year, two of which were held in the form of telephone conferences. In addition, five resolutions were made via the circulation procedure. No member of the Supervisory Board participated in fewer than half of the meetings.

During the meetings, the Management Board, in accordance with legal requirements, advised the Supervisory Board on general questions of corporate planning, the economic viability of the Company, the course of business, and the position of the Company and deliberated on these questions in conjunction with the Supervisory Board. The Supervisory Board was also involved in major decisions and reviewed and approved in particular those measures of the Management Board which require such approval as stated by the rules of procedure of the Management Board. These decisions related to subsidized financing from the KfW Bankengruppe, a reduction of the equity investment in PPRO GmbH, an increase of the equity investment in mvneco GmbH, a comfort letter on behalf of easybell GmbH, internal corporate restructuring, and other issues.

1. Focus of Advising from the Supervisory Board

In addition to the above-mentioned transactions requiring approval, the Supervisory Board specifically addressed the following topics during the reporting year:

- Restructuring Program
  In the Supervisory Board meeting on July 9, 2009, the Management Board presented to the Supervisory Board a comprehensive restructuring program, which envisioned abandoning the sites in Dreieich and Munich, consolidating Group functions at the Düsseldorf site, introducing cost mitigation measures in procurement and corporate processes, and reducing payroll expenses. The Supervisory Board obtained a detailed explanation of the proposal and discussed the advantages and disadvantages of specific measures with the Management Board. The discussions were continued and intensified during the Supervisory Board meetings on July 28, 2009, September 17, 2009, and December 17, 2009.

- Arbitration Claim against Tiscali Business GmbH / Tiscali S.p.A.
  The Management Board kept the Supervisory Board continually apprised of the status of the arbitration proceedings from their inception and consulted with it on further steps. In its meeting on July 28, 2009, the Supervisory Board approved the Management Board‘s proposal to terminate the proceedings through a settlement.

- Risk Management
  The Supervisory Board's view that risks had increased since the previous year led it to devote particular attention to issues of risk management. The Supervisory Board examined the Management Board's risk report and its updates in the meetings on February 18, 2009, March 26, 2009, May 28, 2009, October 1, 2009, and December 17, 2009. The Supervisory Board discussed each of the risk reports with the Management Board and also presented its own proposals regarding risk management. The addressed risks ranged over all business functions. Along with aspects of the Company's strategic orientation, discussion topics included in particular financial, operational, and technical risks. The Supervisory Board assured itself that the Management Board is devoting the necessary attention to risk monitoring, is prioritizing the risks it identifies in a reasonable manner, and is making an effort to mitigate risk through appropriate measures.

- Annual Financial Statements
  The annual financial statements for 2008 were the focus of deliberations at the Supervisory Board meeting on March 26, 2009. As a precaution, the Supervisory Board also approved various contracts between ecotel and companies in which some members of the Supervisory Board hold shares at the meeting on March 26, 2009 (details are provided below).

2. Treatment of Conflicts of Interest in the Supervisory Board

All members of the Supervisory Board are committed to the principle that their decisions will be based solely on ecotel's business interests. The Supervisory Board addressed any conflicts of interest or appearance of conflicts of interest that may have arisen in its deliberations or taking of resolutions. The relevant member of the Supervisory Board abstained from voting and, if it appeared expedient in the individual case, also refrained from participating in the preceding debate. In addition, by posing questions to the Management Board the remaining members of the Supervisory Board received the necessary assurances that its actions were not influenced by the (potential) conflict of interest of the relevant Supervisory Board member. During the reporting year, the abovecited principles only applied to resolutions of the Supervisory Board involving the approval of contracts between ecotel and companies in which members of the Supervisory Board hold investments. The resolutions concerned the investments of Mr. Johannes Borgmann in QITS GmbH, Ratingen, Mr. Mirko Mach in MPC Service GmbH, Heidelberg, and Dr. Thorsten Reinhard in Nörr Stiefenhofer Lutz, Partnerschaft von Rechtsanwälten, Steuerberatern und Wirtschaftsprüfern (partnership of attorneys, tax consultants, and auditors), Munich.

3. Individual and Consolidated Annual Financial Statements

The Management Board has drawn up the ecotel annual financial statements and the Management Report in accordance with the rules of the German Commercial Code (HGB), and the consolidated financial statements and the Group Management Report in accordance with IFRS principles. The auditors commissioned by ecotel, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, have reviewed the annual financial statements, the consolidated financial statements, the Management Report, and the Group Management Report. It has given the annual financial statements and the consolidated financial statements its unqualified audit approval.

The financial statements and the reports of the auditor were available to all members of the Supervisory Board for review. Representatives of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
participated in the Supervisory Board‘s discussions of these documents and reported on the basic findings of the audit.

The Supervisory Board thoroughly reviewed the annual financial statements, the consolidated financial statements, the Management Report, and the Group Management Report as presented by the Management Board and discussed these with the auditor. The Supervisory Board endorses the results of the audit of the annual financial statements and the consolidated financial statements by the auditor.

After the final result of the audit, the Supervisory Board raised no objections to the annual financial statements or the consolidated financial statements as presented by the Management Board for fiscal year 2009; it approved the annual financial statements and the consolidated financial statements with a resolution on March 30, 2010. The ecotel annual financial statements for fiscal year 2009 are thereby adopted.

4. Changes in the Supervisory Board during the Reporting Year

There were no changes in the Supervisory Board during the reporting year.

5. Changes in the Management Board during the Reporting Year

The appointment of Mr. Peter Zils as Management Board Chairman was scheduled to end on February 28, 2009. By resolution of the Supervisory Board on February 18, 2009 the appointment was extended for three years. Simultaneously, the employment contract was extended for the same period subject to new conditions.

6. Committees

The Supervisory Board has created a three-member Audit Committee to handle issues of accounting and compliance. The Audit Committee met four times during the year and dealt in particular with the quarterly reports and the 2009 annual financial statements.

Furthermore, the Supervisory Board has set up a three-member Nomination Committee, which prepares voting selections for the Annual General Meeting. This committee did not meet during fiscal year 2009.

The Supervisory Board thanks the members of the ecotel Management Board and all the employees of the companies of the ecotel Group for their great dedication to the Company and for their work during the 2009 reporting year. Our thanks particularly go out to those employees who followed the example of the Management Board and supported the Company by waiving a portion of their remuneration in 2009, which was a challenging year for the Company.

Düsseldorf, Germany, March 30, 2010
For the Supervisory Board:

Johannes Borgmann
Chairman of the Supervisory Board

Glossary

ARPU
Average revenue per user

Backbone network
A backbone is a high-performance or central network for the connection of local sub-networks, geographically distributed end devices, or centrally managed networks. As a rule, the backbone has a higher transfer capacity than the devices and networks connected to it and connected to each other.

Broadband access
A broadband network connection (broadband access) on the customer's end with high transmission speeds (>1 Mbit/s). The connection is possible by wire via the existing copper coaxial cable using DSL, or via fiber optics or the broadband cable network.

Carrier
A carrier/network operator is a company that operates telecommunications networks. A carrier/network operator has its own network, or essential transmission devices or network management systems for the transmission of important components. Network operators are distinguished from each other by what territory they cover as global, national, regional, or city network carriers (so-called city carriers). Global carriers are active worldwide or internationally, national carriers offer their services and their network infrastructure in a geographically specified area within a country, and city carriers act within city borders or within a metropolitan area.

Customer relationship management (CRM)
Customer relationship management aims to address customer needs individually in order to increase customer satisfaction and to keep them loyal to the company long-term. It is to this end that the customer-oriented departments of a company, such as sales, marketing, and customer support, are systematically directed.

DSL
Digital subscriber line, a digital broadband transmission technology that reaches transfer speeds of up to several megabits per second via standard telephone networks (copper cable).

Ethernet
A cable-based data network technology used primarily in local area networks (LAN). It enables data exchange between all of the devices attached to a LAN (PC, printer, etc.). In its traditional configuration, the LAN was limited to one building. Today, ethernet links devices over large distances and facilitates the transmission of large quantities of data.

Full Access product
Making a „real" ISDN (non-VoIP) connection available via alternative local exchange carriers instead of access lines provided by Deutsche Telekom AG. Complete connection products with a DSL connection can also be provided.

HGB
The German Commercial Code or „Handelsgesetzbuch"

Housing/Hosting
The allocation by internet service providers of disk storage, physical computer center space, and computing capacity in computer centers for internet connectivity.

IFRS
International financial reporting standards – standards of international accounting

IP Bitstream Access
The "IP Bitstream Access" product from Deutsche Telekom AG enables suppliers lacking their own access infrastructure to do their own sales of DSL connections without the telephone connection previously required.

Convergence product
A convergence product is an integrated fixed-line service, internet, and mobile communications product.

medianac
medianac is a highly accessible, database-supported web application for managing video services. medianac, which is hosted and operated in ecotel's datacenter, facilitates the simplified processing of business customers' increasingly complicated streaming projects.

Media streaming
Audio and video data received and sent from a computer network simultaneously.

MVNE
While the mobile virtual network operator (MVNO) develops, operates, and sells its own services as a virtual network operator, the mobile virtual network enabler (MVNE) is a partner of the MVNO. It operates the necessary infrastructure to connect the services of the MVNO to the communication infrastructure of a mobile network.

MVNO
The mobile virtual network operator (MVNO) is a new business form in the mobile communications sector between the actual network operator and the service provider or reseller. In contrast to the network provider, the MVNO does not operate its own access network with its own broadcasting stations. The MVNO, however, has the possibility of operating by itself or leasing core network services from the network operator – e.g. transmission, IN platform, customer administration, home location register (HLR), billing. In this way, the MVNO has the same abilities to create services as does the mobile network operator itself. The design possibilities of the service provider are limited to the use of price models which can be calculated on the basis of the call data supplied by the carrier.

„NetMig“ project
The „NetMig“ (short for „network migration“) project involves consolidating the IP backbone of 21 decentralized access points to two redundant access points by consolidating network infrastructure. This project replaces the conventional connections of existing customers with efficient ethernet connections via leased lines.

Network operation center (NOC)
The network operation center (NOC) is the technical operating site for a network and responsible for the monitoring of the network.

On-net / Off-net area
Full access and data products from alternative network operators are available in „on-net“ areas. In the so-called „off-net“ areas, telecommunication services are provided via DTAG access lines.

Prepaid card
This concept revolves around pre-paid credit accounts for the usage of services and is widespread in the telecommunications sector.

Preselection
Long-term preselection of a network operator at a local exchange carrier for processing calls. As a rule, preselection requires a contractual agreement with the desired network operator. The local exchange carrier is responsible for carrying out the preselection for the connection.

Prime Standard
The Prime Standard is the segment for companies on the Frankfurt Stock Exchange who wish to position themselves internationally. Joint stock companies in the Prime Standard must fulfill more extensive international transparency requirements than is the case with the General Standard.

PSTN
The public switched telephone network (PSTN) is a telephone network constructed for the processing of telephone calls.

Reseller
Resale of telecommunication services of other telecommunication companies under one's own name and one's own billing. So-called switch-based resellers have their own connection technology; resellers without their own transmission computers are called rebillers or switchless resellers.

Roaming
Enables telephone conversations over networks of various network providers, such as international roaming in the pan-European GMS system.

Virtual Network Operator (VNO)
Virtual network operators do not have their own network infrastructures. Instead, they put together a network from the infrastructure of other suppliers and connect them with their own components into a virtual network, e.g. with their own switch technology.

VoIP
Voice over IP – Voice services (VoIP services) based on the internet protocol which are comparable in quality and product form to traditional telephone services. VoIP services are characterized by the fact that their users can telephone on the basis of a packet transmitted data network. This can be either the internet or managed IP networks.

VPN
Virtual private network – company networks that are used for closed networking of company sites.

White label service
Products called “white label” are those that are marketed to customers not under their own brand name, but as brands of other companies.

Wholesale service
Network overarching trade (sale and purchase) of telephone minutes in large volumes.

Financial Calendar

May 14, 2010	Publication of Q1 quarterly report
July 30, 2010	Annual General Meeting
August 13, 2010	Publication of Q2 quarterly report
November 15, 2010	Publication of Q3 quarterly report

Credits

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Notes

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