ecotel
all around communication

2013
Annual Report

ecotel communication ag 2013 Annual Report

ecotel communication ag
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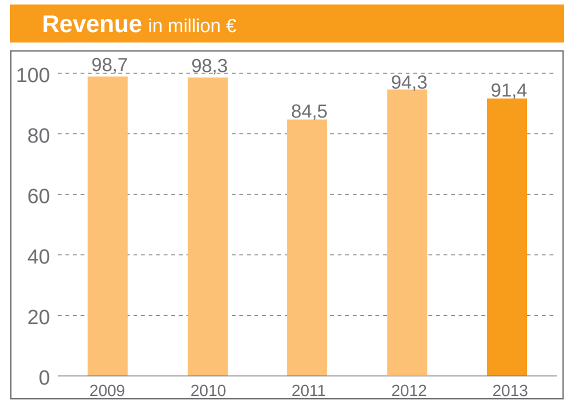
Key figures ►►

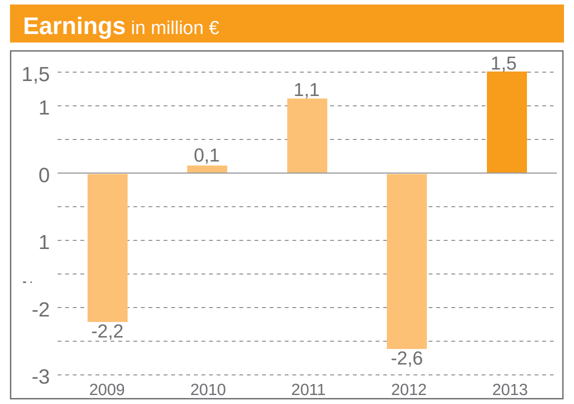
Key figures

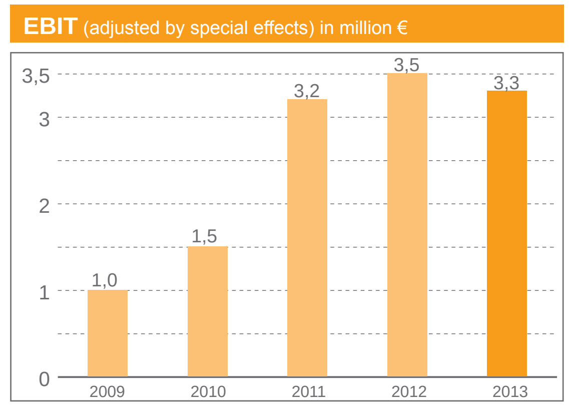
Amounts in million €	2011	2012	2013
Revenue	84.5	94.3	91.4
Business Solutions	41.6	40.8	42.2
Wholesale	30.6	40.8	34.7
New Business	12.3	12.7	14.5
Gross earnings	24.6	25.1	26.9
Business Solutions	18.7	18.9	21.2
Wholesale	1.4	1.0	0.7
New Business	4.5	5.2	5.0
EBITDA	7.1	6.8	6.7
EBITDA (adjusted by special effects)	6.6	6.8	6.7
in % of sales revenue (adjusted by special effects)	7.8 %	7.2 %	7.3%
EBIT	3.1	0.4	3.3
EBIT (adjusted by special effects)	3.2	3.5	3.3
in % of sales revenue (adjusted by special effects)	3.8 %	3.7 %	3.6 %
Consolidated profit	1.1	–2.6	1.5
Consolidated profit (adjusted by special effects)	1.2	1.4	1.5
Earnings per share in €[1] (adjusted by special effects)	0.32	0.38	0.42
Balance sheet total	45.4	42.7	46.0
Equity capital	21.4	19.3	20.8
in % of the balance sheet total	47.1 %	45.2 %	45.2 %
Number of shares as of 12/31 (Outstanding shares)	3,752,500	3,685,096	3,600,000
Net debt	3.0	–0.3	1.3
as a multiple of EBITDA	0.4	n.a.	0.2
Employees as of 12/31[2]	189	189	200

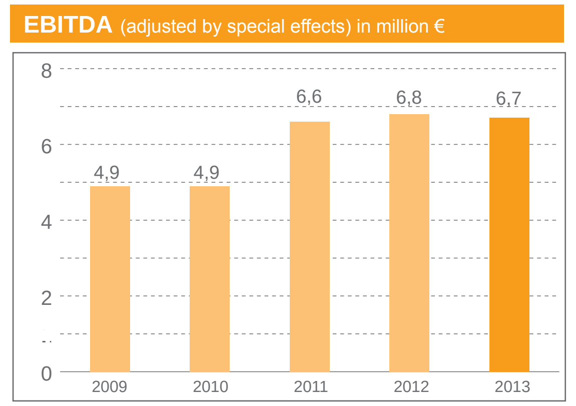
Essential cash flow data Amounts in million €	2011	2012	2013
Cash and cash equivalents as of 01/01	6.1	6.2	7.5
Cash flow from ongoing business activities	6.3	6.8	6.9
Cash flow from investment activities	–1.6	–2.7	–7.7
Cash flow from financing activities	–4.5	–2.8	–0.6
Cash and cash equivalents as of 12/31	6.2	7.5	6.1

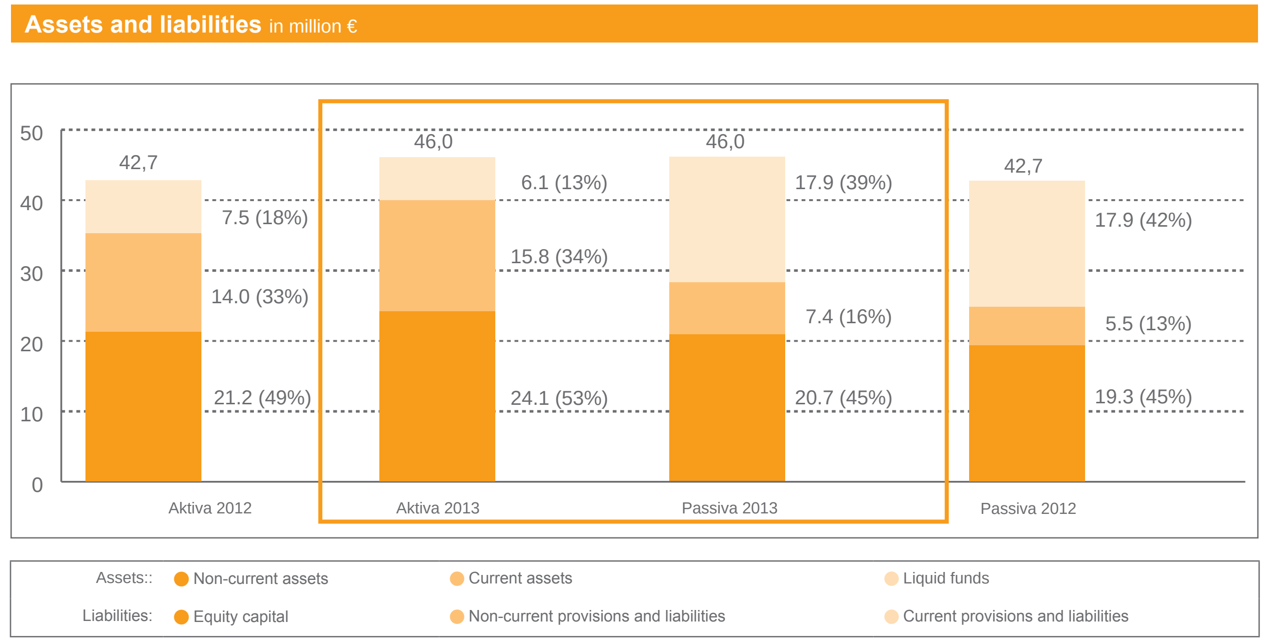
1) Both undiluted and diluted
2) without minority companies (synergyPLUS GmbH, mvneco GmbH)











Notes

Corporate profile

Listed in the Prime Standard segment of the Frankfurt Stock Exchange, ecotel communication ag is a telecommunications company with activities in three business sectors throughout Germany.

In the core segment of »Business Solutions« ecotel provides about 18,000 business customers with an IT/Telecom product portfolio consisting of voice, data and mobile communications solutions.

This includes nationwide available and convergent bundled products, broadband data access on the basis of xDSL and Ethernet technologies, scalable networking of corporate locations (VPNs) as well as housing and hosting services.

In the second segment, »Wholesale Solutions«, the ecotel group markets preliminary service products to other telecommunications companies. At the same time, the company achieves high traffic volumes in this segment, enhancing added value for the core segment of »Business Solutions«. In addition to the international wholesale voice activities of ecotel, mvneco GmbH is also included in this segment.

The »New Business« segment covers new, fast-growing business segments and niches by means of independently operating subsidiaries. In addition to easybell GmbH, which is aligned to private customer business, nacamar GmbH, which now focuses exclusively on new media activities, is part of this independent business unit.

Founded in 1998, the corporate group, with its main office in Düsseldorf, currently has about 200 employees, including subsidiaries and holdings.

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CONSOLIDATED FINANCIAL STATEMENT

Foreword of the Management Board

Dear Shareholders,

In the 15th year of the company's existence ecotel was able to report a decidedly positive business trend. Consequently, the planned financial performance indicators were either exceeded or at least reached at the upper end.

In the financial year 2013 sales revenue totalled € 91.4 million compared with € 94.3 million in the previous year. With this development the company exceeded the forecast corridor of € 80 to 90 million published by the Management Board. The 3 percent decline in consolidated turnover compared with the previous year is essentially due to the planned decrease in the low-margin Wholesale Solutions sector.

Gross profit increased relative to the comparable period of the previous year by 7 %, from € 25.1 million to € 26.9 million. Compared with the previous year the gross profit margin increased from 27 % to 29 %.

EBITDA totalling € 6.7 million remained nearly unchanged compared with last year at the upper end of the forecast corridor of € 6 to 7 million. EBIT totalled € 3.3 million for the reporting period. Consolidated profit improved from € 1.4 million (2012 adjusted) to € 1.5 million. Earnings per share increased 11 percent from € 0.38 (2012 adjusted) to € 0.42. The equity ratio remained unchanged at 45 percent.

In the following we would like to summarise for you the most important events from the year 2013.

In addition to continuous improvement of the gross profits in Business Solutions since 2011, ecotel was again able to report growth in revenue from this sector for the first time since 2007. With the B2B revenue of € 42.2 million earned in 2013 and a B2B gross margin of more than 50 % ecotel has laid the foundation for achieving its middle term goals for 2015.
From the point of view of marketing ecotel also announced new records in the order acquisition for data services in 2013. For example, it was possible to market more than 200 new broadband Ethernet lines and more than 350 new SHDSL lines.

from left: Peter Zils, Achim Theis, Bernhard Seidl

The router roll-out for secure corporate networking of about 10,000 Allianz insurance agencies was successfully started in the autumn of last year. By the end of first quarter 2014 all of the agencies will be integrated in the new private corporate network. With this step, phase 1 of the large-scale project will be successfully completed. The basis for the fast implementation, with up to 800 installations per week, was the new router management platform developed by ecotel in 2013, which ensures the fully automated process flow, from commissioning to successful installation of the routers at the agency locations.

The year 2013 was also successful for the subsidiary easybell. Especially positive was the development of the DSL business, which clearly gained in dynamics in the financial year. Driving factors for growth are recommendations from satisfied customers who praise the good cost-effectiveness ratio and the service. This is shown for example by a customer survey conducted by Computer BILD, in which easybell was distinguished as the best supra-regional DSL provider in Germany. In a comparison of Internet providers by the German Association for Consumer Studies easybell emerged as the winner, with a rating of 92.7 percent, which was 10 percent better than the company that took second place.
ecotel intends to continue to enable the shareholders to share in the company's success and further development. In view of this, the Management Board and Supervisory Board have decided to continue the share buy-back program that was already initiated last year. The share buy-back program provides for the repurchase of up to 90,000 treasury shares (corresponding to 2.3 percent of the share capital) between 31 March 2014 and 30 June 2014.

For 2014 the Management Board expects consolidated revenue of € 85 to 95 million, and EBITDA of € 6.5 to 7.5 million. The driving factor for increased profitability is still attributed to increasing B2B revenue for which Management forecasts growth from € 42.2 million in 2013 to € 43 to 44 million.

In addition, the Management Board continues to pursue the goal of increasing revenue to € 100 million and EBITDA to € 10 million by 2015. This assumes, however, that an unanticipated six-month delay of a line migration planned for 2014 can be compensated by 2015. In view of this development the realignment of the Business Solutions segment will occupy a key role. In addition to secure networking of corporate locations, especially the new Cloud products as well as the Voice products on the basis of the company's planned NGN (Next Generation Network) platform will be at the focus of future developments.

In conclusion we would like to thank all the employees of the ecotel Group for their work and their contribution to the success of the enterprise. We thank our customers, business partners and shareholders for the close and trustful cooperation. We are confident that we will continue to be well prepared and optimally positioned for the future requirements of the telecommunications market.

B. Seidl		
Bernhard Seidl Chief Financial Officer	Peter Zils Chief Executive Officer	Achim Theis Senior Executive President Sales

ecotel celebrates 15-year existence

Peter Zils
Chief Executive Officer

CRN publication on the occasion of the company's anniversary

In the highly competitive telecommunications market it can be considered an achievement when a mid-sized provider survives 15 years with no wounds. ecotel recently celebrated this occasion with a large anniversary celebration.

The chartered yacht »Grace Kelly«, with employees, sales and cooperation partners and long-term associates of the company, sailed along Düsseldorf's Rhine bank to a large display of fireworks for the enjoyment of the 250 guests. Summer temperatures and professional catering made the evening boat excursion a complete success for the partners who had travelled from all corners of Germany to attend the event.

A 25-minute fireworks display was the highlight of the boat excursion.
Peter Zils, founder and CEO, is convinced: "ecotel has developed since the beginning of the liberalisation of the telecommunications market in 1998 into a profitable group of companies with attractive perspectives for the future. This was achieved with major contributions from our employees, customers and partners, to whom I would like to express a special word of thanks."

by Folker Lück

Congratulations from the Supervisory Board on the 15-year anniversary

»On board« as customer for 15 years 2nd from right: Gerd Kaspari

Honour for long-standing ecotel employees: Annette Drescher, Assistant to the Managing Director

The ecotel partner awards

Honour for successful ecotel partners right: Christian Schmitt (DGRV), 2nd from right: Jörg Glaser (ServiCon)

Cast off and ship ahoy with the »Grace Kelley«

Saxophonist as live act

Culminating in the Rhine Fair fireworks

Quality in a Square.

Ritter Sport obtains Ethernet data network from ecotel

The family owned company Alfred Ritter GmbH & Co. KG owes its present-day image primarily to this motto. The mid-sized company was founded more than 100 years ago and is now represented in more than 100 countries with the Ritter Sport brand. The guarantee for the sustainable success of the SME is the high standard of quality that is prevalent in all areas of the long-established Swabian company.
Security and quality are of central importance especially with respect to the data connection between the branch locations and the central office. With well-founded expertise and practice-tested know-how Manfred Maier, Managing Director of ecotel sales partner StarTech, has supported Alfred Ritter GmbH & Co. KG for many years. The regular examination of existing systems and networks for possible optimisation potentials is one of the daily tasks of the expert for voice and data communication.
When the enterprise decided to optimise the existing network infrastructure with fast data connections and higher transmission capacities, the telecommunications company ecotel was able to offer convincing arguments over the other providers. In this project, special attention was given to the connection of international locations in Austria and Italy.

Manfred Maier explains: “Other crucial arguments for ecotel were the advantage of the best possible broadband capacity nationwide, as well as the high level of individualisation offered by ecotel within the framework of its multi-supplier strategy. In addition, with ecotel we can purchase all connections and services from a single source. Important factors for a demanding large-scale customer like Ritter Sport that no other provider can deliver in this form.”

Manfred Maier
Managing Director
StarTech
Stuttgart

In addition, there was a requirement for the data network to be scalable with a view toward integration of future locations and to allow product adaptations also during the ongoing project phase, due to changing broadband requirements.

STARTECH
SPRACH- UND DATENKOMMUNIKATION

During implementation of the project the data connections were implemented in the form of an Ethernet VPN with innovative MPLS technology. The Ethernet lines used are double shielded wireline connections with a guaranteed bandwidth rate. Special protection of the data is ensured by purely »private« routing within the closed ecotel MPLS-VPN.

In addition, dedicated backup connections of the single locations via Hot Standby Routing Protocol (HSRP) provide for additional protection of the data network.

Ulrich Strack, Head of IT at Alfred Ritter GmbH & Co. KG, summarises: “What we especially appreciate about ecotel is the active communication and the close cooperation, also in coordination with Manfred Maier of StarTech, throughout the entire project coordination and migration phase. Our different requirements for the respective connection variants, for example, were always approached individually and with maximum priority. Also in the scheduling of the roll-out and commissioning of our locations the project management team responded very flexibly to our requirements. The operation of our data network via ecotel is stable and fast.”

Ritter Sport company headquarters in Waldenbuch

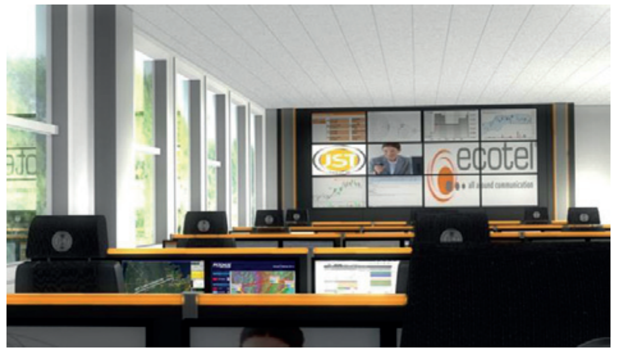
ecotel computer centre provides the basis for leading performance marketing agency hurra.com

The Stuttgart-based performance marketing agency hurra.com, with 200 employees at ten locations, is one of Europe's leading agencies for SEM, SEO, website and conversion optimisation, as well as online display advertising. Since 1998 the visionary online marketing specialists have competent and very successful operations on the fast-changing web and are therefore deemed an »old hand« in the sector.

The external storage of corporate data in an external computer centre is a central matter of trust. Especially the rapidly growing and data-intensive area of search machine marketing has a fundamental requirement for high-performance computers with stable connections and maximum availability of capacities. In view of constantly rising electricity prices, air conditioning and energy efficiency also play an increasingly important role with respect to computer centre services.

The specific requirements of hurra.com consisted in the reliable and secure hosting of proprietary software applications for optimisation of campaigns on the basis of Google AdWords. After all, the campaign volume comprises a total of more than 60 million key words. In choosing an external provider, the decision-makers of the innovative agency were deeply convinced by ecotel's modern computer centre, which has received multiple certifications.

Customers can rely on the most modern infrastructure with a state-of-the-art fire alarm system and continuous monitoring of the electrical, air conditioning and access systems. The direct multi-redundant connection to other major Internet service providers and the location in the direct vicinity of DE-CIX, Europe's largest Internet interchange point provide for permanent stability and security. Additional security is provided by the active Network Operation Centre (NOC) with a comprehensive ticketing and monitoring system and system monitoring 24 hours a day, 365 days a year.



hurra.com headquarters in Stuttgart

The agency currently uses ten racks provided by ecotel exclusively for hurra.com in dedicated rooms with secure access systems for storage and transfer of its data at the Frankfurt location.

Fabian Burberg,
Senior IT Network & System Administrator

Fabian Burberg, Senior IT Network & System Administrator of Hurra Communications GmbH, summarises the advantages of ecotel: "We especially appreciate the solution-oriented and cooperative partnership. The employees in the computer centre are always willing to accept our challenges constructively and to create a solution that works. As a result of our growth, our electricity requirements and the necessary air conditioning capacity have increased drastically. With a hot/cold aisle concept developed especially for us ecotel was able to meet and sustain our increased requirements for the future.

We were also convinced by ecotel's flexible billing procedure, which ensures maximum commercial benefits with respect to monthly fluctuating electricity requirements. All in all a well-structured offer of services for our highly sensitive data."

Innovative housing solutions »Made in Germany«

Fujitsu relies on extensive cooperation with ecotel for new server housing project

For the housing of a high-performance Fujitsu server/storage infrastructure, Fujitsu relies on the multi-award winning ecotel computer centre. The existing cooperation with ecotel made it possible to house the entire IT infrastructure, consisting of Fujitsu rack/blade servers in combination with NetApp storage, in high-performance racks in the ISO-certified data centre in Frankfurt/Main, therefore providing flexibility, security and high availability.

An essential aspect in the successful acquisition and implementation of the project was the customer's comprehensive joint coordination concept, from initial marketing analysis and planning meetings to creation and implementation of an individual housing concept for the Fujitsu servers. Special technological competence was also contributed by specialised technical consultants of both partners throughout the entire tender and project phase. The technicians of the ecotel data centre were likewise involved in the planning and implementation of an individual server room concept.

Jörg Brünig, Senior Director Channel Managed Accounts Fujitsu Central Europe and member of Management at Fujitsu Germany, explains: "Within the framework of this extensive project ecotel convinced us with well-founded technological expertise both in the planning and configuration as well as in the operation of the data centre. The individual housing concepts include everything from leasing of single rack units to the complete customised room concept. With ecotel we can offer an optimal server solution to our customers, with excellent options for flexible and cost-effective operation of the IT infrastructure."

Fujitsu Technology Solutions GmbH, Augsburg

Andreas Stamm, Sales Director Key Accounts/Cooperations/Distribution of ecotel communication ag, adds: "In our joint coordination concept we pursue demand-oriented solutions for customised housing of state-of-the-art Fujitsu server technology with high-performance, nationwide connection of the locations via a secure customer VPN.

The continuing increase of data quantities and constantly growing security requirements necessitate innovative solutions. The high-availability housing of high-performance servers and IT infrastructure in an energy-efficient computer centre that operates according to high security standards is also often more cost effective than continued investments for the operation, expansion and maintenance of proprietary server rooms. In addition, the customer can be certain that the technology will always be up to date."

With the support of Fujitsu and ecotel, system reseller partners have the opportunity for new sales and participation in lucrative growth markets. The partners can therefore generate attractive margins for hardware and service and receive one-time commissions as well as sales shares for the data services provided via ecotel.

Jörg Brünig
Senior Director Channel Managed Accounts
Fujitsu Central Europe
Member of Management
Fujitsu Germany

Innovative PBX hosting concept from ecotel and Unify

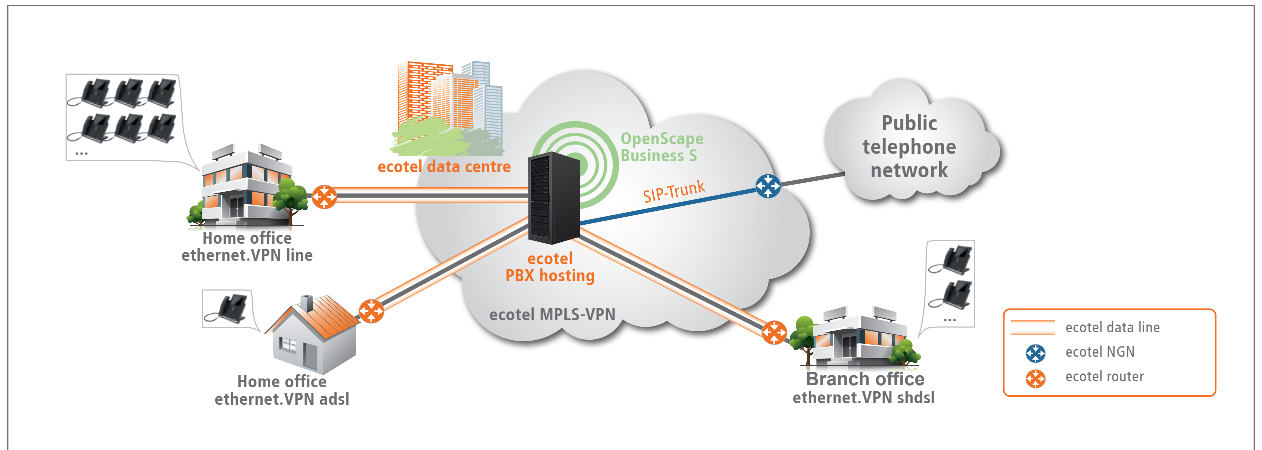
ecotel presents new solution as exhibit partner at Unify stand at CeBIT 2014

Unify GmbH & Co KG and ecotel communication ag are expanding their long-standing cooperation with their new PBX hosting solution for the channel. Unify will contribute its UC-capable communication system OpenScape Business S to the cooperation; ecotel will round out the solution with its exclusive hosting services, including broadband access and SIP connection fees in the ISO-27001 certified computer centre. This gives SMEs an innovative private cloud solution that previously was available only to major corporations.

The PBX hosting solution addresses business customers with 20 to 500 employees. It provides a solution to the diverse requirements for a high-availability communication system: flexible, powerful and scalable. Hosting of OpenScape Business S in the ecotel computer centre provides convincing operational reliability and availability that is virtually unprecedented in this segment.

In addition to the high-availability hosting of OpenScape Business S in the ecotel computer centre, the innovative solution also includes fast provision of all necessary related services. A high-performance overall solution is achieved in combination with the nationwide available ecotel MPLS-VPN for secure access from the customer locations. The PBX hosting solution is topped off by attractive ecotel SIP connection rates with additional potentials for savings.

Günter Scholz, Head of Partner Management SME at Unify, is convinced by the advantages of the new solution with ecotel: “As in the past, the partners are still responsible for sales, installation and service with respect to OpenScape Business S, with the known margins and earnings opportunities and through the existing distribution channel. Of course, we support our specialised retail partners also with the marketing of our solutions in connection with the ecotel offers.”



Andreas Stamm, Sales Director Key Accounts / Cooperations / Distribution of ecotel communication ag, adds: “The Open Scape Business S solution bundle includes professional hosting on virtualised servers in the ecotel computer centre, as well as secure data transfer and SIP trunk for attractive voice rates. With ecotel PBX hosting the partners have a secure solution that is »Made in Germany«. We support the partners in the creation of offers and presentations and scheduling of customer visits. In addition, we pay the partners attractive commissions for the conclusion of a contract, as well as sales shares, as long as the customer uses the ecotel services. The partners therefore experience a reinforcement of their position in the competition and benefit from an extended value-added chain.”

The new complete solution offers business customers a comprehensive solution from a single source, with attractive savings potentials in the form of lower rates, which can in turn be used for refinancing the solution.

Existing and new partners benefit with ecotel PBX hosting from additional sales opportunities and continue to maintain full control and creation of value for the communication system marketed and installed by them.
The innovative force of the new ecotel PBX hostingconcept has already been distinguished with a recent award from the SME initiative »Initiative Mittelstand«: During CeBIT the ecotel concept was awarded the famed Innovation Award IT 2014 for the second best solution in the category VoIP / Telecommunications.

Unify trade fair stand at CeBIT 2014

INNOVATIONSPREIS-IT
NOMINIERT 2014
initiative mittelstand
TK / VOIP

from left: O. Jansen (ecotel), G. Scholz (unify), A. Stamm (ecotel)

Oliver Jansen, Director Marketing & Product Management of ecotel communication ag:
“In the development of this solution, two things were in the foreground: First, creation of the best possible operating environment for a communication system for SMEs and second, consideration of the business model of a telecommunications systems reseller. It seems that we were successful.”

Selected ecotel cooperation partners

KOMSA DIE BESSERE VERBINDUNG
SYNAXON AG
@k CONCEPT CENTER
DER MITTELSTANDSVERBUND ZGV
itelligence
VERSTEHEN PLANEN UMSETZEN comTeam SYSTEMHAUS-VERBUND
ElectronicPartner
iTeam
UNIFY
GFT Unternehmensverbund Telekommunikation
ALSO
microtrend SERVICE BESSER EINGEKAUFT!
FUJITSU
VAF BUNDESVERBAND TELEKOMMUNIKATION
SAP Member Extended Business Program

Selected ecotel reference customers

Allianz
ING DiBa Die Bank und Du
eventim
AVNET electronics marketing
Ritter SPORT
Experian Marketing Services
Schülerhilfe! Das Original. Seit 1974.
Leica MICROSYSTEMS
YVES ROCHER
TOI TOI & DIXI SANITÄRSYSTEME GmbH
Best Western
RehaZentren Baden-Württemberg
sport1.de
hurra.com

easybell:
Low-priced, competent and customer-friendly

As a subsidiary of ecotel communication ag the Berlin-based company easybell markets high-quality and attractively priced Internet and telephone access throughout Germany. Within the companies of the ecotel Group, easybell GmbH is the most important pillar in the private customer sector. Originally started as a call-by-call provider in 2006, the business segments Broadband via DSL and Voice-over-IP were developed successively. Through innovative products at reasonable prices easybell has developed within a few years from a start-up to become an established player in the broadband market, setting new standards for products and prices. The first Allnet flat rate in the wireline sector was introduced with »Complete allnet«. Furthermore, with its VDSL connections, easybell was the first provider to undercut the price of € 25 per month. In the important price portals and trade magazines, easybell leads in the rate comparisons.

The main product lines are TAL full access and telephony solutions via Voice over IP. easybell provides only adaptive rate ADSL2+ and VDSL connections. The company cooperates closely with the upstream supplier Telefónica Deutschland, which means that easybell is available nationwide. In 2012 the first cooperation with Vitroconnect was started at the regional level.

The Voice-over-IP products are based on an innovative Class V platform that is among the technologically most modern in Germany. The new technology offers a high level of flexibility, together with high reliability and low costs. New products can be launched quickly and the high scalability makes it possible to integrate other carriers and major business customers via the subsidiary init.voice.

easybell focuses on customer satisfaction through transparent products with fair contract conditions and short contract terms. This has achieved an independent customer base that remains loyal to the company longer on average than would have been the case with long contract terms. Also, customers recommend easybell in Internet forums and in personal contacts as a competent and friendly partner.

A cornerstone for this is the customer service, which has been distinguished by various independent service tests. In the past year easybell emerged for the first time as the winner among ten broadband providers in a test conducted by the German Association for Consumer Studies in cooperation with N24.

easybell responds to the modern habits of its customers by expanding the range of classic wireline services: IP-based telephone systems can be used worldwide, for example on smartphones with the in-house developed easybell app or other web-capable end devices such as VoIP routers or IP phones. The access data for the systems is available to the individual customers and can therefore be used simultaneously on many end devices. The service is supplemented with innovative features, such as Fax2Mail, Voice2Mail and a high-quality online connection management system.

In addition, easybell GmbH also offers classic call-by-call and Internet-by-call access. Since several years the company is among the market leaders in the call-by-call and Internet-by-call sector.

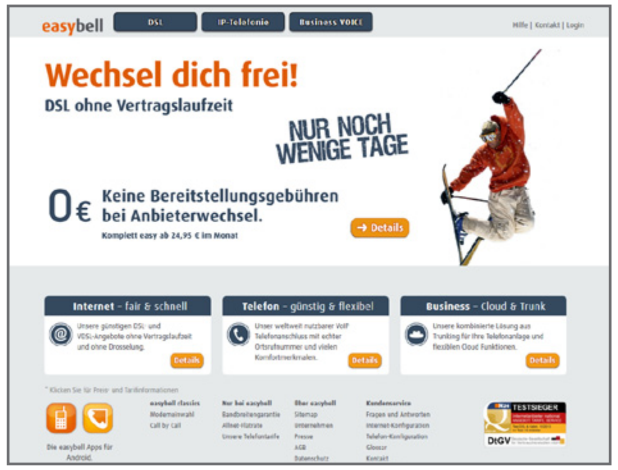
2013 was a year of rapid growth for easybell. The number of installed TAL full access lines

approximately doubled in financial year 2013. This was achieved in an intensively competitive market environment, in which many DSL providers can at best minimise the loss of customers due to the competitive pressure from the cable providers.

The high growth was financed exclusively from the operative cash flow. This was enabled through consistent automation of all business processes so that easybell works with extremely competitive process costs. In the purchase of preliminary services easybell benefits from synergies within the ecotel Group.
In addition, easybell was able to keep customer acquisition costs low through intelligent price and marketing strategies. Thanks to a consistent focus on recommendation marketing the image has been boosted continuously by the increasing number of customers, without a significant increase in marketing costs.
easybell will continue to pursue the course of growth. Other technical innovations and entirely new product lines will open up additional customer groups

easybell einfach besser

and increase the intensity of utilisation by existing customers. easybell has become a permanent part of the German telecommunications landscape.



From audio streaming to central video management

The nacamar service portfolio

The ecotel subsidiary nacamar GmbH, as a New Media full-service provider for more than 15 years, offers all relevant services for streaming and hosting of audio and video content for Internet service providers, TV and radio broadcasters as well as website operators and trademark owners. As a result of the development of end device technologies from PC to Mobile to today's Internet-capable Smart TV on the one hand and the change in user behaviour toward *TV everywhere* the requirements placed on nacamar have also changed.

The current customer project *3-Screen-Playout for Bibel TV* is ideal for illustrating the complete service spectrum of nacamar: the Christian TV broadcaster Bibel TV wants to be more customer friendly, sustainable and universally accessible in the future. The task of nacamar GmbH is to create an online video platform, or mediathek, to process the current TV programme and additional live streams for all Internet-capable end devices and to develop design applications for mobile end devices such as smartphones, tablets and Internet-capable TVs.

Live streaming

In the ecotel computer centre nacamar receives the Bibel TV live stream via satellite, transcodes it to an Internet-capable signal and broadcasts it via the in-house CDN server infrastructure to thousands of users via PC, smartphone, tablet and SmartTV. At the same time a second live stream, specially created by the broadcaster for the New Media, is supplied via Internet to the nacamar CDN for distribution to users. In the future, Bibel TV will also be able to use countless music clips to generate a third live stream by means of a user-friendly editing tool provided by nacamar for distribution via the CDN, the Bibel TV music channel.

Video on Demand

Via the online video solution medianac audio and video clips are uploaded to the cloud service at nacamar and provided with descriptive data (metadata), updated by the customer's editorial staff and made available in different resolutions and bit rates to all applications, arranged by category.

Application development / agency services

The apps that users in the future will be able to download from the app stores of Apple, Android, Samsung, Philips or LG to a smartphone, tablet or smart TV, were developed, designed and implemented entirely by nacamar, which also tested the apps on the end devices of several production years from more than 20 manufacturers.

Infrastructure and Network Operation Centre

The affiliation with ecotel communication ag means that nacamar can build on an outstanding network and IP infrastructure in the computer centre of the consolidation parent and offer Bibel TV as well as optimal Internet access, high reliability and first-class service. The ecotel Network Operation Centre is also available to nacamar customers 24 hours a day for support and reporting of disruptions in service.

Outlook: Corporate Communications

In 2014 nacamar is expanding its portfolio to include an online presentation solution for webcasts. This will allow the easy and secure transmission of investor relation events, webinars and online learning content on the Internet live and on-demand, with corresponding presentation material.

Within the context of information dissemination on the Internet, online video is becoming increasingly important for enterprises. Without online videos, diverse events – from general meetings and press conferences to product presentations and e-learning – are inconceivable today already. Accordingly important for a company is the choice of the right tools for recording, processing, distributing and sustainably providing such content on the Intranet and Internet.

With the corporate communication platform RichCast nacamar presents such a universal tool with cloud integration for hosting and streaming as well as management of the content. The central component of the RichCast solution is the *P•CORDER* from pixel2media – a compact, robust and inexpensive recording solution for many areas of use, such as e-learning, corporate education, universities and academies, product announcements, marketing and sales conferences, shareholders' meetings, etc. And it provides complete recording studio in one device: video mixer, audio mixing console, A/V splitter, A/V recorder, video processor and live streaming processor. As *P•CORDER Mobile Studio Kit* it can be used as an ultra-mobile standalone solution that can be set up and operated with no special knowledge or training. The major advantage: the recordings, which are available immediately after the event, are nevertheless professional as well as company-specific. The robust and attractively priced *P•CORDER* will fit in every conference room and can easily be used to create inexpensive recordings at any event.

The RichCast backend allows management of content by the customer also in a cloud environment, in which existing company-specific players are available for live and on-demand transmission as embedded code. Another feature of RichCast is the provision of detailed statistics.
RichCast from nacamar is attractive to companies of any size who desire professional online presentation of their information and content – on a PC, mobile device or smart TV – by means of an inexpensive, easy to use and flexible solution.

The ecotel stock

ecotel stock has been listed on the Frankfurt Stock Exchange since 29 March 2006. On 6 August 2007 it moved from Entry Standard to Prime Standard. The capital stock is 3,900,000 shares, of which the company holds 300,000 treasury shares. Thus as of 12/31/2013 there were 3,600,000 shares outstanding.

Price trend 2013

The stock market was characterised in 2013 by significant growth. The major indexes reported significant profits over the course of the year. The Dax as a representative of the large cap companies improved in 2013 by 25 % and the TecDax by even 41 %.

The price of the ecotel share at the start of the year was € 5.2. In mid-March it reached the € 6 mark. During the course of the year the share settled at this level until it finally reached its peak of € 6.7 in November. With a continued upward trend the share finished the year at a price of € 6.4. Overall the price of the ecotel share rose by 25 % in 2013.

Average daily trading of the stock in 2013 was 3,033 shares per day compared with 2,631 shares per day in the previous year. At year end ecotel showed market capitalisation of € 23.0 million, at a share price of € 6.4 and 3,600,000 outstanding shares.

Investor relations

In 2013 an intensive dialogue also took place with investors, analysts and journalists to develop the trading volume of the ecotel stock and to boost the company's image. The development of the ecotel stock was again evaluated as in the past by analysts of the DZ Bank and WGZ Bank in research publications. In addition, ecotel was represented in 2013 at investor fairs, such as the spring conference of the Deutsche Börse Group. IR measures are again planned for 2014 to maintain contact to potential investors, including participation in the Equity Forum, for example.

Current information on the company, such as quarterly reports, press releases and a financial calendar, as well as analyst presentations can be accessed on the company website under »Investor Relations« immediately after they are published.

Shareholder structure

In 2013 there was a significant change in ecotel's shareholder structure. IQ Martrade Holding und Managementgesellschaft mbH decreased its holdings in the company from 14.6 % to 9.8 %. The company's other major shareholders are Peter Zils (CEO of ecotel) with a share of 25.6 %, Intellect Investment & Management Ltd. with a share of 25.1 % and Private Value Media AG with a share of 9.3 % of the company's shares.

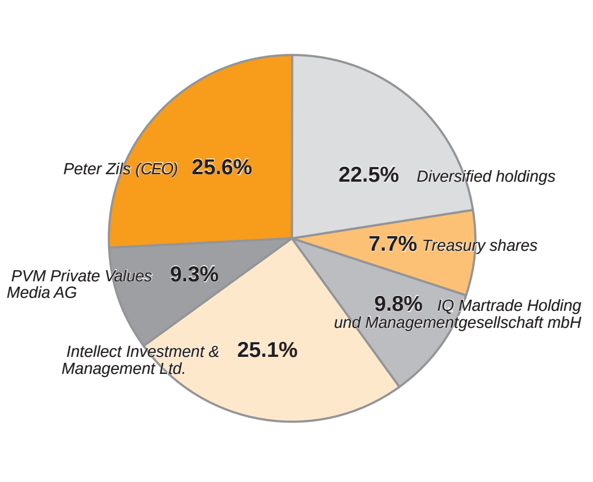
During the period from 28 February to 31 July 2013 ecotel carried out a share buy-back program. During this time ecotel purchased a total of 85,096 treasury shares at an average price of € 5.51. The number of redeemed shares corresponds to 2.2 % of the company's share capital. Therefore, ecotel owned 300,000 treasury shares at the end of 2013, which corresponds to 7.7 % of the company's share capital. The diversified holdings at the end of the year totalled 22.5 %.

Key figures Ø 2013

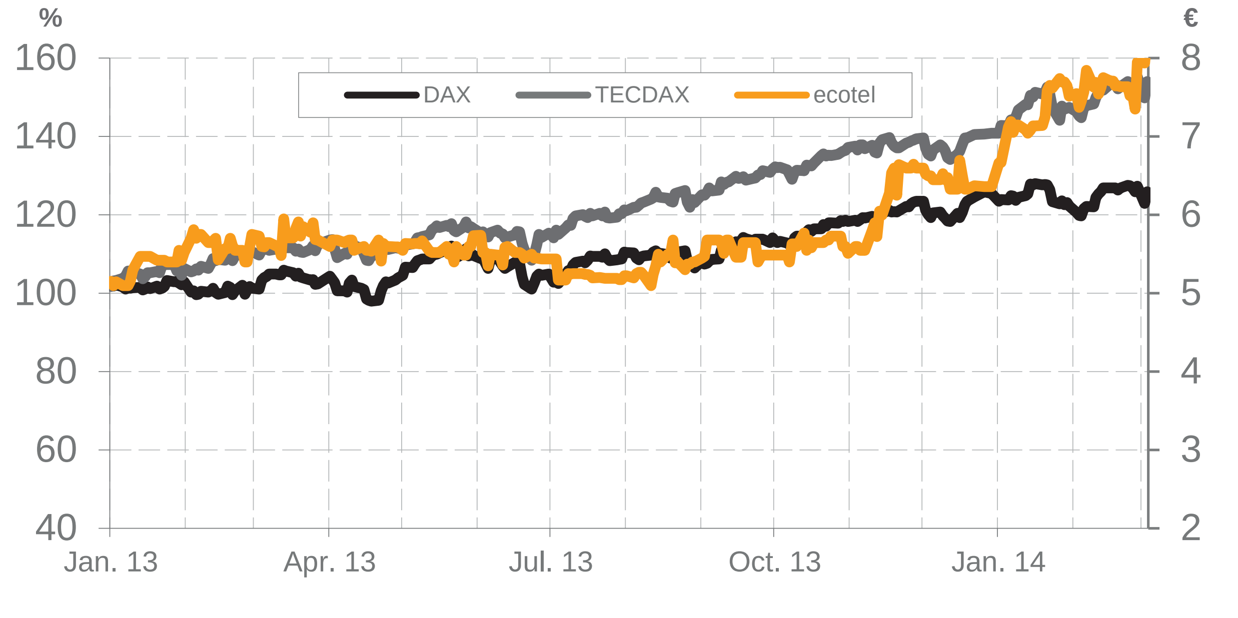
WKN	585434	Date of first listing	03/29/2006
ISIN	DE0005854343	Number of shares as of 12/31/2013	3,600,000
Symbol	E4C	Average daily trading volume 2013	3,033
Market segment starting 08/08/2007	Prime Standard	High share price 2013 (€)	6.7
		Low share price 2013 (€)	5.1
Index affiliation	CDAX, Prime All Share Technology All Share	Market capitalisation as of 12/31/2013 (million €)*	23.0
Class	Non par value shares	Designated sponsor	Close Brothers Seydler Bank AG

* Based on the closing price of € 6.4 per share and 3,600,000 outstanding shares as of 31 December 2013

Shareholdings (12/31/2013) in percent



Price trend of the ecotel stock in 2013 in percent



Consolidated management report 23

Consolidated Management Report

1. ECOTEL – OVERVIEW

The ecotel Group (hereinafter »ecotel«) is a telecommunications company that has been active throughout Germany since 1998, specialising in meeting the requirements of business customers. ecotel markets products and services via three divisions: »Business Solutions (B2B)«, »Wholesale Solutions« and »New Business«.

Business Solutions (B2B)

In its core division, »Business Solutions«, ecotel offers small and medium-sized enterprises, as well as large-scale customers throughout Germany an integrated product portfolio of voice, data and mobile services from a single source.

The following overview shows the entire product portfolio in Business Solutions:

Business Solutions product portfolio of the ecotel Group

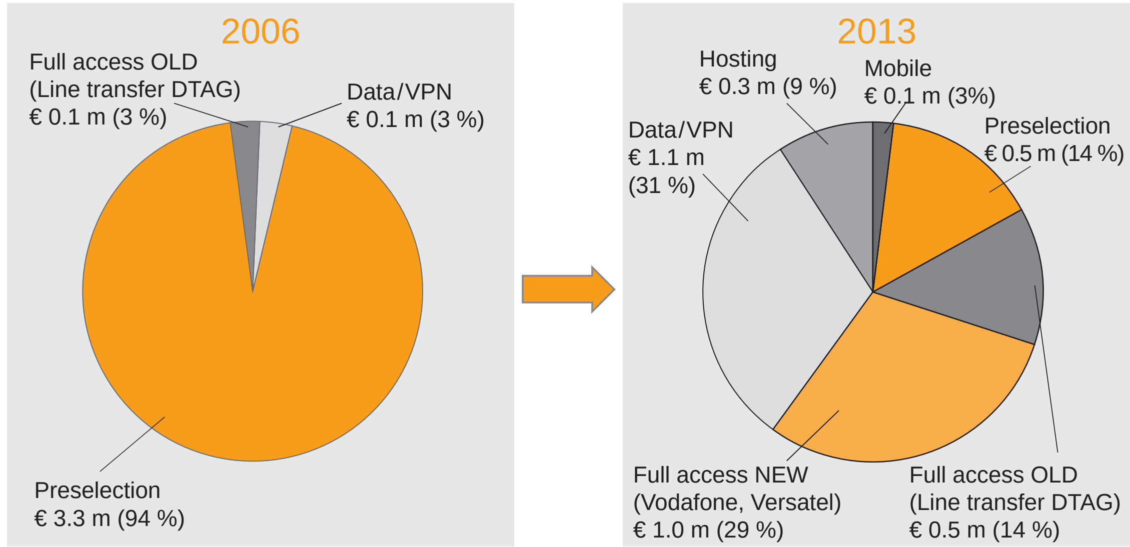
Voice	Bundled services	Full access (ISDN) or unbundled local loop with VoIP
	Voice/telephony	Minute rates, minute packages or flat rates
	Value-added services	National and international service numbers, phone and data conferences
Data	Internet access	via ADSL, SDSL, Ethernet or leased line
	Location networking	Secure enterprise networking via IP VPN (MPLS + IPsec)
	Computer centre	Housing of server farms, hosting of shared services in our own computer centre
Mobile communications	Voice	Attractive mobile communication including convergence products (wireline to mobile)
	Data	Data flat rates and Blackberry and iPhone solutions

In the area of voice services ecotel has a complete portfolio of connection, telephony and value-added services. The data products offered extend from data connections such as ADSL, SDSL, VDSL and Ethernet to secure enterprise networking via VPN, as well as housing of server farms and hosting of shared services (Software as a Service, Cloud Computing). In addition, ecotel also markets mobile communications products and offers business customers combined wireline and mobile communication products.

Over the past seven years ecotel has had to redefine the company through its product portfolio. In 2006, ecotel still achieved approx. 94 % of business customer sales with pure preselect voice services. Meanwhile, preselection constitutes less than 15 % of the Business Solutions revenue. Due to systematic product changes and high cancellation rates the share of preselection in revenue will continue to decrease in the future.

On the other hand the new product areas were able to significantly extend their shares of total sales. In addition to ecotel full access lines, the data and VPN revenues, in particular, developed positively. With full access (43 %), data services (31 %), housing/hosting services (9 %) and mobile communications (3 %) promising and sustainable product sectors already contribute more than 85 % to the B2B business customer revenue.

Shift of sales distribution in the Business Customer segment



Depending on the target group, sales in the Business Solutions division are made via direct sales or partner sales with more than 400 sales partners. Thus ecotel has broad access to its target group of small and medium-sized business customers. In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 buying associations and buying and marketing groups.

In »Business Solutions« the company supplies about 18,000 small and medium-sized companies with annual sales of more than € 42 million, from all industries with standardised and custom telecommunications solutions.

Wholesale Solutions

In »Wholesale Solutions« ecotel integrates the offerings for other telecommunications companies. In addition, the company is active in cross-network trading of telephone minutes (wholesale) for national and international carriers; for this purpose, ecotel maintains network interconnections with approximately 100 international carriers. ecotel also handles a portion of its business customers' national and international telephone calls via the wholesale platform. The mvneco GmbH holding, as a technical service provider and consultant for mobile communications, is assigned to the wholesale segment.

New Business

The new high growth business segments of ecotel are combined in the »New Business« division. These include nacamar GmbH with its streaming business for media companies, as well as easybell GmbH with the private customer business.

Infrastructure

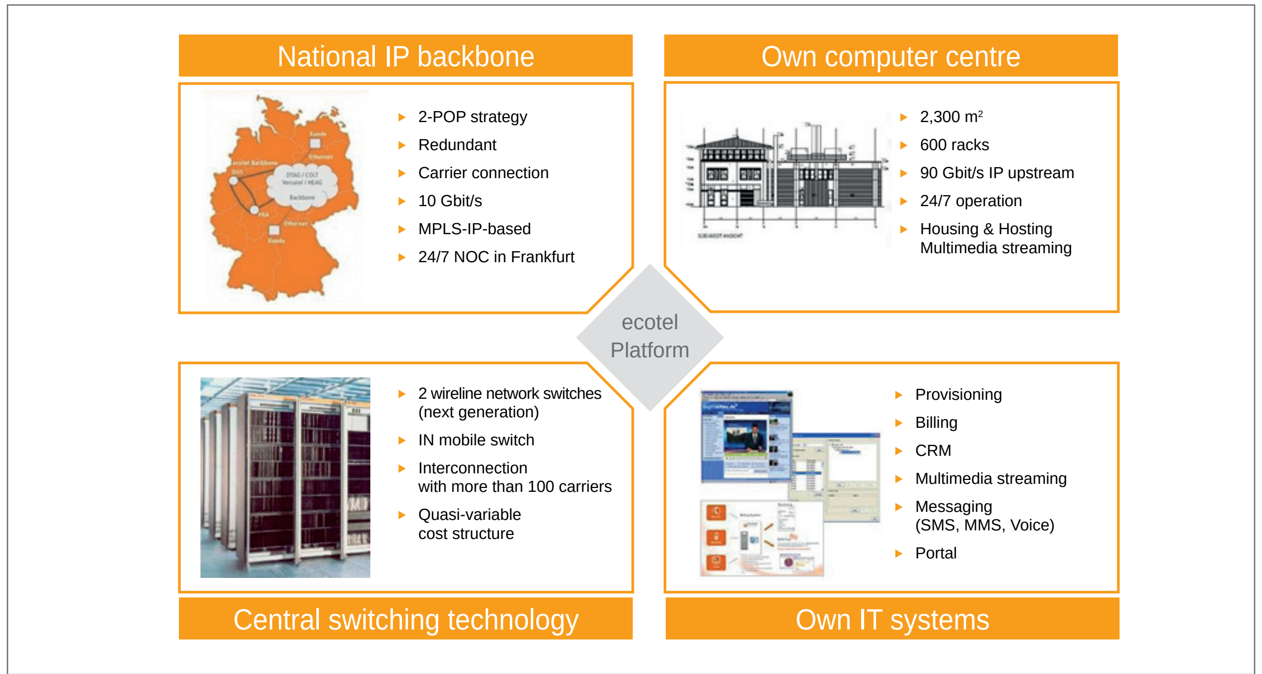
ecotel does not operate its own access network, but rather procures the TC call origination services from various upstream suppliers and can therefore select the operator with the best price/performance ratio. Typical upstream suppliers are Deutsche Telekom (DTAG), Telefonica, Verizon, Versatel, QSC, Colt, E-Plus and Vodafone. The majority of the ecotel cost basis is variable due to customer-specific purchasing of the call origination service.

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

2. LEGAL FRAMEWORK OF THE COMPANY

The voting shares issued by ecotel communication ag are approved on the regulated market of the Frankfurt Stock Exchange (sub-segment Prime Standard). The regulated market of the Frankfurt Stock Exchange is an organised market as defined

ecotel maintains its own limited infrastructure



ecotel has its own computer centre on the campus of Europe's largest Internet node in Frankfurt a.M. as well as additional computer centre space in Düsseldorf. The two Points of Presence (POP) locations are networked via the company's own central voice and data backbone and are connected with many regional and global carriers through network interconnection.

For the New Media business the Group maintains its own content delivery network (CDN). mvneco GmbH operates a central mobile communications platform.

in § 2, para. 7 of the German Securities Acquisition and Takeover Act (WpÜG).

Management body

The legal management and representative body of ecotel communication ag is the Management Board of the company. In accordance with § 5 of the articles of association of the company, the Management Board consists of at least two persons. In all other aspects the Supervisory Board determines the number of members of the Management Board. The Supervisory Board can appoint a chairman of the Management Board as well as a deputy chairman of the Management Board. Deputy members of the Management Board can also be appointed. The Supervisory Board appoints Management Board members for a maximum term of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years. The Supervisory Board can revoke the appointment as member of the Management Board and the appointment as chairman of the board on cogent grounds. According to the articles of association of the company the Supervisory Board issues rules of procedure for the Management Board. This has been done by the Supervisory Board.

According to section 6, paragraph 1 of the company statutes ecotel is legally represented by two Management Board members or by one Management Board member together with one authorised signatory. Currently the Management Board of the company is comprised of Mr. Peter Zils (CEO), Mr. Bernhard Seidl (CFO) and Mr. Achim Theis (CSO). Mr. Wilfried Kallenberg (CTO/COO) has overall power of representation.

Remuneration of executive bodies

The members of the Management Board of ecotel are remunerated on the basis of § 87 of the German Stock Corporation Act (AktG) and Management Board Remuneration Act (VorstAG); remuneration includes a fixed annual base compensation, as well as a variable component. The target requirements (e.g. order acquisition and EBITDA) for the variable component are defined annually by the Supervisory Board. Payment of the variable portion is coupled with sustainable Company development over three years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. For financial year 2013 the Management Board is entitled to variable remuneration claims of € 192 thousand (previous year: € 0 thousand). ecotel has also taken out a directors and officers insurance policy (D&O insurance) with an appropriate deductible for members of the Management Board. In addition, each of the three members of the Management Board is entitled to a company car.

The Company had no share option program in 2013. Up until 31 July 2013 the members of the Supervisory Board were entitled to fixed and variable annual remuneration. For the pro-rata financial year 2013 the Supervisory Board is not entitled to variable remuneration. At the recommendation of the Management Board and Supervisory Board the regular meeting of ecotel communication ag on 26 July 2013 resolved to restructure the remuneration of the members of the Supervisory Board effective 01 August 2013 and to forgo success-oriented remuneration for the activities in the Supervisory Board as of that date. The Management Board and Supervisory Board of ecotel communication ag were and are of the opinion that the payment of a suitable fixed remuneration and the relinquishment of a success-oriented remuneration for the members of the Supervisory Board underlines the independence of the Supervisory Board and is better suited to avoid potential conflicts of interest in decisions of the Supervisory Board, and that the purely function-related remuneration is more suitable in view of the supervisory function of the Supervisory Board members. In addition ecotel has also taken out a directors and officers insurance policy (D&O insurance) with an appropriate deductible for members of the Supervisory Board.

The total remuneration of the executive bodies, as well as the individual remuneration of the members of the Management Board and Supervisory Board are listed in the notes to the consolidated financial statement (comment [28], "Executive body remuneration").

Changes in the articles of association

Every change to the articles of association in accordance with § 179 requires a resolution of the Annual General Meeting. Exceptions to the above are changes in the articles of association that only affect their wording; for such changes the Supervisory Board is authorised.

If mandatory statutory regulations specify nothing to the contrary in the specific case, shareholders' resolutions are made with a simple majority of votes cast and, if the law prescribes a capital majority in addition to majority of votes, with the simple majority of the capital stock as represented for the resolution.

Capital structure

Share capital

The company's capital stock totals € 3,900,000. The capital is divided into 3,900,000 ordinary shares payable to the bearer. The shares are issued as no-par value shares with a proportional amount of the capital stock of € 1.00. The capital stock of € 3,900,000 is completely paid in. Each no-par value share grants one vote in the Annual General Meeting. Voting right restrictions do not exist. As of 31 December 2013, ecotel held 300,000 treasury shares, which corresponds to 7.7% of the company's share capital. Therefore the issued capital in the balance sheet totals € 3,600,000. Different voting rights relative to the shares do not exist. The Company's Management Board is not aware of any restrictions that affect voting rights or transfer of shares, as can occur, for example, due to agreements between shareholders.

Authorised capital

With the shareholders' resolution of 27 July 2012 the Management Board of the company is authorised with the consent of the Supervisory Board to increase the capital stock one time or multiple times by a total of up to € 1,950,000.00 against cash and/or investments in kind through the issue of new no-par value bearer shares, until 26 July 2017. The number of shares must increase in the same ratio as the capital stock increases. In the 2013 business year the Management Board did not avail itself of this authorisation.

Conditional capital

The Annual General Meeting of 27 July 2012 resolved a conditional increase of the capital stock by up to € 1,500,000 through issuing up to 1,500,000 no-par value bearer shares (conditional capital I). In accordance with the convertible bond conditions, the conditional increase in capital serves the sole purpose of enabling the company to issue shares to the holders of options and/or convertible bonds through 26 July 2017, based on the authorisation of the Annual General Meeting held on 27 July 2012. The conditional increase in capital will be carried out only if the holders of convertible bonds or options to exercise their conversion or option rights or the holders of the convertible bonds obligated to conversion fulfil their obligation and if no other forms of fulfilment are made available for exercising these rights. In the 2013 business year the Management Board did not avail itself of this authorisation.

Authorization to acquire treasury shares

With the resolution of 30 July 2010, the Annual General Meeting authorised the company to acquire treasury shares up to a total of 10% of the capital stock existing at the time the resolution was passed. The authorisation may not be used by the company for the purpose of trading in treasury shares. In combination with the other shares owned by the company or shares that are allocated to the company in accordance with § 71a ff. of the German Stock Corporation Act (AktG), at no point in time may the acquired shares amount to more than 10% of the capital stock. The authorisation to acquire treasury shares is valid until 29 July 2015. In financial year 2013, during the period between 28 February and 31 July 2013 the company acquired a total of 85,096 shares of ecotel communication ag at an average price of € 5.51. The acquisition of the non par value shares was executed in accordance with the ad-hoc report of 28 February 2013 through the stock exchange by the credit institute commissioned by ecotel communication ag. The number of redeemed shares corresponded to 2.18% of the share capital of ecotel communication ag. As of 31 December 2013, ecotel therefore owned 300,000 treasury shares, which corresponds to 7.7% of the company's share capital.

Capital holdings and control rights

The table below shows the names of the shareholders, who owned more than 3% of the capital stock at the end of 2013. Different voting rights relative to the shares do not exist.

Shareholder	Holding of shares (in %)
Peter Zils	25.64 %
Intellect Investment & Management Ltd.	25.09 %
IQ Martrade Holding und Manage-mentgesellschaft mbH	9.79 %
PVM Private Values Media AG	9.31 %
Treasury shares	7.69 %
Total	**77.52 %**

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

Effects of potential takeover bids

Loans from a banks are granted on the basis that the stake in ecotel held by Mr. Peter Zils does not fall below a share of 25% plus a vote of the capital stock during the entire term of the loan contract, or it is not wholly given up. Additional agreements between ecotel and other persons who could be affected by a change of control as a result of a takeover bid, do not exist. For the members of the ecotel Management Board there are no agreements that foresee compensation in the event of a takeover.

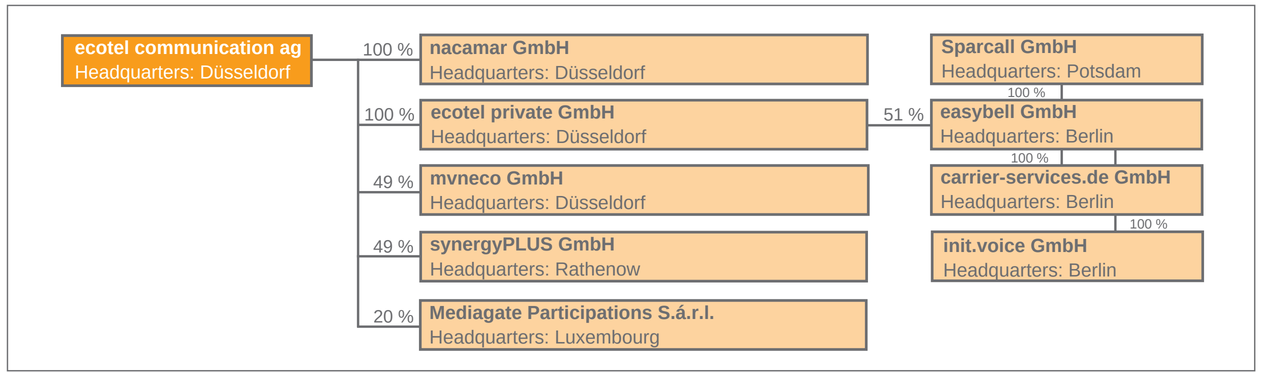
In the event of a change of control at ecotel communication ag or ecotel private GmbH, the second shareholder of easybell GmbH, consultist GmbH, has the right to acquire up to a 51% investment in easybell GmbH from ecotel communication ag or ecotel private GmbH. The purchase prices must correspond to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

3. STRUCTURE AND HOLDINGS OF THE COMPANY

As parent company ecotel communication ag is headquartered in Düsseldorf. In 2013 the company employed 164 staff members, including the Management Board and trainees without its subsidiaries; this was 5 more employees than the average for 2012.

The subsidiaries of ecotel communication ag are located in Germany and in 2013, including managing directors and interns employed an average of 64 employees (compared with 54 employees at the end of 2012).

Structure and holdings of ecotel



nacamar GmbH

nacamar GmbH was founded in 1995. The company traded under the name World Online, and later as Tiscali Business GmbH. After ecotel acquired 100 % ownership of the company in 2007 and merged the company's B2B business into the parent company in 2009, nacamar now trades as an autonomous service provider in the New Media business and offers companies in the media industry a broad-based offering of media applications. These include processing as well as streaming of audio and video content for a wide variety of end devices, management of media libraries for companies, as well as autonomous advertising marketing. nacamar operates its own CDN, as well as the largest German radio streaming platform (freestream) in the Group's own computer centre with connection to all important national and international networks. nacamar GmbH is headquartered in Düsseldorf and in 2013 employed an average of 19 employees (previous year: 16 employees).

ecotel private GmbH

ecotel private GmbH is a 100 percent subsidiary of ecotel. The company was founded in 2003 and sells voice services to private customers. ecotel private GmbH is headquartered in Düsseldorf. ecotel private GmbH holds 51 % of the shares of easybell GmbH. It is planned to merge the company with ecotel in 2014.

easybell GmbH

easybell GmbH is headquartered in Berlin and in 2013, with its subsidiaries, employed an average of 17 full-time employees (previous year: 14 employees). The company offers innovative and aggressively-priced telecommunications products to private customers. Currently the focus of easybell GmbH is on marketing of wireline products, voice and DSL. Sales are primarily executed via telecommunications price portals. In addition, the enterprise holds 100 % of the shares of Sparcall GmbH, which markets the call-by-call number »01028«, and 100 % of the shares of carrier-services.de GmbH, which offers the call-by-call numbers »010010«, »01038« (tellmio) and »01041« (Tellina). In November 2011, init.voice GmbH was founded with headquarters in Berlin for provision of the voice over IP services, in which easybell in turn holds 100 % of the shares.

mvneco GmbH

Together with other consortium partners ecotel founded mvneco GmbH in April 2007 with headquarters in Düsseldorf. ecotel holds 48.65 % of the company's shares. In 2013, mvneco GmbH employed 21 full-time employees on average (previous year: 15 employees). The company functions as a technical service provider and consultant and, as a mobile virtual network enabler (MVNE), enables entry into the mobile communications market for other telecommunications companies, such as ecotel communication ag. In this regard the technical platform of mvneco GmbH is connected to the switching network of a mobile communications network operator (e.g. E-Plus), which makes it possible for the company to offer its own mobile communications services.

synergyPLUS GmbH

synergyPLUS GmbH, in Rathenow, was founded in February 2009. synergyPLUS GmbH acts as the exclusive sales partner of ecotel and in particular markets the full access products in conjunction with the supplementing ecotel mobile services as a convergence product via telesales and trade representatives. In 2013 synergyPLUS GmbH had seven full-time employees (previous year: twelve employees). ecotel holds 49.9 % of the company's shares.

Mediagate Participations S.à.r.l.

On 23 May 2012 ecotel communication ag acquired a capital share of 20 % in the newly founded Mediagate Participations S.à.r.l. with its main office in Mamer (Luxembourg) through a contribution in cash of € 4 thousand. The purpose of the company is the acquisition and transaction of New Media business in Luxembourg. In 2013, no business was transacted via Mediagate.

4. CORPORATE MANAGEMENT OF THE GROUP

ecotel manages the three business units in accordance with the overall strategic alignment of the Group. There is overall budget planning, into which the annual budgets of the business areas, as well as the Group companies flow. Planning is on the product level in accordance with the cost object process. In this process direct variable costs are allocated to the earnings types per product and a gross margin is determined for each product. Product-overlapping direct costs (overhead), as well as personnel costs are planned separately. Reporting during the year occurs monthly on the sales, earnings, and cash flow level per area with detailed analysis of the deviations relative to planning and the previous year, as well as a regularly updated forecast for the end of the financial year. In addition there is continuous monitoring of liquidity and working capital. Area-specific key indicators (e.g. minute volume, price per minute, purchasing margin, quantity structures) that are mapped in a reporting system (dashboard), are used for control.

5. RESEARCH AND DEVELOPMENT

The capitalised development expenses in 2013 totalled € 1,150 thousand (previous year: € 46 thousand). They relate essentially to the capitalised costs from services of external employees for an in-house development of a remote router management platform for the Allianz project.

6. MARKET AND COMPETITIVE ENVIRONMENT

According to the German Statistical Office, economic growth in 2013 was only 0.4 % – after growth of 0.7 % in the previous year. This was the weakest growth since 2009. For 2014 economists predict strong growth for the German economy with growth rates of 1.7 to 1.9 %.

Telecommunications market volume dropped again in 2013

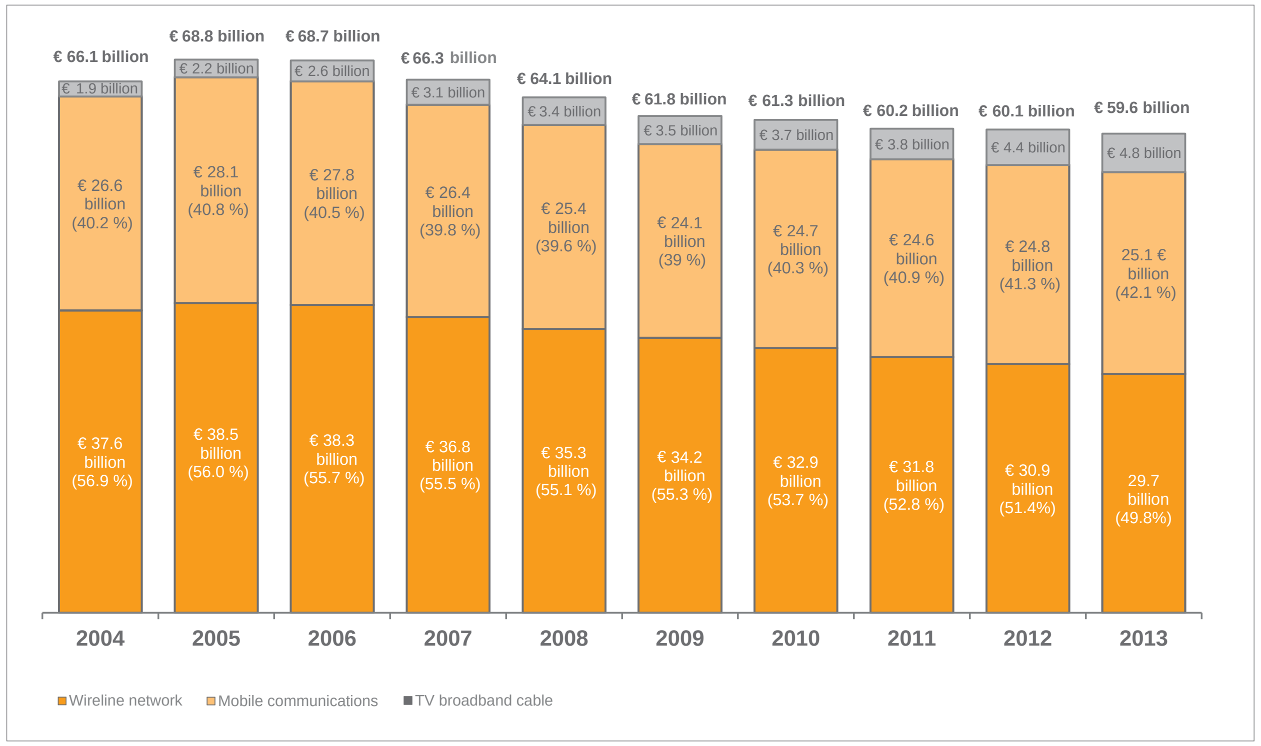
In 2013 the total market for telecommunications services (including cable networks) in Germany declined slightly from € 60.2 billion to € 59.6 billion (source: VATM-Marktanalyse 2013, p. 5). Due to growth in the broadband cable network, the proportion of alternative competitors on the total market increased from 62 % to 63 %.

The wireline market, consisting of access, voice and data services with external sales of € 29.7 billion represent 50 % of the total market for telecommunication services.

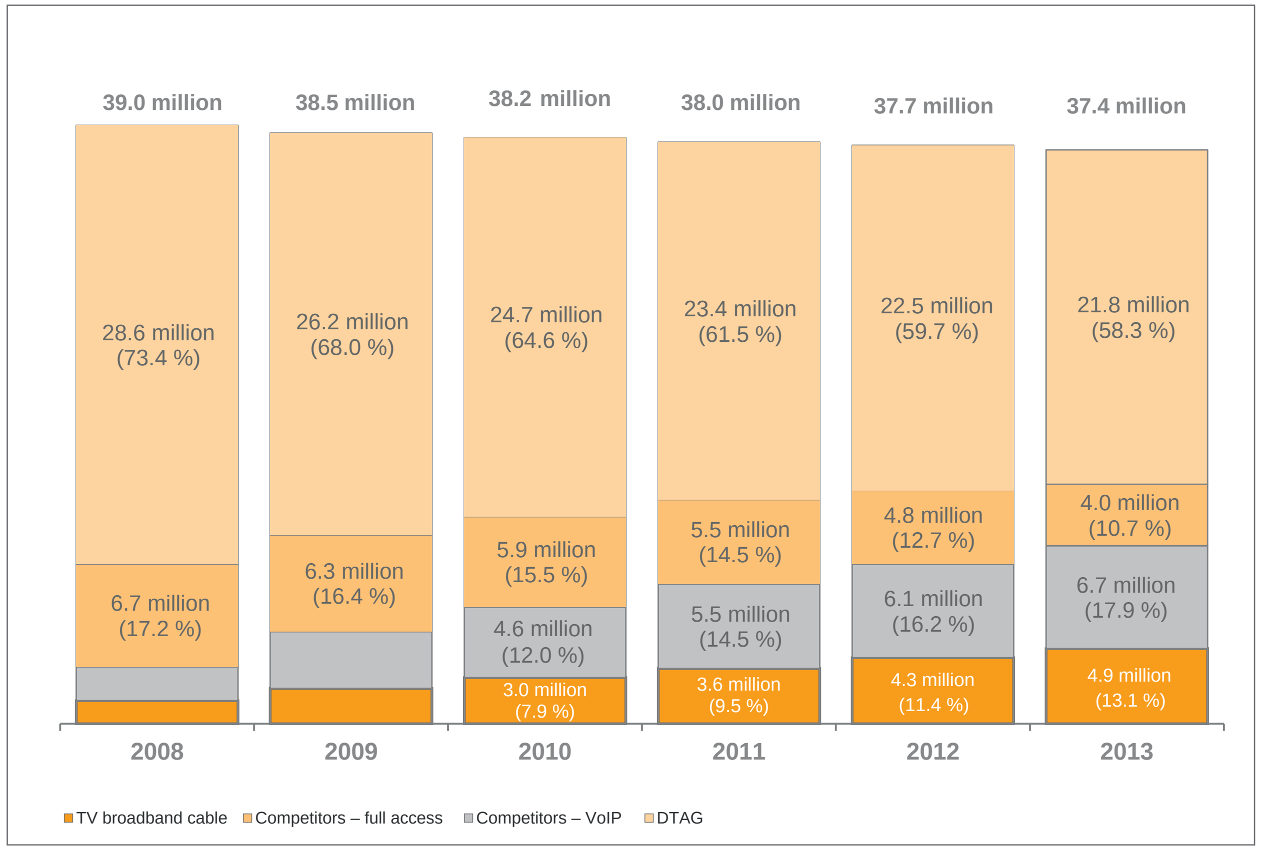
Mobile communications revenue increased slightly from € 24.8 billion to € 25.1 billion as a result of increased data traffic. At the end of 2013 the number of activated SIM cards remained constant, at approx. 115 million cards. Mobile to Mobile (M2M) SIM cards constitute about 3 % of this figure.

In the meantime the alternative competitors in the wireline sector have switched more than 15 million of their own telephone connections (including voice access via cable TV networks) and thus with 37 million telephone connections have a market share of 42 % (source: VATM-Marktanalyse 2013, p. 14). While the number of classic full-access lines is currently decreasing, significant growth is observed for unbundled voice over IP connections and for cable TV full access lines.

Total market for telecommunications services in Germany in billion €



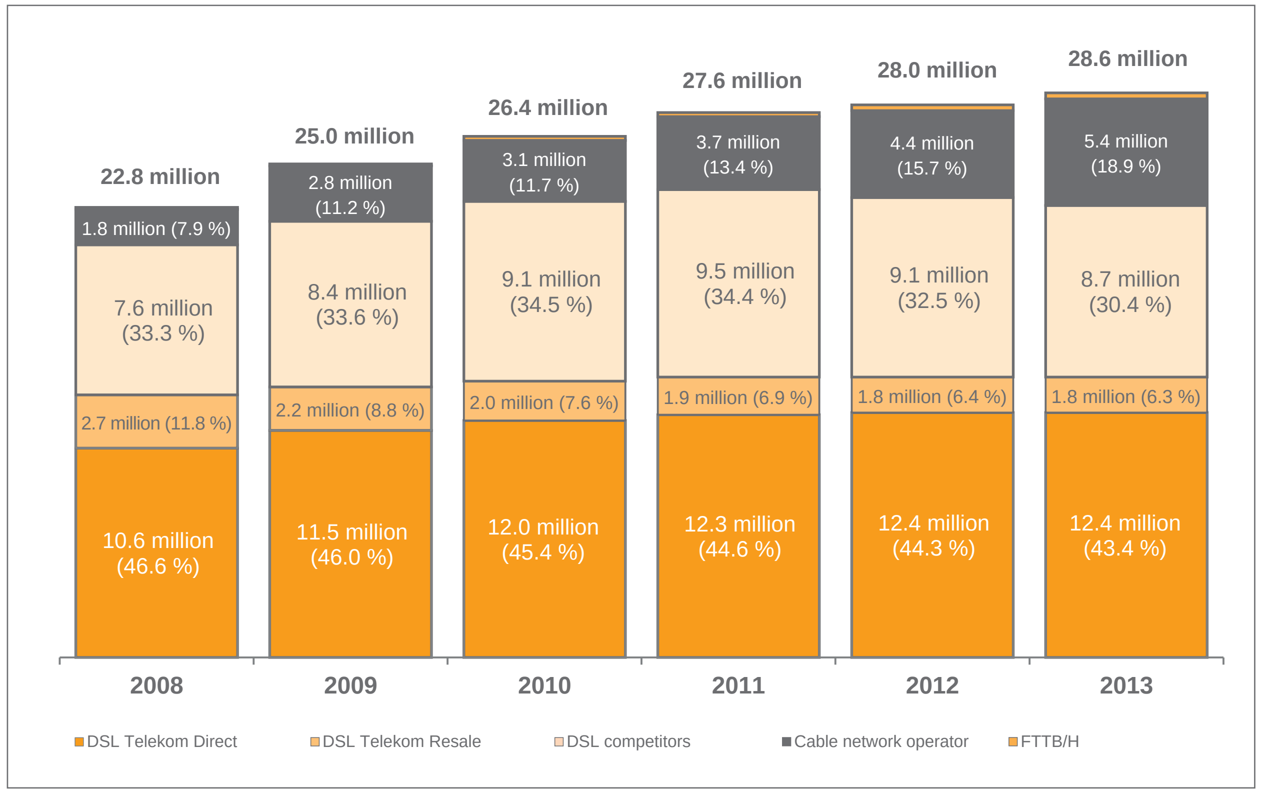
Wireline full access lines in millions



At the end of 2013 there were almost 29 million broadband access lines in Germany, compared with 28 million broadband access lines at the end of 2012. In this regard 9 million connections (30 %) were for unbundled subscriber access, 2 million connections (6 %) were for resale DSL / wholesale DSL / IP bit stream, 12 million connections (43 %) for DTAG and 5 million connections (19 %) for cable TV. 0.3 million households (1 %) have now been connected via a broadband optical fibre access. DTAG's competitors have a market share of 56 %. Growth among the competition is from TV cable broadband networks, while DSL-based alternative wireline companies are losing market shares. *(Source: VATM-Marktanalyse 2013, p. 16)*

The share of competitors to DTAG in the traffic volume for voice services is approximately 50 % of the total traffic volume in the German wireline market. The percentage of voice connection minutes via full access lines of the total volume of wireline minutes that are realised by the competitors is almost 90 %. However, the call-by-call and preselection volumes (IXC prefix from the DTAG network) are stabilising. *(Source: VATM-Marktanalyse 2013, p. 12)*

Broadband access lines (in millions)



Trends in the B2B market

Similar to the situation in the previous year, in the business customer segment (B2B) in Germany the revenue trend declined, essentially driven by the continuing high intensity of competition. In addition the traditional voice technology is increasingly being replaced by Voice-over-IP solutions.

Important TC trends for the future in the Business Customers segment are the continuous extension of broadband Internet accesses, both via wireline (fibre optics, vectoring), as well as via mobile communications (LTE, WLAN), the shift of PBX telephone systems into the network (hosted PBX/IP Centrex), as well as the strong convergence of telecommunications and IT.

A significant current IT trend is »Cloud Computing« with its different forms: infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS). Essentially this involves the shifting of local computing services (hardware) and application programs (software), as well as data storage (content) into central and high-performance secure computer centres of an IT/Telecom provider, which are accessed by the user via secure broadband connections. Significant aspects in this connection also include data protection and the security of centrally stored data.

Other important IT/Telecom trends are:

- Big Data Analytics
- Mobile to Mobile (M2M)/the Internet of Things
- Over The Top (OTT) services such as Skype, WhatsApp, Netflix
- Smart Devices/portable, flexible, 3D printing
- eHealth/telemedicine
- Mobile Payment/contactless payment
- Smart Energy/intelligent power systems
- Connected Car

Regulatory trends

As a telecommunications company, ecotel is subject to oversight by the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and Railroad (BNetzA). The BNetzA promotes the liberalisation and the opening of the market in the telecommunications sector.

Important current topics include:

- Improved political and regulatory conditions for broadband expansion in Germany.
- Coordination of European telecommunications policy (EU Single Market) with the special requirements of the German telecommunications market.
- Assurance of a full-coverage basic supply of the same type of telecommunications services (universal services) in urban and rural areas, including broadband connections, at affordable prices
- Network neutrality (i.e. equal and unchanged transmission of data packets through carriers, regardless of where these packets come from, or which applications have generated these packets)
- Modernisation of existing data protection regulations and of consumer protection.

7. BUSINESS DEVELOPMENT 2013

A brief overview of the most important events in the ecotel financial year 2013 is provided below.

Successful start of the router roll-out as part of a large-scale project for Allianz Deutschland AG

During the project »Allianz Global Network« (AGN) for the digitalisation and optimisation of the information exchange between the Allianz agencies and the group's head office, ecotel was commissioned at the end of 2012 to provide about 10,000 agency locations with voice and data services in Germany. The basis for the fast implementation is the router management platform developed by ecotel in 2013, which ensures the fully automated process flow, from commissioning to successful installation of the routers at the agency locations. Special features of the platform include systematic integration and coupling of all upstream suppliers as well as internal and external services with the existing SAP and Incident interfaces of Allianz Deutschland AG.

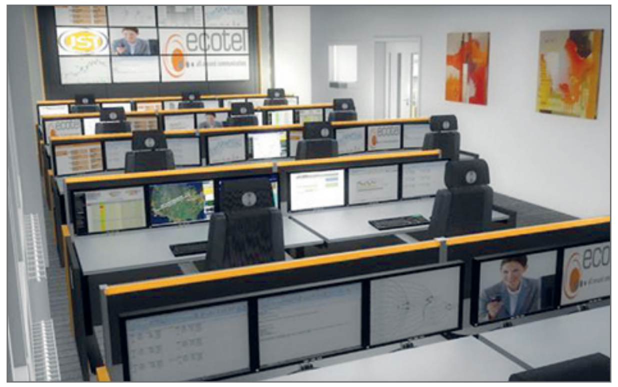
This enables the fast and secure exchange of information between the agencies and the main office, for the future use of cloud services. For additional data security an IP-Sec and Web-Proxy platform was implemented in the ecotel computer centre. High-capacity and individual firewall and VPN components as well as an interactive 24x7 monitoring service are likewise part of the overall project. ecotel will perform the entire infrastructure service for the agency network in Germany. Roll-out of the customer routers was started in autumn 2013; all Allianz agencies will be connected to the new agency network by the end of first quarter 2014. With this step, phase 1 of the large-scale project will be successfully completed.

Increasing B2B revenue again and continued growth of B2B gross profits

In addition to continuous improvement of the gross profits in Business Solutions since 2011, ecotel was again able to report growth in revenue from this sector for the first time since 2007. The basis for this, in addition to the Allianz project and the resulting growth of revenue, was the very good order acquisition in the classic B2B sector. With the B2B revenue of € 42.2 million earned in 2013 ecotel has laid the foundation for achieving its middle term goals for 2015.

Continued successful marketing of data products
ecotel likewise remains on a course of success with the marketing of data products. Among other things more than 200 new broadband Ethernet lines and more than 350 new SHDSL lines were marketed in 2013.

New Network Operation Centre in Frankfurt
With respect to the continued strategic expansion of the sustainable B2B data segment ecotel successfully completed the modernisation work for the new Network Operation Centre (NOC) in Frankfurt at the end of 2013. Customers and employees now benefit from state-of-the-art equipment, including a 24x7 monitoring service for improved customer service.



Modernised ecotel Network Operation Centre (NOC) in Frankfurt

Sustainable growth at easybell
The year 2013 was also successful for the subsidiary easybell. Especially positive was the development of the DSL business, which clearly gained in dynamics in the financial year. Driving factors for growth are recommendations from satisfied customers who praise the good cost-effectiveness ratio and the service. This is shown for example by a Computer-Bild survey, in which easybell was distinguished as the second best DSL provider in Germany. Furthermore, easybell was the test winner in a comparison of Internet providers by the German Association for Consumer Studies.

8. GOALS AND STRATEGIES OF THE COMPANY

It is the express goal of the company to make ecotel the leading provider of telecommunications services for SME business customers. This will be made possible by the company's high capacity for flexibility and innovation. The corporate goals of the most important companies of the ecotel Group are described in the following.

ecotel
An important driving factor for reaching the mid-term goals is development of the Business Customers segment at ecotel. The future alignment in this segment stands on 3 pillars:

a) Secure corporate networking
The concept of secure corporate networking, such as that applied for example in the Allianz project, is of course also of great importance at other companies with decentralised structures. In this respect it will be an essential focus for ecotel to identify these customers among the SMEs and to convince them of our service concept with the advantage »Made in Germany«.

b) New cloud products
ecotel is also planning an increased presence in the market for cloud services. They will extend from geo-redundant enterprise cloud solutions to new security IT solutions such as backup or intrusion detection and prevention (IDS/IPS). All of this will take place of course under the aspect of data security »Made in Germany«.

c) New voice products on the basis of Next Generation Networks (NGN)
ecotel is currently in the process of introducing innovative voice products within the framework of further technological development of network technology from ISDN to IP (NGN). On the one hand, this involves new products for connection of telephone systems at the customer location via voice or IP technology (SIP trunk). On the other hand, it involves new private cloud complete solutions for SMEs, including a customer telephone system on a virtualised server in the ecotel computer centre, SIP trunk and connection via ecotel. Likewise entirely »Made in Germany«.

nacamar
The main goal of nacamar is to position itself as a full service provider with the focus on Software as a Service (SaaS).

easybell
easybell's focus continues to be on innovation leadership for classic voice services in the German telecommunications private customer market by means of modern cloud applications.

Earnings, financial and asset position as well as order acquisition

1. EARNINGS AND PERFORMANCE

In 2013 the Group achieved revenue of € 91.4 million (previous year: € 94.3 million). The 3 % decrease in revenue is due essentially to developments in Wholesale Solutions. Order acquisitions from new customers in Business Solutions on the other hand were about 20 % above budget. Primarily as a result of this, gross profit (sales revenue minus cost of materials) increased relative to the comparable period of the previous year by 7 %, from € 25.1 million to € 26.9 million. Compared with the previous year the gross profit margin increased from 27 % to 29 %.

Increasing revenue, gross profits and gross margins in the Business Solutions segment
The Business Solutions segment achieved a share of 46 % (previous year: 43 %) of total gross profit and a share of 79 % (previous year: 75 %) of gross profit of the ecotel Group. Sales in the business customer segment totalled € 42.2 million, compared with € 40.8 million in the previous year. In 2013 gross earnings totalled € 21.3 million – after € 18.9 million in the previous year, an improvement of 13 %. Compared with the previous year the gross profit margin increased from 46 % to 50 %.

Declining sales in Wholesale Solutions
The business unit Wholesale Solutions contributed 38 % (previous year: 43 %) to total earnings and 2 % (previous year: 4 %) to total gross profit. Revenue in this segment decreased by 15 % from € 40.8 million to € 34.7 million, primarily due to the regulatory decrease of mobile communication termination fees at the end of 2012. Gross profit decreased from € 1.0 million to € 0.7 million. This represents a gross profit margin of 2 %.

Increasing revenue in New Business segment
The business unit New Business contributed 16 % (previous year: 13 %) to total earnings and 19 % (previous year: 21 %) to total gross profit. Revenue from New Business increased in comparison with the previous year from € 12.7 million to € 14.4 million. Gross profit decreased from € 5.2 million to € 5.0 million, due to a decline in call-by-call revenue. This represents a gross profit margin of 35 %.

Lower other operating income
In 2013 other operating income totalled € 0.6 million (previous year: € 1.0 million).

Higher personnel expenses and higher other operating expenses
Personnel expenses increased in 2013 by € 0.6 millionfrom € 10.0 million to € 10.6 million, essentially due to hiring of new personnel and salary increases. The number of employees of the consolidated companies (without minority companies) increased from 189 to 200.

Other operational expenses increased temporarily due to higher expenses for external employees for completion of a large-scale project for Allianz Deutschland AG, from € 9.3 million to € 10.3 million.

Improved EBIT and consolidated profit
Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 6.7 million, therefore remaining slightly below the previous year's level of € 6.8 million.

The scheduled depreciations remained constant at € 3.4 million, of which € 1.4 million was scheduled depreciation of intangible assets, such as development costs and client bases, and € 2.0 million for scheduled depreciation of property, plant and equipment.

EBIT therefore totalled € 3.3 million, compared with € 0.4 million in the previous year, which was negatively influenced especially by impairments to goodwill of € 2.9 million.

The financial result for 2013 totalled € –0.2 million, compared with € –1.3 million in the comparison period 2012. It comprises essentially expenses for interest of € 0.2 million, expenses for capital market support of € 0.1 million and an amount of € 0.1 million from a forward-exchange transaction.

The tax expense for 2013 totalled € 1.0 million and is comprised of € 0.8 million effective tax expenses and € 0.2 million deferred tax expenses.

The 2013 consolidated net income before interests of non-controlling shareholders totalled € 2.1 million, after € –1.6 million in the previous year. The 2013 consolidated net income after interests of non-controlling shareholders totalled € 1.5 million (previous year: € –2.6 million). This corresponds to earnings per share of € 0.42 (previous year: € –0.70).

Comparison of the forecasts with the actual business trend
At € 91.4 million, actual revenues achieved exceeded the € 80–90 million range forecast. The causes of this over-performance were the Wholesale Solutions revenue, which decreased less than forecast, together with a positive order acquisition development in Business Solutions.

The actual EBITDA totalling € 6.7 million was accordingly at the upper end of the forecast corridor of € 6 to 7 million.

2. FINANCIAL POSITION

Cash flow from operating activities for 2013 was € 6.9 million, compared with € 6.8 million in the previous year. Working capital (the difference between receivables and liabilities) decreased by € 1.1 million compared with the previous year, with an increase of € 1.8 million in the gross profit.

Cash flow from investing activity in 2013 was € –7.7 million after € –2.7 million in the previous year. It is comprised essentially of investments for the tangible and intangible assets totalling € 8.2 million and the partial repayment of a shareholder's loan by the associated company mvneco for the amount of € 0.5 million. Of the investments in tangible and intangible assets, € 5.0 million were for advance investments (routers, server equipment, network platforms, development of a remote router management platform) for the large-scale Allianz project, which will pay for themselves over the course of the coming years.

Cash flow from financing activity in 2013 totalled € –0.6 million (previous year: € –2.8 million) and comprises the repayment of financial loans totalling € 2.3 million, payments for the repurchase of the company's treasury shares totalling € 0.5 million, the taking out of new financial loans totalling € 2.6 million, payments to minority shareholders totalling € 0.1 million and interest payments totalling € 0.3 million.

Cash and cash equivalents decreased from € 7.5 million at the beginning of 2013 to € 6.1 million at the end of 2013.

ecotel has a working capital credit line of € 2.9 million, of which, at the end of 2013, € 1.2 million were used as surety for payment. Thus € 1.7 million was still available.

As in previous years the group was able to honour its payment obligations without restriction and on time. Important financial management goals also include compliance with the financial covenants agreed with banks and minimising of credit, interest and currency risks, insofar as they can have a significant effect on the financial position. In this respect we refer to the information in our risk report.

3. ASSET POSITION

The balance sheet total was € 46.0 million as of 31 December 2013, which corresponds to an 8 % increase compared with € 42.7 million as of 31 December 2012. The increase in the balance sheet total is due essentially to the advance investments for a large-scale project.
On the assets side, the non-current assets increased by 14 % from € 21.1 million to € 24.1 million. Goodwill remained constant at € 8.9 million. The value of customer relations decreased from € 2.5 million to € 2.0 million due to continuing depreciations. Current assets (without liquid funds) increased from € 14.0 million to € 15.8 million.

On the liabilities side, the equity increased by 8 % from € 19.3 million to € 20.8 million. The equity ratio remained at 45 % due to the balance sheet extension. Long-term financial debts and deferred taxes increased due to the taking out of new financial loans by 35 % from € 5.5 million to € 7.4 million. Of this amount, € 0.9 million are attributed to deferred income tax liabilities. The current liabilities increased slightly from € 17.8 million to € 17.9 million. The net debt (financial debt minus liquid funds) was € 1.3 at the end of 2013, which corresponds to an increase by € 1.6 million in comparison with the previous year. The company is therefore maturity-congruent.

4. GENERAL STATEMENT OF THE ECONOMIC SITUATION OF THE GROUP

In comparison with previous years the business trend and the economic situation of the ecotel Group continued to improve. This was due especially to the positive revenue and margin development in the core segment Business Solutions.

Supplementary report

After conclusion of the financial year there were no noteworthy changes in the boundary conditions. The economic environment did not change in a degree that had an effect on the business activities of ecotel, nor has the industry situation become different than it was as of 31 December 2013.

Risk report

1. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

For early identification and evaluation of entrepreneurial risks and risks that threaten the existence of the company, as well as for correct handling of such risks ecotel uses an appropriate risk management system.

Group-wide responsibility for early identification of risks and implementation of measures to counter these risks rests with the Management Board. For continuous identification and evaluation of risks in the company the managing directors of the subsidiaries, as well as the members of the ecotel management team assist the Management Board in this regard.

With the aid of a quarterly risk report the Management Board and the Supervisory Board track the identified risks with reference to planned earnings throughout the entire year. In this regard the focus is on identification of the need for action and the status of the measures implemented for systematic control of the identified risks. All material risks are listed that could jeopardise earnings and the existence of the company, in the form of a risk matrix.

All potential risks are evaluated in this respect according to their probability of occurrence and the possible extent of damage.

The probabilities of occurrence are classified as Low, Medium, High and Very High. The potential extent of damage (as net cash value) is likewise sub-divided into four damage classes according to the following table.

Financial damage class	Potential extent of damage
Very high	> 1,000,000 EUR
High	€ 300,000 – 1,000,000
Medium	€ 100,000 – 300,000
Low	< 100,000 EUR

The probabilities and damage classes allocated to the identified risk items are divided into risk classes as shown in the following table. This results in the gross risk for each risk item (1 through 4). Management derives risk control measures to be initiated for each risk item and uses this to asses the net risk. ecotel maintains an internal control system (ICS) to assure the effectiveness and profitability of the business activity, the correctness and reliability of the internal and external accounting, as well as compliance with the statutory regulations that are authoritative for the enterprise; the internal control system is revised at regular intervals. The risk of financial reporting is that the consolidated reports and interim reports could contain incorrect presentations that could possibly have a material influence on the decisions of those to whom these reports are addressed. Our accounting-based internal control system is designed to identify possible error sources and to limit the risks resulting from these error sources. To assure the correctness and reliability of the accounting, the internal control system is designed in such a manner that for all material business transactions the dual-control principle is used and that a functional separation between the departments is maintained (creditors, debtors) in the bookkeeping. IT-supported controls are used for this to the greatest extent possible. Account assignment guidelines are used for correct accounting. External service providers are used for the IFRS preparation of financial statements as well as for more complex accounting issues. The same applies for preparation of the tax return. In addition the central key financial figures are monitored by a regular target/actual comparison with deviation analysis.

Probability of occurrence	Potential extent of damage	Risk class
Very high	Very high	1
Very high	High	1
High	Very high	1
High	High	2
Very high	Medium	2
High	Medium	2
Medium	Very high	2
Medium	High	2
Medium	Medium	3
Low	Very high	3
Very high	Low	3
High	Low	3
Low	High	3
Medium	Low	4
Low	Medium	4
Low	Low	4

2. RISKS OF FUTURE DEVELOPMENT

During the course of its business activity ecotel is confronted with operative risks, financial risks, strategic risks, and with risks of the market environment. All risks are listed with their gross and net risks (by measures introduced).

Operative risks

Operative risks are of a more short-term nature and for ecotel are concentrated on possible failures, errors and capacity bottlenecks of the infrastructure (e.g. backbone, computer centre, switching technology, server farms) as well as on correct and prompt handling of processes that are critical for the enterprise in the areas of provisioning, invoicing, receivables management, as well as customer support.
Assurance of the highest possible availability of infrastructure through appropriate system redundancies both on the switching technology side and on the line side, is one of the most important measures that ecotel consistently implements to prevent risks. The implications of a possible failure of the company's own switching technology are currently minimised in that only parts of the international B2B traffic, as well as the wholesale traffic are terminated via the Group's own switching systems, and the major portion of the B2B voice traffic remains in the networks of the upstream suppliers. For mobile communications traffic there is a fall-back scenario that routes the traffic via the network of the upstream supplier if our own network fails. In the area of availability of the server farms of the nacamar CDN, the server farms were completely duplicated in separate facilities (gross risk 4/net risk 4).

In the area of the computer centre infrastructure, there are potential risks of failure of the air conditioning system and emergency power supply, as well as loss of the connection. The emergency power supply is structured redundantly; in 2012, a n+1 redundancy was implemented in the area of the air conditioning technology. Risks of external capacity bottlenecks for the power supply of the computer centre in Frankfurt am Main continue to exist; these risks can possibly cause hindrances for future customer growth. Because possible expansion measures in the power supply are associated with significant investments, this project will only be undertaken when there is appropriate additional capacity demand on the part of customers. The computer centre is connected to different carriers via two different house lead-ins by means of edge-disjoint and node-disjoint paths (gross risk 3/net risk 3).

Additional computer centre space was leased in Düsseldorf to implement geo-redundancy in the computer centre infrastructure. The computer centres in Düsseldorf and Frankfurt are redundantly interconnected by n x 10 Gbps. In addition, the supply lines of the most important carrier upstream suppliers are redundantly connected to both computer centres. The connection between the Internet and the two POPs is also geo-redundant via different carriers. For 2014 we are additionally planning to expand the dial-up platforms for the different access connections (ADSL, SHDSL, Ethernet) so that they also are geo-redundant.

Since ecotel does not operate its own access network, instead leasing the supply of voice and data connections from Telekom and alternative carriers, there is a dependency on upstream suppliers here. If purchase agreements are not renewed or if the terms of purchase worsen, this can have a negative effect on ecotel's earnings situation. ecotel strives to minimise this dependency on upstream suppliers by maintaining an alternative upstream provider for every important product. This is possible at least in the areas where several upstream providers operate parallel infrastructures (gross risk 1 / net risk 2).

ecotel decided at the end of 2012 to provide its business customers with Vodafone mobile communications products in the future. The existing MVNO contract with E-Plus was renewed at the end of 2013, so that currently there is no urgent need to migrate the existing SIM mobile communications contracts to other offers, which under some circumstances could result in an increased willingness of mobile communications customers to switch providers (gross risk 3 / net risk 3).

Delays in the start of the router roll-out within the framework of the Allianz project caused a delay of several months in the marketing start for line migration planned for the end of 2013. This could affect the company's revenue and earnings situation for 2014 und 2015 (gross risk 1 / net risk 1).
In addition, ecotel strives to distribute the know-how for handling enterprise-critical processes over multiple employees to avoid generating an excessive dependency on individual key persons (gross risk 4 / net risk 4).

Financial risks
For ecotel financial risks include credit risks, liquidity risks, currency risks and interest risks.

A credit risk exists if transaction partners do not honour their payment obligations. The bad debt loss rate among ecotel's business customers is currently 0.2 %. The development of the receivables portfolio is constantly monitored in order to identify possible default risks early on and implement appropriate measures (gross risk 4 / net risk 4).

As part of the acquisition financing ecotel has agreed with the financing credit institutions on so-called financial covenants that are usual in the market, that are based on the relationship of specific financial key indicators. The IFRS consolidated financial statement prepared by ecotel serves as the basis for determination of the key performance indicators. A violation of the covenants could possibly result in cancellation and premature payback of the investment loans and revolving credit facilities and thus could entail a significant worsening of the liquidity position of ecotel, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. For all three of the covenants to be honoured (equity ratio (TARGET: >20 % / 25 %; ACTUAL: 32 % / 46 %), net financial liabilities / EBITDA (TARGET: <2.5; ACTUAL: 0.20 / 0.22), EBITDA / sales revenue (TARGET: >5 %; ACTUAL: 7.4 % / 6.7 %)) ecotel is currently well within the intervals specified by the financial covenants. The enterprise assumes that compliance with all covenant threshold values is ensured again in 2014 (gross risk 4 / net risk 4).

At year end 2013 ecotel had liquid funds totalling € 6.1 million. The net debt at year end was € 1.3 million (after € –0.3 million in the previous year). As an additional liquidity reserve ecotel has a revolving credit facility of € 2.9 million, of which, at the end of 2013, € 1.2 million were used as surety for payment.

Currently there are no pending legal disputes against ecotel with a value in matter of dispute of more than € 5,000.

Currently the company has no interest risks, since the outstanding loans are fixed-interest loans.

Currency risks resulting from cash flows in different currencies are hedged at the time of their origination, at the latest. This done by means of forward-exchange transactions. The use of such derivative financial instruments is for hedging purposes only and will not be used for speculation. As of the closing date no forward-exchange transactions existed.

Strategic risks
Strategic risks are more of a medium-term nature and are based on the strategic enterprise alignment for purchasing, products, sales, technology and IT.

Delays in the developments of innovative NGN voice products could mean that ecotel will achieve its profit goals for new products in 2014 and 2015 only with a delay (gross risk 2 / net risk 2).

In the past there was a significant strategic risk in the high willingness of pre-selection customers to switch to bundle products of other providers and the subsequent decline in the ecotel customer base. In the meantime, preselect revenue constitutes less than 15 % of the Business Customer revenue, so that the decline of preselect revenue can meanwhile be well compensated by sustainable new products. This can also be seen in the increase in Business Solutions revenue that is meanwhile taking place (gross risk 2 / net risk 3).

Risks of the market environment
Other substantial risks that could cause a significant worsening of ecotel's economic situation are market- and sector-specific.

The telecommunications sector is marked by intensive and price-aggressive competition. The existing price and predatory competition in the private customers segment could extend more strongly to the Business Solutions segment in the future. A strong consolidation of the telecommunications industry could have negative effects on ecotel's asset, finance and earnings situation, since this would increase the dependency on single suppliers (gross risk 2 / net risk 2).

Moreover, due to the rapid pace of technological change new products and business models are created. The possibility cannot be excluded that in this manner the ecotel products will become less competitive and thus less in demand. Consequently ecotel continuously monitors the market environment in order to react quickly and effectively to technology changes (gross risk 2 / net risk 2).

The existing general regulatory conditions, which are materially influenced by decisions of the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and Railroad (BNetzA), and through other consumer protection measures, could also change to the disadvantage of ecotel's business activities and bring about negative business-relevant changes (gross risk 2 / net risk 2).

So far regulation has focused more on low consumer prices than on investment incentives. There are tendencies, however, that the new federal government could give in to demands by Deutsche Telekom for a reduction of market surveillance and / or regulation. As a result of this, Deutsche Telekom could make it more difficult for alternative telecommunications providers to access its network. Prices for broadband access lines could therefore rise drastically in the future, with negative effects on the company's earnings situation (gross risk 2 / net risk 2).

Overall risk is calculable

In summary, ecotel is convinced that the material risks neither individually nor collectively concretely jeopardise the continued existence of the company and that ecotel, through the flexible business model and the monitoring system, can quickly recognise risks, respond to them, and implement counter measures in 2014 as well.

3. OPPORTUNITIES OF FUTURE DEVELOPMENT

In addition to the risks there are a number of opportunities that can sustainably affect the business development of the ecotel Group.

New products in the areas of voice over IP and hosted PBX

Two important trends in telecommunications are the replacement of ISDN technology with Voice over IP (VoIP) and the transfer of PBX telephone systems into the network (hosted PBX/IP Centrex). This change has only been made feasible through nationwide availability of broadband Internet access.

ecotel is currently in the process of introducing new innovative products for these trends. On the one hand they include SIP access for business customers for the connection of classic ISDN (ecotel ethernetVoice option) as well as IP-capable telephone systems (ecotel SIP Trunk). On the other hand, there is a new marketing cooperation with Unify and its marketing partners for marketing of individual customer telephone systems (OpenScape business) on a virtualised server in the ecotel computer centre (ecotel PBX Hosting) including connection of the customer location and ecotel SIP Trunk solution as »Private Cloud Solution – Made in Germany«.

Sustainable marketing activities in the data segment

Also for 2014 ecotel plans further growth in the data segment. In 2013 revenue from data, including hosting totalled € 17.4 million, or more than 40% of the Business Solutions revenue. This quota will continue to increase, for example due to expansion of the existing Ethernet and SHDSL product spectrum to include new functions, and combination with new VoIP voice products (see above).

Replication of the Allianz project contract for secure corporate networking also for other major customers

Successful implementation of the Allianz project with the connectivity solution for secure corporate networking give ecotel optimal opportunities to implement similar projects for other major customers with decentralised structures as well. This includes in particular the individually configurable remote router management service, connectivity solutions within an MPLS VPN as well as security services, such as web proxy or intrusion prevention/intrusion detection services.

Setup of strategic cooperations for utilisation of market opportunities as result of closer integration of telecommunications and IT

The current revenue and growth rates of the overall market for cloud services, i.e. the shift from local computing power to secure computer centres, are considerable. This positive development corresponds ideally with the ecotel product pallet in the area of infrastructure and data services – for example with the nationwide available xDSL and Ethernet bandwidths, or the MPLS-VPN solutions and housing/colocation services in ecotel's geo-redundant computer centre. Here ecotel maintains a strategic cooperation with Fujitsu to bring the »cloud« issue closer to the SMEs.

As opposed to many multi-national cloud providers with their heterogeneous structure, ecotel as a German provider with computer centres in Frankfurt/Main and Düsseldorf creates the conditions for complete and credible compliance with German data protection laws. With a view toward the current data security discussion this is a crucial locational and competitive advantage.

One-time earnings from legal proceedings

ecotel currently is conducting two active legal disputes. Both proceedings are currently open and can lead to significant other operating income in the coming years.

Further revenue and earnings growth at easybell

The growing number of DSL customers at easybell continues uninterrupted. For 2014 the company is planning to acquire 20,000 new DSL customers.

4. COMMENTS ON FORECASTS

This management report also includes future-oriented statements and information, i.e. statements concerning events that are in the future. These future-oriented statements can be identified through formulations such as »expect«, »intend«, »plan«, »estimate« or similar terms. Such forward-looking statements are based on present expectations and specific assumptions. Consequently they are associated with a number of risks and uncertainties. A number of factors, many of which are beyond the control of the ecotel Group, influence the business activities, the success, the business strategy, and the results of ecotel. As a result of these factors the actual results, successes, and performances of the ecotel Group may significantly or implicitly deviate from the information on results, successes or performances contained in the future-oriented statements.

Outlook

Forecast for 2014

For 2014 the Management Board expects profitable growth with consolidated turnover of € 85 to 95 million and an increase in the percentage of order acquisitions with new customers in the low two-digit range. The Company also expects EBITDA of € 6.5 to 7.5 million for 2014. The driving factor for increased profitability is still attributed to increasing B2B revenue especially due to the pending line migration at Allianz Deutschland AG, for which Management forecasts growth from € 42.2 million in 2013 to € 43 to 44 million in 2014. In order for the developments forecast by Management to occur, there must be no unfavourable changes in the identified risks – such as higher probabilities of occurrence or potential extent of damage – and no new risks that could arise during the forecast period. Identified opportunities must also remain existent and feasible.

Mid-term goals for 2015

Management continues to pursue the goal of increasing revenue to € 100 million and EBITDA to € 10 million by 2015. This assumes, however, that an unanticipated six-month delay of a line migration planned for 2014 can be compensated by 2015.

Statement on corporate governance and corporate governance report

The Management Board and Supervisory Board of ecotel communication ag have issued the required statement on corporate governance in accordance with § 289a of the German Commercial Code (HGB), as well as the corporate governance report, including the statement prescribed in accordance with § 161 of the German Stock Corporation Law (AktG), and have made these statements permanently available to the public on the Internet (http://ir.ecotel.de/cgi-bin/show.ssp?id=6000&companyName=ecotel&language=German).

Düsseldorf, 21 March 2014
ecotel communication ag

The Management Board
Peter Zils Bernhard Seidl Achim Theis

Statement of the legal representatives

To the best of our knowledge, in accordance with the applicable principles for financial reporting we assure that the consolidated financial statement conveys an appropriate view of the Group’s asset, financial and earnings position that corresponds to the actual conditions, and in the Group management report the development and performance of the Group, including the business results and the position of the Group are presented in a manner that conveys a view that corresponds to the actual conditions, and that the essential opportunities and risks of the presumable development of the company are described.

Düsseldorf, 21 March 2014
ecotel communication ag

The Management Board
Peter Zils Bernhard Seidl Achim Theis

Consolidated Financial statement

Consolidated balance sheet

as of 31 December 2013

Assets (Amounts in €)	(Notes)	12/31/2012	12/31/2013
A. Non-current assets			
I. Goodwill and other intangible assets	(1)	13,793,947.48	13,778,707.54
II. Fixed assets	(2)	5,940,228.48	9,448,499.36
III. Financial assets accounted for based on the equity method	(3)	1,410,000.00	889,412.00
IV. Other financial assets	(3)	3,800.00	3,800.00
Total non-current assets		**21,147,975.96**	**24,120,418.90**
B. Current assets			
I. Inventories	(4)	145,446.68	110,438.10
II. Trade receivables	(5)	12,513,716.87	14,181,967.96
III. Other financial assets	(5)	959,561.32	1,133,828.31
IV. Other non-financial assets	(5)	360,906.01	339,199.98
V. Actual income tax claims	(6)	26,783.10	8,397.67
VI. Funds	(7)	7,533,432.71	6,102,618.82
Total current assets		**21,539,846.69**	**21,876,450.84**
Total assets		**42,687,822.65**	**45,996,869.74**

Liabilities (Amounts in €)	(Notes)	12/31/2012	12/31/2013
A. Equity capital			
I. Subscribed capital	(8)	3,685,096.00	3,600,000.00
II. Capital reserves	(8)	1,443,254.38	1,443,254.38
III. Other reserves	(8)	12,460,818.74	13,701,897.65
Total equity attributable to shareholders		17,589,169.12	18,745,152.03
IV. Shares of non-controlling shareholders	(8)	1,733,550.34	2,006,444.80
Total equity capital		**19,322,719.46**	**20,751,596.83**
B. Non-current provisions and liabilities			
I. Deferred income tax	(9)	687,973.30	889,883.42
II. Non-current loans	(10)	4,831,250.00	6,488,750.00
Total non-current provisions and liabilities		**5,519,223.30**	**7,378,633.42**
C. Current provisions and liabilities			
I. Current taxes on earnings	(9)	669,730.47	566,269.92
II. Financial debts	(10)	2,488,715.17	942,500.00
III. Accounts payable	(10)	12,968,031.77	12,872,615.08
IV. Liabilities to associated companies	(10)	213,230.42	34,460.90
V. Other financial liabilities	(10)	1,147,831.99	1,733,764.43
VI. Other non-financial liabilities	(10)	358,340.07	1,717,029.16
Total current provisions and liabilities		**17,845,879.89**	**17,866,639.49**
Total liabilities		**42,687,822.65**	**45,996,869.74**

Consolidated profit and loss statement

for the financial year 2013

Amounts in €	(Notes)	01/01–12/31/ 2012	01/01–12/31/ 2013
1. Sales revenue	(13)	**94,298,086.24**	**91,365,376.83**
2. Other revenues or gains	(14)	993,908.39	632,824.92
3. Other company-manufactured items capitalized		112,369.10	0.00
4. Total operating performance		**95,404,363.73**	**91,998,201.75**
5. Cost of materials			
Expenses for services purchased	(15)	–69,245,049.97	–64,422,360.08
6. Personnel costs	(16)		
6.1 Wages and salaries		–8,674,355.50	–9,182,781.99
6.2 Social contributions and expenses for pensions and benefits		–1,361,179.63	–1,422,381.39
7. Scheduled depreciations	(17)	–3,379,539.88	–3,414,066.23
8. Impairments of non-current assets		–3,072,428.71	0.00
9. Other operating expenses	(17) (18)	–9,279,289.16	–10,263,739.30
10. Operating result (EBIT)		**392,520.88**	**3,292,872.76**
11. Financial income		645,650.25	42,681.76
12. Financial expenses		–1,896,681.44	–261,477.00
13. Earnings from companies accounted for based on the equity method		–23,690.72	0.00
14. Financial result	(19)	**–1,274,721.91**	**–218,795.24**
15. Earnings from normal business activities before income tax		**–882,201.03**	**3,074,077.52**
16. Taxes from income and revenue	(20)	–766,422.29	–967,511.95
17. Consolidated profit (= total consolidated profit)		**–1,648,623.32**	**2,106,565.57**
18. Profit share of non-controlling shareholders	(21)	–946,265.57	–578,956.57
19. Consolidated profit to be allocated to shareholders of ecotel communication ag		**–2,594,888.89**	**1,527,609.00**
Undiluted earnings per share	(22)	–0.70	0.42
Diluted earnings per share	(22)	–0.70	0.42

Due to lack of data, the »other comprehensive income« is not reported.

Consolidated cash flow statement

for financial year 2013

see Note. 23

Amounts in €	2012	2013
Annual consolidated profit before income tax and before profit share of non-controlling shareholders	–882,201.03	3,074,077.52
Net interest income	162,204.98	219,026.16
Depreciation and amortisation expense	7,230,822.45	3,433,330.70
Earnings from companies accounted for based on the equity method	23,690.72	0.00
Cash flow	**6,534,517.12**	**6,726,434.38**
Other expenses (+) and income (–) not affecting the balance sheet	0.00	–110,522.93
Profit (–)/ loss (+) from retirements of intangible assets	–31,625.06	–1,734.42
Increase (–)/decrease (+) in the trade receivables	877,797.15	–1,668,619.93
Increase (+)/decrease (–) in receivables and other assets	–25,443.09	–117,183.52
Increase (+)/decrease (–) in the accounts payable	97,979.79	1,219,418.30
Increase (+)/decrease (–) in liabilities (without financial debts)	–119,853.07	1,670,660.90
Paid (–) / received (+) income tax	–525,906.90	–850,676.95
Inflow of funds from ongoing business activities	**6,807,465.94**	**6,867,775.83**
Inpayments from retirements of intangible assets	33,925.28	3,079.28
Payments for investments in tangible and intangible assets	–2,798,889.30	–8,223,277.03
Repayment of loans to companies accounted for using the equity method	0.00	529,412.00
Payments for investments in financial assets	–3,800.00	0.00
Changes due to the initial consolidation of subsidiaries	23,835.18	0.00
Interest paid in	22,321.43	12,248.08
Outflow of funds from investment activities	**–2,722,607.41**	**–7,678,537.67**
Buyback of shares	–333,521.51	–469,666.10
Payments to minority shareholders	–153,931.00	–112,831.00
Inpayment from taking out financing loans	570,000.00	2,600,000.00
Payments for repayment of financing loans	–2,521,896.53	–2,348,125.00
Interest paid out	–347,292.37	–289,429.95
Inflow/outflow of funds from financing activities	**–2,786,641.41**	**–620,052.05**
Change in funds balance affecting the balance sheet	**1,298,217.12**	**–1,430,813.89**
Funds balance at start of period	**6,235,215.59**	**7,533,432.71**
Funds balance at end of period	**7,533,432.71**	**6,102,618.82**

Development of the consolidated equity capital

Amounts in € thousand Notes (8)	Subscribed capital	Capital reserves	Retained earnings		Equity capital to be allocated to share-holders of ecotel communication ag	Shares of non-controlling shareholders	Total
			Other retained earnings	Consolidated profit			
As per 1 January 2012	**3,752**	**1,678**	**14,014**	**1,073**	**20,517**	**900**	**21,417**
Withdrawal of capital reserves from ecotel ag	0	–235	235	0	0	0	0
Buyback of treasury shares	–67	0	–266	0	–333	0	–333
Compensation payment due to easybell GmbH P/L transfer agreement	0	0	0	0	0	–113	–113
Reposting of previous year's earnings	0	0	1,073	–1,073	0	0	0
Changes in equity capital not affecting the earnings	**–67**	**–235**	**1,042**	**–1,073**	**–333**	**–113**	**–446**
Consolidated net income 2012	0	0	0	–2,595	–2,595	947	–1,648
Changes in equity capital affecting the earnings	0	0	0	–2,595	–2,595	947	–1,648
As per 31 December 2012	**3,685**	**1,443**	**15,056**	**–2,595**	**17,589**	**1,734**	**19,323**
Buyback of treasury shares	–85	0	–385	0	–470	0	–470
Compensation payment due to easybell GmbH P/L transfer agreement	0	0	0	0	0	–208	–208
Dividend-related change of indirect third-party shares in sparcall GmbH	0	0	98	0	98	–98	0
Reposting of previous year's earnings	0	0	–2,595	2,595	0	0	0
Changes in equity capital not affecting the earnings	**–85**	**0**	**–2,882**	**2,595**	**–372**	**–306**	**–678**
Consolidated net income 2013	0	0	0	1,528	1,528	579	2,107
Changes in equity capital affecting the earnings	0	0	0	1,528	1,528	579	2,107
As per 31 December 2013	**3,600**	**1,443**	**12,174**	**1,528**	**18,745**	**2,007**	**20,752**

Notes to the consolidated financial statement of ecotel communication ag
Principles of financial accounting

General information

ecotel communication ag is a company headquartered in Germany (Prinzenallee 11, 40549 Düsseldorf) and is active throughout Germany as a telecommunications firm specialising in meeting the requirements of medium-sized enterprises in three business areas.

In its core unit, »Business Solutions«, the ecotel Group offers medium-sized enterprises, as well as large customers, an integrated product portfolio of voice, data and mobile services as a complete package from a single source. Throughout Germany ecotel supplies approx. 18,000 business customers with standardised and custom telecommunications solutions.

In the second segment, »Wholesale Solutions«, the ecotel group markets preliminary products to other telecommunications companies. At the same time, the company achieves high traffic volumes with this segment, enhancing added value for the core segment of »Business Solutions«. In addition to the wholesale business of ecotel communication ag, mvneco GmbH is also assigned to this business unit.

New high-growth business sectors and niches of the subsidiaries and holdings, which remain operationally autonomous, are the focus area of the »New Business« unit. These include nacamar GmbH with its New Media business, as well as easybell GmbH with the private customer business.

All standards valid and applicable in the EU on the balance sheet date are applied. In addition, the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) have been complied with.

The following changes in pronouncements of the IASB were applied by ecotel for the first time in the consolidated financial statement as of 31 December 2013:

At the time the consolidated financial statement was drawn up, as of 31 December 2013 the following new and changed standards and interpretations were adopted and put into effect by the European Union as European legislature. These standards are to be applied for the first time in this consolidated financial statement:

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Changes to IAS 1 »Presentation of Financial Statements«: Presentation of other comprehensive income	1 July 2012	1 July 2012
Changes to IAS 12 »Income Taxes«: Deferred taxes: Realisation of underlying assets	1 January 2012	1 January 2013
Revision of IAS 19 »Employee Benefits«	1 January 2013	1 January 2013
Changes to IFRS 1 »First-time Adoption of IFRS«: High inflation and removal of fixed data	1 January 2013	1 January 2013
Changes to IFRS 1 »First-time Adoption of IFRS«: Government loans	1 January 2013	1 January 2013
Changes to IFRS 7 »Financial Instruments: Disclosures«: Offset of financial assets and debts	1 January 2013	1 January 2013
IFRS 13 »Fair Value Measurement«	1 January 2013	1 January 2013
Annual improvement project cycle 2009-2011	1 January 2013	1 January 2013
IFRIC 20 »Stripping Costs in the Production Phase of a Surface Mine«	1 January 2013	1 January 2013

The change to **IAS 1** was published in June 2011 and must be applied in the financial year starting on after 1 July 2012. The change to IAS 1 relates to the presentation of the constituents of the other comprehensive income. Constituents for which effective reorganisation is planned (so-called recycling), are to be presented separately from the constituents that remain in the equity. Due to lack of data in financial year 2013 and 2012, respectively, the change has no influence on the presentation of other comprehensive income in the financial statement and therefore no effects on the presentation of the asset, finance and earnings situation.

In June 2011 the IASB published changes to **IAS 19** »Employee Benefits«, which were adopted by the EU in June 2012. The changes to IAS 19 are to be applied retrospectively to all annual financial reports for business years starting on or after 1 January 2013. The Group shows no pension reserves in the balance sheet. The change has no effects on the presentation of the Group's assets, finance and earnings situation.

The change to **IFRS 7** was published in December 2011 and must be applied in the financial year starting on after 1 January 2013. The change is also expected to eliminate existing inconsistencies concerning a supplement to the application guidelines. The existing fundamental regulations for balancing financial instruments, however, will be retained. The change also defines supplementary information. The change has no effects on the accounting methods applied by the Group.

In May 2011 the **IASB published IFRS** 13 »Fair Value Measurement«, which presents the provisions for the assessment of fair value not previously contained in the single IFRS publications in a single, unified standard. IFRS 13 must be applied prospectively for the financial years that start on or after 1 January 2013. No significant effects resulted from the first application for the valuation of assets and liabilities in 2013. In the notes to the consolidated financial statement no significant expansion of the explanation of fair market values of the financial assets and liabilities held in the Group was necessary, due to the type of the financial instruments held.

The **Improvements to IFRS 2009-2011** are a collective standard, published in May 2012 and containing changes to different IFRS standards that must be applied for financial years starting on or after 1 January 2013. The changes are explained in detail below:

IFRS 1: Clarification that an enterprise that has stopped balancing accounts based on IFRS and decides or is obligated to resume this, has the option of applying IFRS 1 again. If the enterprise does not again apply IFRS 1, it must modify its financial statement retroactively, as if it had never stopped applying IFRS. Due to lack of first application status, this change had no effects on the consolidated financial statement;

IAS 1: Clarification of the difference between voluntary additional comparison information and required comparison information, which generally comprise the preceding reporting period;

IAS 16: Clarification that essential spare parts and maintenance equipment that are qualified as items of property, plant and equipment do not fall under the application rules for inventories;

IAS 32: Clarification that income tax on dividends to owners of equity instruments fall under the application rules of IAS 12 Income tax;

IAS 34: Regulation for alignment of information on segment assets with the information on segment debts in interim statements as well as for alignment of information in the interim report with the information for the annual report.

The new regulations listed here had no effects on the Group's assets, finance and earnings situation.

Standards, interpretations and changes that have been published by IASB or IFRS IC but not yet applied

At the time the consolidated financial statement was drawn up, as of 31 December 2013 the following new and changed standards and interpretations were adopted and put into effect by the European Union as European legislature. However, these go into force later and have not been prematurely applied in this consolidated financial statement.

Standard/Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Revision of IAS 27 »Separate Financial Statements«	1 January 2013	1 January 2014
Revision of IAS 28 »Investments in Associates and Joint Ventures«	1 January 2013	1 January 2014
Changes to IAS 32 »Financial Instruments: Presentation«: Offset of financial assets and debts	1 January 2014	1 January 2014
IAS 36 »Impairment of Assets«: Information on the recoverable amount for non-financial assets	1 January 2014	1 January 2014
IAS 39 »Financial Instruments – Recognition and Measurement«: Novations of derivatives and continuation of hedge accounting	1 January 2014	1 January 2014
IFRS 10 »Consolidated Financial Statements«	1 January 2013	1 January 2014
IFRS 11 »Joint Arrangements«	1 January 2013	1 January 2014
IFRS 12 »Disclosure of Interests in Other Entities«	1 January 2013	1 January 2014
Changes to IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities«: Transitional regulations	1 January 2013	1 January 2014
Changes to IFRS 10 »Consolidated Financial Statements« IFRS 12 »Disclosure of Interests in Other Entities« and IAS 27 »Separate Financial Statements«: Investment companies	1 January 2014	1 January 2014

Insofar as the above-mentioned standards/interpretations are relevant for the consolidated financial statements of ecotel communication ag, a brief description of the content of these revisions or amendments, as well as an initial assessment of their effects on the consolidated financial statement of ecotel communication ag is provided below:

IFRS 10 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The new standard replaces the stipulations of the previous IAS 27 Consolidated and Separate Financial Statements for group accounting and the interpretation SIC-12 Consolidation – Specific Purpose Entities. IFRS 10 establishes a standardised control concept, which is applied to all companies including the specific purpose entities. In June 2012 the revised transitional directives for IFRS 10-12 were published, which are supposed to facilitate the initial application of the new standards. As opposed to the previous regulations, the changes introduced with IFRS 10 require the exercise of discretion on the part of Management in assessing the question over which companies in the Group control is exercised and whether they are therefore to be included in the consolidated financial statement in the course of full consolidation. The application of these standards will have no significant effects on the consolidated financial statement. The companies included in the consolidated group remain unchanged as of 1 January 2014.

IFRS 11 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The standard supersedes IAS 31 Interests in Joint Ventures and the interpretation SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 rescinds the previous option for application of proportional consolidation for joint ventures. In the future, these companies will be included in the consolidated financial statement only at equity. Changes will not result from the first application of the new standard, since no corporate groups exist in the sense of joint ventures or joint agreements.

IFRS 12 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The standard regulates the disclosure requirements for the area of consolidated accounting and consolidates the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled and associated companies, previously in IAS 31 and IAS 28, as well as for structured companies. Since in addition to the duties of explanation described above the new standard also formulates new disclosure requirements, the consolidated disclosures for this group of companies will be more comprehensive in the future.

The revised standard **IAS 28** was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. With the approval of IFRS 11 and IFRS 12 the applicability of IAS 28 – in addition to the associated companies – is also extended to the application of the equity method to joint ventures. With respect to the effects, we refer to our comments on IFRS 11 – Joint Arrangements.

The change to **IAS 32** was published in December 2011 and must be applied in the financial year starting on after 1 January 2014. The change is also expected to eliminate existing inconsistencies concerning a supplement to the application guidelines. The existing fundamental regulations for balancing financial instruments, however, will be retained. The change also defines supplementary information. The change will have no effects on the accounting methods applied by the Group, but will, however, result in additional disclosures.

The change to **IAS 36** was published in May 2013 and must be applied in the financial year starting on after 1 January 2014. With IFRS 13 a subsequent change to IAS 36 introduced the obligation to disclose the recoverable amount of each cash generating unit or group of cash generating units, to which a substantial goodwill or substantial intangible asset with an unlimited useful life are allocated. With this, however, the new requirement was formulated more broadly than intended by IASB. With the amendment published in May the disclosure requirement is now limited corresponding to the original intention of IASB to cases in which a decrease in value or an increase in value was registered in the current reporting period. In addition, disclosure requirements are standardised for the case that a decrease in value or an increase in value was registered with respect to a single asset or a cash generating unit and the recoverable amount was determined based on the fair value less costs of sale. The changes must be applied retroactively for financial years that start on or after 1 January 2014. Since the Group determines the recoverable amount on the basis of the value in use, no extended disclosures are to be expected.

In June 2013 IASB published changes to **IAS 39**. As a result of the change, if a contracting party to a hedging instrument switches to a central counter-party due to legal or regulatory requirements, under certain circumstances this will not terminate the hedge. The changes must be applied retroactively for financial years that start on or after 1 January 2014. The Group assumes that the changes will have no effects.

The changes to **IFRS 10** – Consolidated Financial Statements, **IFRS 12** – Disclosures of Interests in Other Entities: Transitional Guidelines and **IAS 27** – Separate Financial Statements: Investment Entities and the revision of **IAS 27** – Separate Financial Statements which are all to be first applied in the financial year starting on or after 1 January 2014, will have no effects on the presentation of the assets, finance and earnings situation of the Group.

At the time the consolidated financial statement was drawn up, as of 31 December 2013 the following new and changed standards and interpretations were adopted, however without having been put into effect by the European Union in European legislature. They go into force later and have not been prematurely applied in this consolidated financial statement.

Standard/Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Changes to IAS 19 »Employee Benefits«: Employee contributions	1 July 2014	Unknown as of yet
IFRS 9 »Financial Instruments«	Open	Unknown as of yet
Changes to IFRS 9 »Financial Instruments« and IFRS 7 »Financial Instruments: Disclosure«: Mandatory time of first application and transitional regulations	Open	Unknown as of yet
Changes to IFRS 9 »Financial Instruments«, IFRS 7 »Financial Instruments – Disclosures« and IAS 39 »Financial Instruments – Recognition and Measurement«: Hege accounting	Open	Unknown as of yet
IFRIC 21 »Levies«	1 January 2014	Unknown as of yet
Annual improvement project cycle 2010-2012	1 July 2014	Unknown as of yet
Annual improvement project cycle 2011-2013	1 July 2014	Unknown as of yet
IFRS 14 – Regulatory Deferral Accounts	1 January 2016	Unknown as of yet

In November 2013 IASB published limited changes to **IAS 19** – Employee Benefits: Employer Contributions. The changes are to be applied to the entry of contributions by employees or third parties to performance-oriented pension plans. This allows reporting of the contributions from employees or third parties in the period as a reduction of the expense for the current service period in which the corresponding work was performed, as long as the contributions are independent of the number of service years. The changes to IAS 19 are to be applied to financial years starting on or after 1 July 2014; earlier application is permissible. These changes will have no effects on the consolidated financial statement.

The first part of phase I in the preparation of **IFRS 9** Financial Instruments was published in November 2009. The standard comprises new rules for classification and measurement of financial assets. According to this debt instruments, depending on their respective characteristics and taking into account the business model, are to be reported either at historic cost of acquisition or through profit or loss. Equity instruments are always to be reported at fair value. Value fluctuations of equity instruments, due to the instrument-specific option, which can be exercised at the time of acquisition of the financial instrument, can be reported in other comprehensive income. In this case, for equity instruments only specific dividend revenue was reported through profit or loss. An exception: financial assets held for trading purposes and which must necessarily be measured at fair value through profit or loss. IASB completed the second part of phase I of the project in October 2010. The standard was therefore supplemented to include rules for financial liabilities and allows for maintaining the existing classification and measurement rules for financial liabilities with the following exceptions: Effects from the change of the company's own credit risk for financial liabilities that were measured at fair value through profit or loss must be reported as not affecting net income and derivative liabilities on unquoted equity instruments can no longer be carried at acquisition cost.

Initially – after a delay of the first application period published in December 2011, in combination with additional appended information on understanding the effects of the first application of **IFRS 9** on the recognition and measurement of financial instruments – it was intended to first apply IFRS 9 in the financial year starting on or after 1 January 2015. The application of the first part of phase I will have effects on the classification and measurement of financial assets of the Group, insofar as this part of the standard is adopted by the EU in this form. From the second part of this project phase no significant effects on the asset, finance and earnings situation of the Group are expected.

In November 2013 IASB published supplements to **IFRS 9** – Financial Instruments, **IFRS 7** Financial Instruments – Disclosures and **IAS 39** Financial Instruments – Recognition and Measurement: Hedge Accounting. The supplements to IFRS 9 comprise a fundamental revision of the rules for hedge accounting, which are supposed to allow companies a better presentation of their risk management activities in the financial statement. In addition, extensive disclosure requirements are included. The possibility is additionally created for premature application of the neutral statement of credit-related changes in market value for liabilities measured at fair value, without applying the complete rules of IFRS 9. Furthermore, the mandatory first application period previously contained in IFRS 9 was rescinded as of 1 January 2015; a new first application period will not be defined until the entire IFRS 9 project is nearly complete. The standard and the supplements have not yet been adopted by the EU.

The Group currently cannot definitively assess the effects that the first application of the standard and the supplements will have, if the standard is adopted by the EU in this form.

In May 2013 IASB published **IFRIC 21** – Levies as an interpretation of **IAS 37** – Provisions, Contingent Liabilities and Contingent Assets. The interpretation regulates the public levies that do not represent taxes on earnings in accordance with IAS 12 and clarifies in particular when an obligation to pay such levies is to be carried on the balance sheet as a liability. The interpretation is to be applied to financial years starting on or after 1 January 2014; earlier application is permissible. The Group assumes that the interpretation, if adopted by the EU in this form, will have no significant effect on the presentation of the consolidated financial statement.

The **Improvements to IFRS 2010-2012** are a collective standard, published in December 2013 and containing changes to different IFRS standards. The changes are explained in detail below:

IFRS 2: Precise definition of exercise conditions;

IFRS 3: and subsequent amendment to IFRS 9: Clarification that an enterprise must apply IAS 32 if it classifies contingent considerations within the framework of a merger as a financial liability or equity. IFRS 9 is supposed to be changed to ensure that contingent considerations cannot be carried at historic cost of acquisition;

IFRS 8: Extension of the disclosure requirement to include a description of the consolidated business segments and the economic indicators analysed therein and clarification that a transfer of the total amount of assets of the segments obligated to report to the assets of the company is to be reported in the financial statement only if the main decision-maker is informed regularly of the measurement of the assets of the segments;

IFRS 13: Clarification of the possibility of measurement of current receivables and liabilities without discounting despite subsequent amendments to IFRS 9 and IAS 39;

IAS 16/IAS 38: Calculation (or coordination) of the cumulative depreciations in case of application of the new revaluation method;

IAS 24: Treatment of cases in which the responsibilities of Management in key positions can be executed by legal entities.

The collective standard is obligatory for financial years starting on or after 1 July 2014; earlier application is permissible. The collective standard has not yet been adopted by the EU. The Group currently cannot definitively assess the effects that the first application of the collective standard will have, if it is adopted by the EU in this form.

The **Improvements to IFRS 2011-2013** are a collective standard, published in December 2013 and containing changes to different IFRS standards. The changes are explained in detail below:

IFRS 1: First application of International Financial Reporting: Clarification that an enterprise can, in its first IFRS financial statement, optionally apply a non-binding IFRS, as long as its earlier application is permissible;

IFRS 3: Clarification that all types of joint arrangements in accordance with IFRS 11 – Joint Arrangements are excluded from the applicability of IFRS 3;

IFRS 13: Measurement at fair value: Clarification that the portfolio exception of paragraph 52 of IFRS 13 is to be applied to all contracts within the applicability of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether these contracts fulfil the definitions of financial assets or financial liabilities in accordance with IAS 32 Financial Instruments: Presentation or not.

IAS 40: Real estate held as financial investment: Clarification that IAS 40 and IFRS 3 are not mutually exclusive. The assessment of whether the purchase of real estate held as a financial investment represents the purchase of an asset or a group of assets or a merger in accordance with IFRS 3 Mergers, must be made based on the rules of IFRS 3.

The collective standard is obligatory for financial years starting on or after 1 July 2014; earlier application is permissible. The collective standard has not yet been adopted by the EU. The Group currently cannot definitively assess the effects that the first application of the collective standard will have, if it is adopted by the EU in this form.

In January 2014 IASB published the standard **IFRS 14** (Regulatory Deferral Accounts). The goal of this standard is to allow enterprises that apply IFRS for the first time and report regulatory deferral accounts in accordance with their previous accounting regulations to continue doing so after the transition to IFRS. For lack of first IFRS application status this standard is not relevant for the Group.

In addition to the balance sheet and the statement of comprehensive income, a cash flow statement will be prepared and a statement of changes in equity will be shown.

To improve the clarity of presentation various items of the consolidated balance sheet and the consolidated statement of comprehensive income are summarised. These items are appropriately broken down and explained in the notes. The consolidated statement of comprehensive income has been prepared according to the total cost method.

Because ecotel did not have the appropriate circumstances in the previous year, nor in financial year 2013, there will be no presentation of »other comprehensive income« at the end of the profit and loss account.

The financial year of ecotel communication ag and its fully consolidated subsidiaries corresponds to the calendar year. The consolidated financial statement is prepared in Euros (€). All amounts, including the previous year's numbers are specified in thousand Euros (€ thousand) or million Euros (€ million).

In addition to the Group management report, the audited consolidated financial statements are filed in the German Federal Gazette; the consolidated financial statement will be released for publication on 24 March 2014, through submission by the Management Board to the Supervisory Board of ecotel communication ag.

Principles of consolidation

According to IFRS all mergers must be depicted in accordance with the purchase method. The purchase price of an acquired subsidiary is distributed over the purchased assets, debts and contingent liabilities. In this regard the proportionate values at the time control over the subsidiary was obtained are authoritative. The eligible assets and the debts and contingent liabilities taken over are recognised with their fair market values in the full amount – regardless of the capital ownership percentage. A remaining balancing item on the asset side is reported as goodwill. A remaining balancing item on the liabilities side is recognised in the income statement. Earnings and expenses of a subsidiary are included in the consolidated financial statement from the date of acquisition. Earnings and expenses of a subsidiary remain included in the consolidated financial statement until control through the parent company ends. As part of the deconsolidation, the residual carrying amounts of the goodwill are considered in the calculation of the result of the disposal.

Expenses and income between Group companies, as well as receivables and liabilities are set off against each other. Interim results are eliminated if they are not of subordinate significance. In the individual financial statements, depreciation or appreciation on shares in consolidated companies are always reversed.

The shares in associated companies are accounted for using the equity method. According to the equity method the shares in an associated company are shown in the balance sheet at acquisition cost plus post-acquisition changes in the Group's equity holdings. The goodwill related to the associated company is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income includes the Group's participation in the success of the associated company. Changes shown directly in the equity of the associated company are recognised proportionally and presented accordingly in the statement of changes in equity. The financial statements of the associated companies are prepared on the same balance sheet date as the financial statement of the parent company. To the extent required adjustments are made the Group's uniform accounting and valuation methods.

Consolidated group

In addition to ecotel communication ag, all subsidiaries (previous year: all) are included in the consolidated financial statement for which ecotel communication ag directly or indirectly controls the majority of voting stock.

Initial consolidation or deconsolidation always occurs at the time of acquisition or sale of equity interests.

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

Previous year's figures in parentheses	Share of capital in %2)	Equity capital in € thousand2)	Earnings in € thousand2)	Revenue in € thousand2)	Employees1) (Average)2)
ecotel private GmbH Düsseldorf	100.0 (100.0)	671 (644)	415 (196)	14 (17)	0 (0)
easybell GmbH Berlin	50.98 (50.98)	377 (369)	8 (4)	5,750 (3,569)	10 (9)
carrier-services.de GmbH Berlin	100.0 (100.0)	623 (478)	145 (282)	2,957 (2,858)	5 (3)
sparcall GmbH Potsdam	100.0 (100.0)	3000 (2,643)	566 (1,326)	2,482 (3,665)	0 (0)
Init.voice GmbH Berlin	100.0 (100.0)	149 (112)	38 (88)	286 (383)	1 (1)
nacamar GmbH Düsseldorf	100.0 (100,0)	1,947 (2,207)	–260 (–6)	3,257 (2,671)	18 (15)
mvneco GmbH Düsseldorf	48.65 (48.65)	–2,156 (–2,981)	825 (492)	3,679 (4,529)	20 (14)
synergyPlus GmbH Rathenow	49.9 (49.9)	–760 (–679)	–81 (–168)	278 (370)	6 (8)
Mediagate Participations S.à.r.l. Mamer (Luxemburg)	20.3 (20.3)	17 (16)	–15 (–2)	0 (0)	0 (0)

1) Without Management Board members/managing directors and trainees
2) Previous year's figures in parentheses

Consolidated financial statement key date for preparation of the consolidated financial statement is December 31, which is also the key date of the individual financial statement of the parent company and all fully-consolidated subsidiaries.

Acquisitions and disposals of equity interests

In the previous year ecotel communication ag acquired on 23 May 2012 a capital share of 20.27 % in the newly founded Mediagate Participations S.à.r.l. with its main office in Mamer (Luxembourg) for the amount of € 4 thousand. Since this company transacted no substantial business as of 31 December 2013, the holdings in this company are reported in the consolidated financial statements at the acquisition cost of € 4 thousand.

Accounting and valuation methods

The Annual Financial Statements of the companies consolidated in the Group are prepared in accordance with uniform accounting and valuation methods. The valuations in the consolidated financial statements are not influenced by tax regulations; they are determined solely by the economic presentation of the asset, finance, and earnings position in accordance with IFRS regulations.

In addition, for the consolidated financial statements the supplementary provisions of Section 315a of the German Commercial Code (HGB) were complied with.

Assets are capitalised if the Group is entitled to all essential opportunities and risks associated with their use. Valuation is executed at historical cost of acquisition or manufacture with the exception of specific financial assets.

Acquisition costs include all considerations that have been completed to acquire an asset and to place it in operational condition. Manufacturing costs include all costs that can be directly allocated to the manufacturing process as well as appropriate portions of the production-related overhead costs. Borrowing costs that can be allocated directly to the construction or manufacturing of a qualified asset are always capitalised as a portion of the costs acquisition or manufacture. Otherwise, **borrowing costs** are recognised as an expense in the period in which they are incurred. Qualified assets as defined by IAS 23, as in the previous year, are not present in the ecotel Group.

Purchased **intangible assets** are valued at cost of acquisition, self-provided intangible assets from which most likely a future benefit will flow to the Group, and which can be reliably valued, are assessed at cost of manufacture and amortised using the straight-line method over their presumable economic useful life, unless in exceptional cases a different amortisation method more closely corresponds to the course of their use.

Research costs are treated as current expenses. **Development costs** are capitalised and amortised linearly if a newly developed product or procedure can be clearly delimited, is technically feasible and either is intended for the company's own use or marketing. In addition capitalisation has for its prerequisite that clear expense allocation is possible, that costs are covered through future flow of funds with sufficient probability and the ability to use or sell the intangible asset.

Goodwill from consolidation is subject to an impairment test if there are indications of an impairment, at least once a year, for the cash generating unit in question.

According to IAS 36 the carrying value is to be reported in addition to the recoverable amount. The recoverable value is defined as the higher of the two values fair value less costs to sell and the value in use.

The following useful lives are regularly used as the basis of the valuation:

Concessions and commercial property rights	3 – 5 years
Development costs	5 years
Software	3 years
Customer base	6 – 18 years

If there are indications of an impairment and if the recoverable amount is below the historic cost of acquisition or manufacture, the intangible assets are written down. The recoverable amount of an asset corresponds to the higher value net sale proceeds and cash value of the payment flows that must be allocated to the asset (value in use).

Items of property, plant, and equipment are valued at cost of acquisition or cost of manufacture, reduced by use-related scheduled depreciations and impairments, if applicable. Property, plant and equipment is always depreciated over the presumable useful life using the straight line method, unless in exceptional cases a different depreciation method better corresponds to the course of the useful life. Property, plant, and equipment is regularly depreciated over the following economic useful lives:
If there are indications of an impairment and if the recoverable amount is below the historic cost of acqui-

Other equipment, plant and office equipment	3 – 7 years

sition or cost of manufacture, items of property, plant, and equipment are written down. If the reasons for impairments carried out in previous years do not apply, appropriate write-ups are carried out. For reasons of simplicity and materiality low-value capital goods are completely written down in the year of acquisition and are shown as disposals.

Inventories are assessed at cost of acquisition or the net sale value.

Receivables and other assets are initially recognised at fair value with due consideration of transaction costs incurred and correspondingly carried forward. Receivables bearing no interest or low interest with a term over one year are discounted on the basis of interest rates that are in line with the market. All identifiable individual risks are carried at appropriately impaired values, if indications exist in the specific case. Receivables denoted in foreign currency are evaluated at the exchange rate on the balance sheet date.

Prepaid rent and insurance premiums are recognized as prepaid expenses and **accrued income** and are shown under other assets.

Other **provisions** take into account all obligations identifiable on the balance sheet date that are based on past transactions or past events, and for which the amount or date of settlement are unclear. The provisions are recognised with the probable settlement amount. Offsetting with positive profit contributions does not occur. Provisions are only formed if they are based on a legal or actual obligation to a third party. Non-current provisions are accounted for with their settlement amount on the balance sheet date if the interest effect resulting from discounting is material. The settlement amount also includes the cost increases that must be considered on the balance sheet date in accordance with IAS 37.

Liabilities are always recognised at the time they are incurred with the amount of the consideration received; transaction costs incurred in this regard, that are not measured at their fair value through profit or loss, are taken into account. Liabilities are subsequently valued at the historical cost of acquisition. Non-current liabilities are discounted on the basis of interest rates that are in line with the market. Liabilities denoted in a foreign currency are valued at the exchange rate on the balance sheet date.

Deferred taxes are formed at different assessment of the assets and liabilities in the consolidated balance sheet and the tax balances of the individual companies, if these different assessments result in income that must be taxed at a higher or lower rate than would have been the case under the standard of the consolidated balance sheet. Deferred taxes are determined on the basis of the tax rates that apply or are expected in the individual countries at the time of realisation. Deferred taxes of the domestic consolidated companies were calculated as in the previous year at 15 % plus 5.5 % solidarity surcharge, and for trade tax purposes at 13 – 16 %. These rates have been used appropriately for determination of deferred taxes on temporary differences if these differences reverse in the future. Currently there are no foreign Group companies.

Derivative financial instruments are used in the ecotel Group exclusively for hedging interest change risks from third-party financing of business activity and for hedging currency risks from expected foreign currency transactions. In accordance with IAS 39 derivative financial instruments are accounted for at fair value; the change in fair value is shown with effect on net income in the finance result. Fair value is determined by relying on market prices quoted on the capital market that are sampled at the appropriate financial institutions as of the balance sheet date. Derivative financial instruments with a positive fair value are accounted for under other financial assets; derivative financial instruments with a negative fair value are accounted for under the other financial liabilities. Initial booking in occurs on the settlement date, which as a rule is a few days after the date the debt was incurred (transaction date). The interest rate swap contracts and forward-exchange transactions used by ecotel communication ag in the previous year fall under the financial instrument category »Financial instruments held for sale« (IAS 39.9) and are recognised in the balance sheet at their market values until they are booked out in the case of expiration or dissolution. As of 31/12/2013 such derivative financial instruments no longer existed.

Investments in non-consolidated companies are recognised in the balance sheet at cost of acquisition due to the lack of availability of 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 their fair value including directly allocatable transaction costs. They are subsequently carried at historical cost of acquisition with application of the effective interest method.

Recognition of **sales revenues and other operating income** always occurs when the service is provided or the assets have been delivered and thus the transfer of risk has taken place. Provisions for warranties are formed at the time of realisation of the corresponding sales revenues.

In the mobile communications business sales are generated through the offering of mobile communications services and one-time activation charges. Revenues for mobile communications services include monthly service charges, charges for special characteristics, as well as connection and roaming charges, for which ecotel bills the customer. Revenues for mobile communications services are realised on the basis of minutes of use or other agreed rate models minus credit memos and adjustments due to discounts.

Sales revenues from the data and Internet business are reported with the provision of the service. For contracts on the basis of fixed prices, sales revenues are reported proportionally over the term of the service contract, and for all other service contracts sales revenues are reported on the basis of the service provided or based on use. Sales revenues from contracts for services billed according to time and material expense are recognised with provision of the work hours and the incurring of direct costs at the contractually specified hourly rate.

Sales revenues from the sale of hardware are realised as soon as the product has been shipped to the customer, and if there are no unfulfilled obligations on the part of the company that would affect the ultimate acceptance on the part of the customer. All costs arising from these obligations are recognised at realisation of the appropriate sales revenue.

If the conditions for realisation of service revenues are satisfied in accordance with IAS 18.20 ff., on the level of completion of the transaction on the balance sheet date, the corresponding revenue is recognised on the basis of the assessment of the services provided according to this method.

Operating expenses are recognised with effect on net income when the service is used or at the time of causation.

Interest income and expense are recognised in the period in which they occur. Dividends are always collected when the claim legally occurs. Within the **financial result** the costs of capital procurement that cannot be offset against equity, such as the costs for supporting the share price, are shown. The result of companies accounted for at equity is shown separately within the financial result.

When preparing the consolidated financial statement, discretionary decisions and assumptions are made and estimates have been applied that have an effect on the amount and disclosure of the recognised assets and liabilities, earnings and expenses, as well as the contingent liabilities. The discretionary decisions, assumptions and estimates essentially refer to the uniform Group determination of economic useful lives, the possible realisation of future tax relief, as well as the verification of the intrinsic value of cash-generating units and of underlying parameters for assets.

The assumptions upon which the respective estimate is based and the corresponding carrying amounts are explained for the individual items of the balance sheet, as well as for the statement of comprehensive income. The actual values may deviate in some cases from the assumptions and estimates made. Such deviations are considered with effect on net income at such a time when improved knowledge makes this necessary. Considerable risks as defined in IAS 1.129 that could be inherent in the assumptions and estimates were not identified at the time the consolidated financial statement was prepared.

Explanations for the consolidated balance sheet

The intangible assets developed in financial year 2013 as follows:

Amounts in € thousand	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relations	Prepayments on tangible assets	Total
Acquisition costs and manufacturing costs as of 01/01/2013	**14,427**	**7,048**	**2,973**	**9,424**	**1,016**	**34,888**
Additions	0	258	1,088	0	0	1,346
Transfers	0	954	62	0	–1,016	0
Disposals	0	0	0	0	0	0
As of 12/31/2013	**14,427**	**8,260**	**4,123**	**9,424**	**0**	**36,234**
Write-downs as of 01/01/2013	**5,553**	**5,999**	**2,618**	**6,924**	**0**	**21,094**
Scheduled additions	0	586	249	525	0	1,360
Unscheduled additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As of 12/31/2013	**5,553**	**6,585**	**2,867**	**7,450**	**0**	**22,455**
Carrying amounts as of 12/31/2012	8,874	1,049	355	2,500	1,016	13,794
Carrying amounts as of 12/31/2013	**8,874**	**1,675**	**1,256**	**1,974**	**0**	**13,779**

(1) Goodwill and other intangible assets

Amounts in €	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relations	Prepayments on tangible assets	Total
Costs of acquisition and manufacturing costs as of 01/01/2012	**14,426**	**6,782**	**3,193**	**9,424**	**0**	**33,825**
Change to the consolidation group	1	27	0	0	0	28
Additions	0	246	46	0	1,016	1,308
Transfers	0	0	0	0	0	0
Disposals	0	7	266	0	0	273
As of 12/31/2012	**14,427**	**7,048**	**2,973**	**9,424**	**1,016**	**34,888**
Write-downs as of 01/01/2012	**2,669**	**5,521**	**2,384**	**6,284**	**0**	**16,858**
Change to the consolidation group	0	1	0	0	0	1
Scheduled additions	0	482	501	640	0	1,623
Unscheduled additions	2,884	0	0	0	0	2,884
Disposals	0	5	267	0	0	272
As of 12/31/2012	**5,553**	**5,999**	**2,618**	**6,924**	**0**	**21,094**
Carrying amounts as of 12/31/2011	11,757	1,261	809	3,140	0	16,967
Carrying amounts as of 12/31/2012	**8,874**	**1,049**	**355**	**2,500**	**1,016**	**13,794**

Recognised development costs plus transfers in financial year 2013 totalled € 1,150 thousand (previous year: € 46 thousand). These relate essentially to a remote router management platform developed in-house for the large-scale project with a renowned insurance company.

Customer relationships include purchased customer bases from the acquisition of nacamar in 2007 totalling € 1,791 thousand (previous year: € 2,001 thousand). An additional customer base resulted at ecotel from the former ADTG Allgemeine Telefondienstleistungs GmbH (previous year: € 113 thousand), which was completely written off as of 31 December 2013 after a term of 6 years. The »nacamar« customer base is amortised over a useful life between 10 and 18 years depending on the customer segment. The customer relationships relative to DSLCOMP GmbH purchased in 2006 as of the balance sheet date are shown at € 183 thousand (previous year: € 383 thousand) they are amortised linearly over ten years. Customer relationships at easybell GmbH were completely written off as of the balance sheet date after a term of 6 years (€ 0 thousand, previous year:) € 3 thousand).

The reported goodwill is composed as follows:

Cash-Generating Unit (CGU) Amounts in € thousand	Carrying amount 12/31/2012	Impairments 2013	Acquisition from initial consolidation 2013	Carrying amount 12/31/2013
Business Solutions	8,732	0	0	8,732
nacamar	0	0	0	0
easybell	124	0	0	124
carrier-services	17	0	0	17
Init-voice	1	0	0	1
Total	**8,874**	**0**	**0**	**8,874**

In accordance with IAS 36, impairment tests were performed in the financial year just ended for determination of the value in use, according to the discounted cash flow method for verification of the recovery of the goodwill shown. The data of the respective company planning serves as the basis in this regard (forecast period: 5 years).

In the previous year there was an impairment of goodwill of the CGU nacamar totalling € 2,884 thousand. There was no requirement for depreciation in 2013. The recoverable amount of the CGU »Business Solutions« totals € 41,310 thousand, the CGU »nacamar« € 1,331 thousand and the CGU »easybell« € 11,486 thousand.

The following assumptions served as the basis for performing the impairment tests: Capitalisation interest rate 6.1 % (previous year: 6.8 %) after taxes or 8.0 % (previous year: 9.9 %) before taxes, beta factor 0.8 (previous year: 1.0), debt ratio 25 % (previous year: 28 %). The average annual growth rates for the first five years for nacamar GmbH were 4 % (previous year: 5 %), for ecotel 2 % (previous year: 4 %) and for easybell 10 % (previous year 10 %). For the perpetual annuity at nacamar GmbH a growth rate of 0 % was used (previous year: 0 %) as well as for all other CGUs a growth rate of 0 % was likewise used (previous year: 0 %). The income tax rate used is 31 % (previous year: 31 %).

(2) Property, plant, and equipment

Property, plant, and equipment developed in financial year 2013 as follows:

Amounts in € thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machines	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Acquisition costs and manufacturing costs as of 01/01/2013	**4,928**	**95**	**10,003**	**1,139**	**16,165**
Additions	823	0	3,683	1,057	5,563
Transfers	660	0	360	–1,020	0
Disposals	0	0	10	109	119
As of 12/31/2013	**6,411**	**95**	**14,036**	**1,067**	**21,609**

Amounts in € thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machines	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Write-downs as of 01/01/2013	**2,729**	**17**	**7,371**	**108**	**10,225**
Scheduled additions	623	29	1,402	0	2,054
Unscheduled additions	0	0	0	0	0
Disposals	0	0	10	108	118
As of 31/12/2013	**3,352**	**46**	**8,763**	**0**	**12,161**
Carrying amounts as of 12/31/2012	2,199	78	2,632	1,031	5,940
Carrying amounts as of 12/31/2013	**3,059**	**49**	**5,273**	**1,067**	**9,448**

In financial year 2012 development of property, plant, and equipment of the Group was presented as follows:

Amounts in € thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machines	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Acquisition costs and manufacturing costs as of 01/01/2012	**5,546**	**0**	**8,566**	**180**	**14,292**
Change to the consolidation group	0	0	0	0	0
Additions	274	95	1,415	1,020	2,804
Transfers	0	0	61	–61	0
Disposals	892	0	39	0	931
As of 12/31/2012	**4,928**	**95**	**10,003**	**1,139**	**16,165**
Write-downs as of 01/01/2012	**2,662**	**0**	**6,442**	**108**	**9,212**
Change to the consolidation group	0	0	0	0	0
Scheduled additions	770	17	968	0	1,755
Unscheduled additions	188	0	0	0	188
Disposals	891	0	39	0	930
As of 12/31/2012	**2,729**	**17**	**7,371**	**108**	**10,225**
Carrying amounts as of 12/31/2011	2,884	0	2,124	72	5,080
Carrying amounts as of 12/31/2012	**2,199**	**78**	**2,632**	**1,031**	**5,940**

The previous year's impairments of land, land rights and buildings, including buildings on third-party land totalling € 188 thousand were due to technically outdated water chillers in the segment of Business Customers.

In the previous year there was an obligation to a wholesale partner to purchase router hardware with a value of about € 3.0 million. In the current financial year there were no obligations to purchase.

Future lease payments

Outstanding leasing obligations existed as of 31 December 2013 as in the previous year only from operating contracts and no longer from financing leasing contracts. The obligations from operating leasing contracts as of 31 December 2013 are presented as follows:

Amounts in € thousand	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2013
Operating and office equipment (leasing)	178	124	0	302
Other rental contracts	881	2,064	231	3,176
	1,059	**2,188**	**231**	**3,478**

The leasing obligations from operating and office equipment are essentially the result of leasing contracts for company vehicles. The other rental contracts essentially include the rent of office space, and of the computer centre.

As of 31 December 2012 the following financial obligations arising from operating/leasing contracts existed:

Amounts in € thousand	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2012
Operating and office equipment (leasing)	210	212	0	422
Other rental contracts	845	2,940	820	4,605
	1,055	**3,152**	**820**	**5,027**

The payments from leases recognised as expenses in the reporting period are stated in text number 18.

(3) Financial assets

Financial assets accounted for using the equity method at € 529 thousand (previous year: € 1,050 thousand) essentially involve a loan from ecotel communication ag to the company, mvneco GmbH, accounted for at equity, with an annual interest rate of 5 %, and a qualified subordinated claim. For the amount of the negative equity value of mvneco GmbH, which changed from € 790 thousand in the previous year to € 514 thousand as of 31 December 2013, the company achieved a positive profit of € 276 thousand (previous year: € 168 thousand) from the holding. This did not result in a write-up of the loan, since it decreased in value due to the persistent decreased financial strength of mvneco GmbH. In the financial year an impairment was registered in accordance with the valuation rules of IAS 28.31 in connection with IAS 39 totalling € 19 thousand (previous year: € 779 thousand), so that the loan had a carrying value of € 529 thousand as of the balance sheet date, taking into account loan repayments (€ 530 thousand) and interest due (€ 28 thousand).

The carrying value of the holding in mvneco GmbH, accounted for at equity was € 0 thousand as of 31 December 2013, which was the same as that of the previous year, as the original acquisition costs of this holding of € 254 thousand, due to the prorated accumulated net losses of the company, had to be written off completely. The carrying value includes prorated goodwill of

€ 131 thousand (previous year: € 131 thousand). As of the closing date the company reported assets totalling € 1,452 thousand (previous year: € 2,721 thousand), debts totalling € 3,608 thousand (previous year: € 5,701 thousand), sales revenue totalling € 3,679 thousand (previous year: € 4,529 thousand), and a net income of € 567 thousand (previous year: € 345 thousand).

Likewise allocated to the financial assets accounted for using the equity method is a loan to the company synergyPlus GmbH accounted for at equity for the amount of € 360 thousand (previous year: € 360 thousand). The negative equity value as of 31 December 2013 totalled € 220 thousand (previous year: € 191 thousand). In the previous year an impairment of € 107 thousand was effected and reported in the previous year's statement of comprehensive income under financial expenses.

The carrying value of the holding in synergyPLUS GmbH, accounted for at equity, was € 0 thousand as of 31 December 2013, since the original acquisition costs of this holding of € 150 thousand, due to the prorated accumulated net losses of the company, had to be written off completely. As of the closing date the company reported assets totalling € 37 thousand (previous year: € 84 thousand), debts totalling € 797 thousand (previous year: € 763 thousand), sales revenue totalling € 278 thousand (previous year: € 370 thousand), and liabilities totalling € 57 thousand (previous year: € 117 thousand).

In addition, the holdings in Mediagate Participations S.à.r.l. with headquarters in Mamer (Luxembourg) are reported in the financial assets (€ 4 thousand; previous year: € 4 thousand).

(4) Inventories

The inventories shown essentially relate to routers. These are made available to the customers when a service contract is concluded for the term of the contract and when use begins are assigned to the property, plant and equipment to be depreciated. A devaluation of the terminal devices not yet in use to the net disposal value did not occur in the financial year.

(5) Trade receivables and other financial and non-financial assets

Amounts in € thousand	Remaining term more than 1 year	Total 12/31/2012	Residual term Over 1 year	Total 12/31/2013
Trade receivables				
vis-a-vis third parties	0	12,460	0	14,128
vis-a-vis associated companies	0	54	0	54
	0	**12,514**	**0**	**14,182**
Other financial assets				
Remaining other receivables and current assets	0	959	0	1,134
Other non-financial assets				
Prepaid expenses	0	361	0	339
	0	**1,320**	**0**	**1,473**

The effect on results of the increase of the provision for losses on trade receivables is shown in the other operating expenses that include the release of provisions in other operating income. The receivables do not bear interest and thus are not subject to an interest rate risk. Due to the short-term payment goals the carrying values correspond to the fair values.

(6) Current and deferred taxes on earnings

Amounts in € thousand	12/31/2012	12/31/2013
Deferred income tax claims	0	0
Actual income tax claims	27	8
	27	**8**

As in the previous year, the effective income tax claims relate to claims for reimbursement of taxes on earnings from trade tax, corporation tax and interest income tax credits.

(7) Cash and cash equivalents

Amounts in € thousand	12/31/2012	12/31/2013
Deposits in banks	7,532	6,095
Cash on hand and checks	1	8
	7,533	**6,103**

(8) Equity capital

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

The number of shares of ecotel communication ag in circulation as of 31 December 2013 was 3,600,000 (previous year: 3,685,096) after offsetting the 300,000 shares held by the company itself (previous year: 214,904). The shares are issued as no-par value bearer shares with a prorated amount of the capital stock of € 1.00. Due to the repurchase of shares in the financial year, the capital stock was reduced by € 85 thousand in 2013 (previous year: € 67 thousand). The stipulations of § 71b of the Corporation Law (AktG) apply.

Shares of non-controlling shareholders

The non-controlling interests relate to the indirect minority interests in the equity of easybell GmbH (€ 185 thousand; previous year: € 181 thousand), of sparcall GmbH (€ 1,458 thousand, previous year: € 1,279 thousand), of carrier-services.de GmbH (€ 302 thousand, previous year: € 231 thousand) and of init.voice GmbH (€ 62 thousand, previous year: € 43 thousand).

Share ownership

The following material stakes were held in the company as of 31 December 2013:

	%
Peter Zils	25.64%
Intellect Investment & Management Ltd.	25.09%
IQ Martrade Holding und Managementgesellschaft mbH	9.79%
PVM Private Values Media AG	9.31%
Treasury shares	7.69%
Diversified holdings	22.48%

During financial year 2013 the following notifications, in connection with § 20 para. 1 or para. 4 Corporation Law (AktG) or in connection with § 21 para. 1 or para. 1a German Securities Trading Law (WpHG) resulted in disclosures according to § 160 para. 1 no. 8 of the Corporation Law.

07/09/2009
Publication of a voting shares announcement communicated through the DGAP – a company of EQS Group AG.

Intellect Investment & Management Ltd., Tortolo, British Virgin Island notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 9–11, 40549 Düsseldorf, Germany (ISIN DE0005854343) on 01 July 2009 exceeded the threshold of 25 % and that on this date amounted to 25.09 % (978,489 voting shares, capital stock in shares 3,900,000).

Mr. Andrey Morozov, Finland, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 9–11, 40549 Düsseldorf, Germany (ISIN DE0005854343) on 01 July 2009 exceeded the threshold of 25 % and that on this date amounted to 25.09 % (978,489 voting shares, capital stock in shares 3,900,000).
Of these, 25.09 % (978,489 voting shares) are attributed to Andrey Morozov in accordance with § 22 para. 1 sentence 1 no. 1 WpHG.

The attributed voting shares are held through the following company controlled by him, with voting shares in ecotel communication ag of 3 % or more:

– Intellect Investment & Management Ltd.

01/11/2010
Publication of a voting shares announcement communicated through the DGAP – a company of EQS Group AG.

ecotel communication ag: Publication in accordance with § 26, para. 1 German Securities Trading Law (WpHG) with the goal of European-wide circulation

Mr. Peter Zils, Germany, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 9-11, 40549 Düsseldorf, Germany (ISIN DE0005854343) on 5 January 2010 dropped below the threshold of 30 % and that on this date amounted to 25.64 % (number of voting shares: 1,000,000, total number of voting shares: 3,900,000).

04/07/2011
Publication of a voting shares announcement communicated through the DGAP – a company of EQS Group AG.
PVM Private Values Media AG, Frankfurt am Main, Deutschland notified us in accordance with § 21 para. 1 WpHG on 06/04/2011 that its voting shares in ecotel communication ag, Düsseldorf, Germany on 01/04/2011 dropped below the threshold of 10 % of the voting shares and on this date amounted to 9.31 % (corresponding to 363,305 voting shares).

These voting shares are attributed to the company by Schnigge Wertpapierhandelsbank AG in accordance with § 22 para. 1 sentence 1 no. 2 WpHG.

05/23/2012
Publication of an ad-hoc notification in accordance with § 15 WpHG

The Management Board of ecotel communication ag (WKN 000585434/ ISIN DE0005854343) decided today to repurchase up to 100,000 treasury shares (2.6 % of the current share capital) between 25 May 2012 and 30 September 2012. The shares will be repurchased through the stock exchange. The countervalue per share paid by the company (without ancillary costs) must be within 10 % of the arithmetical average of the closing prices of the shares in the XETRA system on the three trading dates prior to the purchase. Based on the final prices of the shares in the XETRA system on the last three trading dates prior to the decision, this corresponds to a buy-back volume of up to about € 0.51 million.

The Management Board thus makes use of the authorization resolution of the annual meeting of shareholders on 30 July 2010, which authorizes the Management Board to purchase treasury shares totalling up to 10 % of the share capital by 29 July 2015. The repurchased shares can be used for all purposes provided for by the authorization resolution of the annual meeting of shareholders.

The shares will be repurchased under the direction of a financial institution in compliance with §§ 14 para. 2, 20a para. 3 WpHG in accordance with the Safe-Harbor provision pursuant to directive (EC) no. 2273/2003. The financial institution commissioned with the repurchase will make its decisions on the time of acquisition of the shares independently and uninfluenced by ecotel communication ag.

08/24/2012
Notification from ecotel communication ag, Düsseldorf, Germany, in accordance with § 26 para. 1 sentence 2 WpHG, that its share of treasury shares in ecotel communication ag, Düsseldorf, Germany (ISIN: DE0005854343), on 22 August 2012 exceeded the threshold of 5 % on this date amounted to 5.02 % (number of voting shares: 195,800, total number of voting shares: 3,900,000).

11/01/2013
Publication of a voting shares announcement communicated through the DGAP – a company of EQS Group AG.

IQ Martrade Holding und Managementgesellschaft mbH, Düsseldorf, Germany, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 11,

Notes to the consolidated financial statement of ecotel communication ag Consolidated financial statement 81

40549 Düsseldorf, Germany (ISIN DE0005854343), on 25 October 2013 dropped below the threshold of 10 % and on this date amounted to 9.79 % (381,826 voting shares, capital stock in shares 3,900,000).

MARTRADE Logistic GMBH & Co. Kommanditgesellschaft, Düsseldorf, Germany, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 11,40549 Düsseldorf, Germany (ISIN DE0005854343) on 25 October 2013 dropped below the threshold of 10 % and that on this date amounted to 9.79 % (381,826 voting shares, capital stock in shares 3,900,000).

Of these, 9.79 % (381,826 voting shares) are attributed to MARTRADE Logistic GmbH & Co. Kommanditgesellschaft in accordance with § 22 para. 1 sentence 1 no. 1 WpHG. The attributed voting shares are held through the following company controlled by the company, with voting shares in ecotel communication ag of 5 % or more:

– IQ Martrade Holding und Managementgesellschaft mbH

MARTRADE Logistic Verwaltungs GmbH, Düsseldorf, Germany, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 11, 40549 Düsseldorf, Germany (ISIN DE0005854343) on 25 October 2013 dropped below the threshold of 10 % and that on this date amounted to 9.79 % (381,826 voting shares, capital stock in shares 3,900,000).

Of these, 9.79 % (381,826 voting shares) are attributed to MARTRADE Logistic Verwaltungs GmbH in accordance with § 22 para. 1 sentence 1 no. 1 WpHG. The attributed voting shares are held through the following companies controlled by the company, with voting shares in ecotel communication ag of 5 % or more:

– IQ Martrade Holding und Managementgesellschaft mbH
– MARTRADE Logistic GmbH & Co. Kommanditgesellschaft

Mr. Günther Hahn, Germany, notified us in accordance with § 21 para. 1 WpHG that its voting shares in ecotel communication ag, Prinzenallee 11, 40549 Düsseldorf, Germany (ISIN DE0005854343) on 25 October 2013 dropped below the threshold of 10 % and that on this date amounted to 9.79 % (381,826 voting shares, capital stock in shares 3,900,000).

Of these, 9.79 % (381,826 voting shares) are attributed to Günther Hahn in accordance with § 22 para. 1 sentence 1 no. 1 WpHG. The attributed voting shares are held through the following companies controlled by him, with voting shares in ecotel communication ag of 5 % or more:

– IQ Martrade Holding und Managementgesellschaft mbH
– MARTRADE Logistic GmbH & Co. Kommanditgesellschaft
– MARTRADE Logistic Verwaltungs GmbH

Capital management

The ecotel Group manages its capital with the primary goal of supporting the business activity and of assuring that the company remains a going concern in the long term. Capital management includes all equity as well as borrowings on the balance sheet. Summary quantitative information on the managed capital can be found in the balance sheet and in the corresponding notes. The important goal is compliance with the financial covenants agreed with the banks. These financial covenants consist of compliance with certain standards with respect to the equity ratio, net debt-EBITDA ratio and the EBITDA-sales revenue ratio. The financial covenants are reviewed within the framework of the monthly reporting. In this process, also future developments relative to their effects on the financial covenants are analysed in order to implement measures in a timely manner, if necessary.

For all three current covenants, ecotel was clearly within the prescribed intervals in financial year 2013.

(9) Current and deferred taxes on earnings

Amounts in € thousand	Initial level 01/01/2013	Con-sumption	Reversal	Allocation	Transfers / balancing	**Cash pool inventory 12/31/2013**
Actual income tax	670	353	0	249	0	566
Deferred taxes on earnings	688	0	0	202	0	890
Provisions for income taxes	**1,358**	**353**	**0**	**451**	**0**	**1,456**
of which with a term of up to 1 year	670	353	0	249	0	566

(10) Other financial debts, trade payables and other financial and non-financial liabilities

Amounts in € thousand	Remaining term up to 1 year	Total 12/31/2012	Remaining term up to 1 year	Total 12/31/2013
Credit liabilities	2,489	7,320	943	7,432
Financial debts	**2,489**	**7,320**	**943**	**7,432**
Accounts payable	**12,968**	**12,968**	**12,873**	**12,873**
Liabilities to associated companies	**213**	**213**	**34**	**34**
Other taxes	167	167	759	759
Social security	11	11	11	11
Wages and salary to be paid	412	412	164	164
Other personnel-related liabilities	98	98	130	130
Annual audit/Supervisory Board	133	133	163	163
Other	327	327	508	508
Other financial liabilities	**1,148**	**1,148**	**1,734**	**1,734**
Deferred income	358	358	1,717	1,717
Other non-financial liabilities	**358**	**358**	**1,717**	**1,717**

The valuation of an interest swap at fair value financial in the previous year resulted in liabilities of € 30 thousand. As of 31 December 2013 no corresponding derivative financial debts existed. The change in the fair value is included in the finance result.

From the valuation of an exchange rate transaction at fair value, financial liabilities of € 0 thousand (previous year: € 111 thousand). As of 31 December 2013 no corresponding derivative financial debts existed. The change in the fair value is included in the finance result.

Borrowings essentially relate to a KfW innovation loan taken out in 2009 totalling € 5,000 thousand, a KfW investment loan totalling € 570 thousand taken out in 2012, a KfW investment loan totalling € 2,600 thousand taken out in 2013 and the current market values of the interest swap and exchange rate transaction in the previous year. One half of the loan taken out in 2009 consists of an outside capital tranche, the other half consists of a subordinated tranche. Both tranches have a term of ten years; the interest rate is fixed. The loans taken out in 2012 and 2013 have a term of 5 years, respectively, and are likewise fixed-interest loans. Current borrowings are essentially the repayment due in 2014 for the three loans.

(11) Reporting of financial instruments

In the course of the usual business activity the Group is confronted with risks associated with exchange rates, changes in interest rates and credit rating risks that could have an influence on the asset, finance, and earnings position.

Exchange rate risk: Exchange rate risks occur due to receivables, liabilities, liquid funds and planned transactions that occur or will occur in a currency that is not the functional currency of the Group. In financial year 2012 the group used derivative financial instruments in the form of forward exchange transactions to secure US dollar foreign currency risks from future expected payments in foreign currency. They had a nominal volume of € 3,290 thousand and were measured as of 31/12/2012 at fair value through profit or loss as financial assets or financial debts. The term of the forward-exchange transactions concluded was oriented to the term of the underlying transactions and was in the short-term range. Since the exchange rate risk was low after expiration of the secured transactions contracted in the previous year, no further derivative financial instruments were used for exchange rate security in the concluded financial year.

Interest rate risk: In the ecotel Group interest rate risks can exist primarily due to the financial liabilities of the Group. Risks from negative changes in value that can result from unexpected interest rate movements are fundamentally secured by derivative financial transactions. At the end of 2012 there existed one interest rate swap with a nominal volume of € 2,000 thousand. All derivative financial instruments were assessed as financial assets or financial debts at fair value through profit or loss as of the closing date. For the business interpretation of the positive or negative fair values it must be noted with a view toward the financial assets or debts reported in the previous year's financial statement hat they were balanced out by underlying transactions with compensating risks. The term of the interest rate derivatives concluded is oriented to the term of the underlying transactions and was in the short-term range. Due to the fixed interest rate of the loan reported at the end of 2013 no interest rate risks exist as of the closing date, which also means that no security transactions were concluded.

Credit risk: A credit risk exists for the Group if transaction partners do not or cannot honour their payment obligations. The maximum default risk is presented on the balance sheet by the carrying amount of the respective financial asset. The development of the receivables portfolio is constantly monitored in order to identify possible default risks early on and implement appropriate measures.

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

Adjustments for receivables 2013 Amounts in € thousand	Trade receivables	Other receivables and other current assets	Total 12/31/2013
As of 01/01/2013	202	0	202
Adjustments in the reporting period	0	0	0
Disposals	38	0	38
As of 12/31/2013	**164**	**0**	**164**

Adjustments for receivables 2012 Amounts in € thousand	Trade receivables	Other receivables and other current assets	Total 12/31/2012
As of 01/01/2012	362	0	362
Adjustments in the reporting period	17	0	17
Disposals	177	0	177
As of 12/31/2012	**202**	**0**	**202**

The value adjustments relate completely to the valuation category »Loans and receivables«.

As of 31 December 2013, past-due unadjusted receivables existed in the following amount:

Past-due unadjusted receivables Amounts in € thousand	Gross value 12/31/2013	Adjusted receivables	Unadjusted receivables due in the following time periods				
			up to 30 days	31 – 60 days	61 – 90 days	91 – 120 days	Over 120 days
Trade receivables	14,346	164	672	230	61	136	120
Other receivables and other current assets	1,134	0	0	0	0	0	0
	15,480	**164**	**672**	**230**	**61**	**136**	**120**

Allowances are made for provisions are if there are indications of impairment on past-due financial assets threatened by default if the cash value of the future cash flow of these receivables is below the carrying amount shown due to unrecoverability or impairment. For non-overdue and unadjusted receivables, full recoverability is expected.

The stated unadjusted trade receivables that are more than 120 days past due, totalling € 120 thousand (previous year: € 214 thousand) relate to receivables that the company still expects to recover. Of these € 27 thousand (previous year: € 11 thousand) relate to the barter transaction of nacamar GmbH; for which liabilities for outstanding invoices are shown corresponding to the missing counter-claims.

As of 31 December 2012 the following situation existed:

Past-due unadjusted receivables Amounts in € thousand	Gross value 12/31/2012	Adjusted receivables	Unadjusted receivables due in the following time periods				
			up to 30 days	31 – 60 days	61 – 90 days	91 – 120 days	Over 120 days
Trade receivables	12,716	202	522	170	59	24	214
Other receivables and other current assets	960	0	0	0	0	0	0
	13,676	**202**	**522**	**170**	**59**	**24**	**214**

In the consolidated balance sheet, financial instruments assessed at fair value can be categorised in the following valuation hierarchy, which reflects the extent to which the fair value can be observed:

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

Level 2: Assessments at fair value based on either directly (as prices) or indirectly (derived from prices) observable input data for the asset or liability, that do not represent any listed prices according to level 1.

Level 3: Assessments at fair value via input data referenced for the asset or liability that is not based on observable market data (unobservable input data).

In financial years 2012 and 2013 ecotel had at its disposal only financial instruments of levels 1 and 2. During financial year 2013 there were no reclassifications between level 1 and level 2. All financial assets in the presentation as of 31 December 2013 below are assessed at fair value and assigned to level 1 (liquid funds). Among the financial liabilities of financial year 2012, current financial debts totalling € 141 thousand pertain to level 2. They related only to the negative market values of the interest rate swap (€ 30 thousand) and of the five forward-exchange transactions (€ 111 thousand) held by ecotel. The assessment of the financial instruments allocated to level 2 was based on present value calculations, taking into account the expected future cash inflows and outflows that could result from exchange rate fluctuations, as well as a discount interest rate with an equivalent term. The expected cash inflows and outflows were derived from market data such as the interest structure curve on the closing date and from forward exchange transactions.

The carrying values of financial assets and liabilities stated in the following tables that are not assessed at the fair value represent a good approximation for their fair value primarily due to their short-term character.

The financial assets and liabilities can be assigned to measurement categories with the following carrying values:

Financial assets as of 12/31/2013 Amounts in € thousand	Fair value	Carrying amounts				
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Financial assets available for sale	**Total carrying amounts**
Liquid funds	6,103	6,103	0	0	0	6,103
Trade receivables	14,182	0	14,182	0	0	14,182
Other current receivables and assets	1,134	0	1,134	0	0	1,134
Financial assets	4	0	0	0	4	4
Total	**21,423**	**6,103**	**15,316**	**0**	**4**	**21,423**

Financial liabilities as of 12/31/2013 Amounts in € thousand	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments measured at fair value through profit and loss	**Total carrying amounts**
Current financial liabilities	943	943	0	943
Accounts payable	12,873	12,873	0	12,873
Liabilities to associated companies	34	34	0	34
Other liabilities current	1,734	1,734	0	1,734
Non-current loans	6,489	6,489	0	6,489
Total	**22,073**	**22,073**	**0**	**22,073**

As of 31 December 2012 the following breakdown existed:

Financial assets as of 12/31/2012 Amounts in € thousand	Fair value	Carrying amounts				
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss -	Financial assets available for sale	**Total carrying amounts**
Liquid funds	7,533	7,533	0	0	0	7,533
Trade receivables	12,514	0	12,514	0	0	12,514
Other current receivables and assets	960	0	960	0	0	960
Financial assets	4	0	0	0	4	4
Total	**21,011**	**7,533**	**13,474**	**0**	**4**	**21,011**

Financial liabilities as of 31/12/2012 Amounts in € thousand	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments measured at fair value through profit and loss	**Total carrying amounts**
Current financial liabilities	2,489	2,349	140	2,489
Accounts payable	12,968	12,968	0	12,968
Liabilities to associated companies	213	213	0	213
Other liabilities current	1,148	1,148	0	1,148
Non-current loans	4,831	4,831	0	4,831
Total	**21,649**	**21,509**	**140**	**21,649**

The derivative financial instruments held for trading purposes, were recognised in the consolidated profit statement based on the assessment of fair value in 2013, as income of € 110 thousand (previous year: expense € 59 thousand). The effects result in 2013 from the reversal of forward-exchange transactions (profit € 110 thousand, previous year: loss € 110 thousand) and in the previous year from reversal of the interest rate swap (profit € 52 thousand).

Liquidity risk: As a rule, the ecotel Group companies are refinanced centrally through ecotel communication ag. Here the risk exists that the liquidity reserves do not suffice to satisfy the financial obligations in a timely manner. In 2014 repayments are due with a nominal value of € 0.9 million. To cover the liquidity requirement, cash and cash equivalents of € 6.1 million are available. In addition ecotel communication ag has a contractually agreed revolving credit facility of € 2.9 million (previous year: € 2.9 million), which after subtracting credit fees of € 1.2 million, as of 31 December 2013, totals € 1.7 million (previous year: € 1.7 million). So-called financial covenants exist relative to the bank loan taken out by ecotel communication ag (residual value:

€ 7.4 million). € 7.2 million) and to the available credit line. A violation of the covenants could possibly result in notice of cancellation and premature repayment of investment loans totalling € 3,989 thousand and credit limit, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. Overall the liquidity risk is estimated as low.

The following (non-discounted) payments will presumably result from the financial liabilities in coming years:

Repayments/interest payments for financial liabilities (Amounts in € thousand)	Carrying amounts 12/31/2013	Repayments			Interest payments		
		2014	2015 to 2018	From 2019	2014	2015 to 2018	From 2019
Liabilities to banks	7,432	943	5,629	860	228	571	18
Derivative financial liabilities	0	0	0	0	30	0	0

As of the previous year's key date the following presentation occurs:

Repayments/interest payments for financial liabilities (Amounts in € thousand)	Carrying amounts 31/12/2013	Repayments			Interest payments		
		2013	2014 to 2017	From 2018	2013	2014 to 2017	From 2018
Liabilities to banks	7,179	2,348	2,826	2,005	249	621	84
Derivative financial liabilities	141	110	0	0	31	0	0

Interest rate risks are fundamentally reported in accordance with IFRS 7 by means of sensitivity analyses, if the Group is subjected to such risks on the balance sheet date. Primary variable interest-bearing financial instruments whose interest payments are not designed as underlying transactions for cash flow hedges against interest rate risks, as well as interest derivatives (interest swaps) that are not included in a hedge in accordance with IAS 39, existed only on the previous year's closing date, but not as of 31 December 2013, since they expired in 2013. Likewise there were no primary financial instruments with fixed interest rates (financial debts) and assessment at fair value on 31 December 2013, since all financial instruments are assessed at historical cost of acquisition and are subject to a fixed interest rate. On 31 December 2013 ecotel communication ag was therefore not subject to interest rate risks in accordance with IFRS 7. A sensitivity analysis for the interest rate risks therefore was not conducted.

Exchange rate risks are likewise presented in accordance with IFRS 7 by means of sensitivity analyses, insofar as the Group is subject on the balance sheet date to risk variables from the use of non-functional currencies in which consolidated companies agree to financial instruments. This also was the case only in the previous year, but not on 31 December 2013, so that no sensitivity analysis was conducted for the exchange rate risk as of the balance sheet date.

(12) Contingent receivables and liabilities and other financial obligations

As of 31 December 2013 contingent liabilities due to guarantees and other commitments totalled € 1,157 thousand (previous year: € 1,212 thousand) for surety obligations.

The carrying value of financial assets provided as security totalled € 72 thousand as of 31 December 2013.

Other financial obligations occurred exclusively from the obligations arising from the operating/leasing relationships, shown above.

Notes to the consolidated statement of comprehensive income

(13) Sales revenue

Amounts in € thousand	2012	2013
Domestic	76,710	73,342
Foreign	17,588	18,023
	94,298	**91,365**

Distribution of sales revenue across the business units »Business Solutions«, »Wholesale Solutions« and »New Business« is shown in the segment reporting. Sales revenue is earned exclusively through the provision of services. Sales revenue with customers in Switzerland totalled € 13,976 thousand (previous year: € 10,761 thousand) and apply solely to the Wholesale Solutions segment.

(14) Other revenues or gains

Amounts in € thousand	2012	2013
Dissolution of liabilities	151	1
Recharging of fees and expenses	51	24
Reversal of provisions for losses on receivables	177	56
Benefits in kind, vehicle use	238	229
Rent received	62	92
Exchange rate gains	3	6
Insurance reimbursements	0	24
Disposal of intangible assets, property, plant, and equipment and financial assets	32	0
Other	280	201
	994	**633**

(15) Cost of materials and services

Other operating income consists of the following:

(16) Personnel expenses

Amounts in € thousand	2012	2013
Wages and salary	8,674	9,183
Social security contributions	1,361	1,422
of which expenses for pensions and support	698	681
	10,035	**10,605**

The cost of materials and services was incurred exclusively for external services utilised.
For all employees of the consolidated companies in Germany there exists a contribution-oriented pension plan within the framework of the German pension insurance, into which the employer must pay the amount of a currently applicable contribution rate of 9.45 % (employer's contribution) of the remuneration subject to the pension insurance. No other pension plans exist.

Staff	2012	2013
Full-time employees	176	186
	176	**186**

In the financial year the average number of staff employed in the consolidated companies was:
In addition, the number of members of the Management Board or managing directors of the consolidation companies was 5 (previous year: 5) and the number of apprentices was 9 (previous year: 9). The companies measured at equity had 26 (previous year: 22) employees and 2 (previous year: 2) managing directors.

(17) Scheduled depreciations and impairments

A distribution of the depreciation for intangible assets, property, plant, and equipment and financial assets is provided in the explanations for the respective item.

In financial year 2013 after execution of the impairment tests there were no impairments on goodwill of the Cash Generating Units (previous year: € 2,884 thousand). Impairments existed only in the previous year with respect to items of property, plant and equipment totalling € 188 thousand.

Also, current and non-current financial assets of the current assets totalling € 611 thousand (mvneco) and € 299 thousand (synergyPLUS) were written down in the previous year. In the previous year this included the result of the equity valuation of € –24 thousand. Corresponding write-downs existed in 2013 only for mvneco, for the amount of € 19 thousand.

(18) Other operating expenses

Amounts in € thousand	2012	2013
Costs of delivering goods	3,707	3,582
Legal, auditing and consultancy fees	1,162	2,146
Rents, leases, premises expenditure	714	773
EDP costs	1,135	969
Other administrative costs	899	1,388
Vehicle costs	437	397
Marketing expenses	432	366
Change in provisions for losses on receivables/losses on receivables	336	165
Insurance premiums	145	138
Repairs and maintenance	241	268
Leasing	26	23
Other	45	49
	9,279	**10,264**

(19) Financial result

Amounts in € thousand	2012	2013
Interest income		
Interest income from bank deposits/fixed-term deposits	0	1
Other interest income and similar earnings	132	42
	132	**43**
Interest expense		
Interest expense on credit liabilities	–345	–256
Result from derivative financial instruments (interest rate swap)	53	0
Other interest and similar expenses	–2	–6
	–294	**–262**
Net interest income	–162	–219
Other financial expenses and income		
Result from derivative financial instruments (forward-exchange transactions)	–110	110
Costs of supporting the share price and other financial expenses	–93	–91
Devaluation of mvneco loan (previous year also synergyPLUS)	–886	–19
Result of companies accounted for at equity	–24	0
	–1,113	0
Financial result	–1,1275	–219

(20) Taxes from income and revenue

Amounts in € thousand	2012	2013
Actual income tax	–864	–765
Deferred taxes on earnings	98	–202
Income tax expense	**–766**	**–967**

A reconciliation of the expected to actual tax expense is shown below. To determine the expected tax expense, the result before income taxes is multiplied by a flat income tax rate of 31 % specified by the Group (previous year: 31 %). This consists of a tax rate of 15 % (previous year: 15 %) for corporate taxes plus 5.5 % for solidarity surcharge and 15 % (previous year: 15 %) for trade tax. The expected tax expense is compared with the actual tax expense.

A reconciliation of the expected to actual tax expense for the year under review and for the previous year is shown below:

Amounts in € thousand	2012	2013
Earnings before taxes	–882	3,074
Group tax rate	31.0%	31.0%
Expected tax expense (previous year: expected tax yield)	**273**	**–953**
Differences due to tax rates differing from the Group tax rate	84	29
Tax reductions due to tax-exempt earnings	–6	–65
Tax increases due to expenditures that are not tax-deductible	–1,168	–8
Previous year's taxes	35	34
Earnings from equity holdings	–7	0
Other tax effects	23	–4
Tax expense according to the P/L statement (expense –/income +)	**–766**	**–967**
Effective tax rate in %	**86.8%**	**31.5%**

Deferred taxes are determined using the balance-sheet oriented liability method. According to this method, tax relief 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 statement and the taxable amount of assets and liabilities that are recognised. If the temporary differences refer to items that directly increase or reduce equity, then the associated deferred taxes are also set off directly against equity. Offsetting without effect on net income did not occur as of 31 December 2013 and 31 December 2012.

The deferred taxes must be allocated to the following items:

Amounts in € thousand	2012 Assets	2012 Liabilities	2013 Assets	2013 Liabilities
Property, plant, and equipment/intangible assets	746	1,411	688	1,511
Trade receivables	0	67	1	68
Financial debts	44	0	0	0
Offset - assets/liabilities	–790	–790	–689	–689
Value adjustment	0	0	0	0
	0	**688**	**0**	**890**

Deferred tax assets in a single tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction, in so far as the terms correspond.

As of 31 December 2013 as on the previous year's balance sheet date there were no losses carried forward attributed to income tax, neither for ecotel communication ag nor for the consolidated subsidiaries. The last remaining losses carried forward at ecotel communication ag and ecotel private were completely eliminated in financial year 2012.

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

(21) Profit share of non-controlling shareholders

The earnings attributed to non-controlling shareholders of € 579 thousand (previous year: € 946 thousand) relate to the proportional annual results of easybell GmbH (€ 4 thousand; previous year: € 2 thousand), of sparcall GmbH (€ 277 thousand, previous year: € 650 thousand), of carrier-services.de (€ 71 thousand, previous year: € 138 thousand), of init.voice GmbH (€ 19 thousand, previous year: € 43 thousand). In 2013, in conjunction with the profit and loss transfer agreement between easybell GmbH and ecotel private GmbH, there was a claim for compensation on the part of the non-controlling shareholder totalling € 208 thousand (previous year: € 113 thousand).

(22) Earnings per share

The undiluted earnings per share are determined in accordance with IAS 33 as the quotient of the annual group net profit to which the shareholders of ecotel communication ag are entitled and the weighted average number of no-par value bearer shares in circulation during the financial year.

A dilution of the earnings per share occurs if the average number of shares is increased due to the additional issue of potential shares from options and convertible financial instruments. As of 31 December 2013, as in the previous year, there were no respective diluting financial instruments, so that the undiluted and diluted earnings per share are identical.

	2012	2013
Accrued consolidated profit for the year (in €)	–2,594,888.89	1,527,609.00
Weighted average number of shares	3,729,659.95	3,634,271.54
Undiluted earnings per share (in €)	**–0.70**	**0.42**
Diluted earnings per share (in €)	**–0.70**	**0.42**

Notes to the cash flow statement

(23) Cash flow statement

The cash flow statement is prepared in accordance with the regulations of IAS 7 and is organised according to cash flows from operating, investing and financing activities. The influences of changes in the consolidation companies and exchange rate changes on cash and cash equivalents are shown separately.

The cash and cash equivalents of the cash flow statement correspond to the item »Cash and cash equivalents« shown in the consolidated balance sheet.

Other notes

(24) Dividend payment

In accordance with § 58, para. 2 of the German Stock Corporation Law (AktG) the balance sheet result shown in the legal Annual Financial Statement of ecotel communication ag is definitive for determining dividends distributed to shareholders of the company, this is € –52 thousand (previous year: € 0 thousand). Due to the self-created intangible assets of € 45 thousand capitalised in the individual financial statement of ecotel communication ag in accordance with commercial law, there additionally exists a payout block in accordance with § 268, para. 8 of the German Commercial Code.

(25) Related party disclosures

The volume of services supplied to or provided by related parties is presented as follows:

Amounts in € thousand	Volume of services provided by ecotel		Volume of services used by ecotel	
	2012	2013	2012	2013
synergyPLUS GmbH				
from goods and services	2	0	353	271
mvneco GmbH				
from goods and services	140	123	765	214

As of 31 December 2013 the receivables from the companies synergyPLUS GmbH measured at equity totalled € 54 thousand (previous year: € 53 thousand) and from mvneco GmbH (€ 0 thousand, previous year: € 1 thousand).

The loan by ecotel communication ag to mvneco GmbH measured at equity of originally € 2,619 thousand and reported under the financial investments was initially written down to € 1,050 as of 31 December 2012 due to the negative equity value of mvneco GmbH and decreased sustainability. After a further write-down of € 19 thousand taken into account in 2013, interest due of € 28 thousand and redemption payments of € 530 thousand, the loan balance of ecotel communication ag vis-a-vis mvneco GmbH as of 31 December 2013 was € 529 thousand.

The loan by ecotel communication ag to synergyPLUS GmbH measured at equity and likewise reported under the financial investments is € 360 thousand as of 31 December 2013, after it had been written down from originally € 659 thousand by € 299 thousand due to the negative equity value of synergyPLUS GmbH and decreased sustainability.

The ecotel Group maintained service relationships with the following related parties in 2013:

Amounts in € thousand	Volume of services provided by ecotel		Volume of services used by ecotel	
	2012	2013	2012	2013
Noerr LLP				
from goods and services	0	0	5	12
QITS GmbH (services up until 25 April 2013)				
from goods and services	10	2	672	286
ADCO Umweltdienste Holding GmbH				
from goods and services	208	237	0	0
MPC Service GmbH				
from goods and services	2	3	315	441
IQ Martrade Holding und Managementgesellschaft mbH				
from goods and services	1	1	0	0
consultist GmbH				
from goods and services	0	0	150	180
Lars Urban				
from goods and services	0	0	47	29

Agreements with **QITS GmbH**

QITS GmbH, Quality Information Technology Services (»QITS«), whose managing director until 25 April 2013 was the chairman of the Supervisory Board, Mr. **Johannes Borgmann**, has been providing various services for ecotel communication ag since 1999. In addition to services under the general contract for software, particularly for the company's billing system, other services provided included printing services, IT services, data privacy as well as financial bookkeeping services. As of the previous year's balance sheet date receivables totalling € 1 thousand and liabilities totalling € 83 thousand existed vis-a-vis QITS GmbH. As of 31 December 2013 QITS GmbH was no longer a related entity of the ecotel communication group, due to termination of the shareholder position of Mr. Borgmann on 25 April 2013.

Agreements with **MPC Service GmbH**

A business representation contract between MPC Service GmbH and ecotel communication ag has existed since August 2002. Under this contract MPC Service GmbH receives a closing commission for the monthly order acquisition, as well as a product-dependent commission on the monthly revenue of all customers supplied by MPC. In addition, the company provided consulting services to ecotel for the Allianz project. The agreement corresponds to the agreement with the other sales partners of the company. Supervisory Board member **Mirko Mach** is managing director and shareholder of MPC Service GmbH. As of the balance sheet date the receivables vis-a-vis **MPC Service GmbH** totalled € 0 thousand (previous year: € 0.02 thousand), and liabilities totalled € 72 thousand (previous year: € 34 thousand).

Agreement with **consultist GmbH**
Since 2009 there is an agency agreement between consultist GmbH and sparcall GmbH. Mr. **Andreas Bahr** is the managing director of both companies. As of the balance sheet date sparcall GmbH had liabilities vis-a-vis consultist GmbH totalling € 0 thousand (previous year: € 16 thousand).

ADCO Umweltdienste Holding GmbH
Since 2008, ecotel communication ag provides different services for ADCO Umweltdienste Holding GmbH, whose managing director is the chairman of the Supervisory Board, Mr. **Johannes Borgmann**. As of the balance sheet date the receivables vis-a-vis ADCO Umweltdienste Holding GmbH totalled € 0 thousand (previous year: € 18 thousand).

Agreement with **Lars Urban**
Since 2009 there is a business relationship for services and consulting activities between easybell GmbH and Lars Urban, managing director of easybell GmbH. As in the previous year there were no liabilities to Lars Urban as of the closing date.

Agreements with **Noerr LLP**
Noerr LLP, a partnership of attorneys, tax consultants and auditors has been providing consulting services for the company since November 2005. The Supervisory Board member **Dr. Thorsten Reinhard** is an attorney and partner in Noerr. As of the balance sheet date the liabilities vis-a-vis **Noerr LLP** totalled € 0 thousand (previous year: € 1 thousand).

In 2013 Ms. Sandra Zils, the spouse of the CEO, received remuneration as an employee of ecotel communication ag totalling € 12 thousand (previous year: € 14 thousand) for her work in the ecotel Group.

See Note 28 for additional information.

The internal organizational and management structure and the internal reporting to the Management Board and the Supervisory Board form the basis for defining the criteria for classification of the business segments of ecotel communication ag.

(26) Segment reporting

The **classification of segments** is based on the internal reporting by business segments, which are defined as follows:
The annual result before interest and income taxes is presented as a segment result, which the

- In the **Business Solutions segment** (operative core segment) ecotel offers SMEs »bundled« voice, data and value added services as well as direct connections for voice and data communications from one source.

- In the **Wholesale** segment ecotel markets products and comprehensive solutions for other telecommunications companies (including resellers and call shops).

- The New **Business segment** comprises the private customer business of easybell GmbH and the New Media business of nacamar GmbH.

Management Board uses for corporate control and monitoring. The segment assets correspond to the sum of all segment-related reported assets, without income tax assets. The segment liabilities include the segment-related provisions, liabilities and financial liabilities, however no income tax liabilities.

	Business Solutions		Wholesale		New Business		Consolidation, cross-segment		Group	
Amounts in € thousand	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
External revenue	40,744	42,214	40,837	34,712	12,717	14,440	0	0	94,298	91,365
Inter-segment revenue	0	0	492	646	447	306	–939	–952	0	0
EBIT	1,342	2,282	222	131	–1,171	880	0	0	393	3,293
Annual result	–978	1,503	204	109	–994	494	119	0	–1,649	2,107
Gross earnings	18,899	21,253	953	668	5,201	5,022	0	0	25,053	26,943
Scheduled depreciations	–2,609	–2,650	–97	0	–674	–764	0	0	–3,380	–3,414
Unscheduled depreciations	–188	0	0	0	–2,884	0	0	0	–3,072	0
Result of companies accounted for at equity	0	0	–24	0	0	0	0	0	-24	0
Segment assets	25,130	28,112	7,981	8,476	8,725	9,641	852	–232	42,688	45,997
Segment liabilities	7,508	9,297	5,101	7,146	2,751	4,153	8,005	4,649	23,365	25,245
Investments in intangible assets and property, plant, and equipment	3,425	6,373	0	0	718	535	0	0	4,143	6,908

Inter-segment transactions were executed at market prices.

(27) Statement on corporate governance in accordance with § 289 A of the German Commercial Code (HGB) including the statement in accordance with § 161 of the German Stock Corporation Law (AktG) regarding the German Corporate Governance Code

With regard to the classification of revenue according to sales regions, reference is made to the Notes on sales revenue. Segment assets and segment investments refer completely to Germany.

The Management Board and Supervisory Board of ecotel communication ag have issued the statement on corporate governance required in accordance with § 289a of the German Commercial Code (HGB,) including the statement prescribed in accordance with § 161 of the German Stock Corporation Act (AktG), and have made these statements available to the public on the Internet site of ecotel communication ag (www.ecotel.de under Investor Relations/Corporate Governance).

(28) Governing bodies and remuneration of governing bodies

In the reporting year 2013 the **Management Board** of ecotel communication ag was composed as follows:

- Peter Zils, engineer, Düsseldorf (Chairman), CEO
- Bernhard Seidl, engineer, Munich, CFO
- Achim Theis, businessman, Düsseldorf, CSO

The following persons were appointed as members of the **Supervisory Board** in financial year 2013:

- Johannes Borgmann, businessman, Wesel (Chairman)
- Mirko Mach, businessman, Heidelberg (Deputy Chairman)
- Dr. Norbert Bensel, independent corporate consultant, Berlin
- Brigitte Holzer, businesswoman, Murnau,
- Sascha Magsamen, businessman, Frankfurt am Main.
- Dr. Thorsten Reinhard, attorney, Kronberg/Taunus

In 2013, the remuneration of Management Board and Supervisory Board consisted of the following components:

Amounts in € thousand	Fixed remuneration	Additional services	Performance-based remuneration	Total
Bernhard Seidl	220.0	12.6	66.7	299.3
Achim Theis	220.0	16.6	67.4	304.0
Peter Zils	300.0	23.2	58.3	381.5
	740.0	**52.4**	**192.4**	**984.8**
Johannes Borgmann	16.3	0	0	16.3
Brigitte Holzer	9.8	0	0	9.8
Dr. Thorsten Reinhard	9.3	0	0	9.3
Mirko Mach	12.8	0	0	12.8
Sascha Magsamen	9.3	0	0	9.3
Dr. Norbert Bensel	9.8	0	0	9.8
	67.3	**0**	**0**	**67.3**

The success-related variable remunerations are linked to a sustainable corporate development over a period of three years. For financial year 2013 the Management Board is entitled to well-earned variable remuneration in the amount of € 192.4 thousand (previous year: € 0 thousand). After deducting already paid remuneration shares, corresponding reserves were formed. The remunerations are solely for short-term due services.

In 2012 the remuneration was comprised as follows:

Amounts in € thousand	Fixed remuneration	Additional services	Performance-based remuneration	Total
Bernhard Seidl	220.0	12.6	0	232.6
Achim Theis	211.7	16.6	0	228.3
Peter Zils	300.0	23.2	0	323.2
	731.7	**52.4**	**0**	**784.1**
Johannes Borgmann	12.7	0	0	12.7
Brigitte Holzer	8.5	0	0	8.5
Dr. Thorsten Reinhard	7.0	0	0	7.0
Mirko Mach	9.5	0	0	9.5
Sascha Magsamen	7.0	0	0	7.0
Dr. Norbert Bensel	6.8	0	0	6.8
	51.5	**0**	**0**	**51.5**

As of 31 December 2013 the members of the Supervisory Board of the company served on the

Supervisory board member	Function	Companies
Johannes Borgmann	Managing Director	ADCO Umweltdienste Holding GmbH, Ratingen
	Currently member of the Management Board	ADCO HOLDINGS, Inc., in Marietta Georgia 30062, USA
	CEO	ADCO HOLDINGS, Inc., in Marietta Georgia 30062, USA
	Managing Director	ADCO Beteiligungs-GmbH, Ratingen
	Managing Director	ADCO Immobilien GmbH, Ratingen
	Managing Director	ADCO International GmbH, Ratingen
	President of the administrative board	TOI TOI AG, Affoltern/Switzerland
	Managing Director	MEPS GmbH, Ratingen
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg
Dr. Norbert Bensel	Managing Director	NB Consulting- und Beteiligungs GmbH, Berlin
	Member of the Supervisory Board	Praktiker AG, Hamburg und Kirkel
	Member of the Supervisory Board	Praktiker Deutschland GmbH, Kirkel
	Member of the Supervisory Board	IAS Institut für Arbeits- und Sozialhygiene AG, Berlin
	Member of the Supervisory Board	Compass Group Deutschland GmbH, Eschborn
	Member of the Supervisory Board	BREUER Nachrichtentechnik GmbH, Bonn
	Member of the Supervisory Board	IQ Martrade Holding- und Managementgesellschaft mbH, Düsseldorf
	Management Board	EL-Net Consulting AG, Munich

Supervisory board member	Function	Companies
Brigitte Holzer	Owner/managing director	Holzer Holding GmbH, Berg
	CFO	PPRO Financial Ltd. London/Great Britain
Sascha Magsamen	Chairman of the Supervisory Board	ICM Media AG, Frankfurt am Main
	Chairman of the Supervisory Board	Wige Media AG, Cologne
	Chairman of the Supervisory Board	MediNavi AG, Starnberg
	Deputy Chairman of the Supervisory Board	Tyros AG, Hamburg
	Member of the Supervisory Board	Ecolutions GmbH & Co. KGaA, Frankfurt am Main
	Member of the Supervisory Board	Close Brothers Seydler Research AG, Frankfurt am Main
	Management Board	PVM Private Values Media AG, Frankfurt am Main
	Management Board	Impera Total Return AG, Frankfurt am Main
	Management Board	Inspire AG, Paderborn
	Managing Director	Frames Filmproduktion GmbH, Vienna/Austria
	Managing Director	Präzisionsdreherei Johann Kölbel Nachfolger GmbH, Puchheim
Dr. Thorsten Reinhard	Partner (Member)	Noerr LLP, London/Great Britain
	Member of the Supervisory Board	Wacker Holding SE, Munich

following boards:
The members of the Management Board hold no positions in oversight and control bodies, as specified in § 285, no. 10 of the German Commercial Code (HGB).

(29) Audit expenses

In the financial year 2013 the fee entered as expense for the auditors of the consolidated financial statement of ecotel communication ag for the audits of the consolidated financial statement and the individual financial statements of the parent company and consolidated subsidiaries was € 65 thousand (previous year: € 60 thousand). As in the previous year, no other expenses were recorded for the Group auditors for other confirmation or evaluation services, tax consulting services, or for other consulting services.

(30) Exemption from publishing individual financial statements

For the subsidiary nacamar GmbH, Düsseldorf, use is made of the exemption from publishing the individual financial statement, in accordance with § 264 para. 3 HGB.

Düsseldorf, 21 March 2014

The Management Board

Peter Zils Bernhard Seidl Achim Theis

Audit opinion of the statutory auditor

We have audited the consolidated financial statement of ecotel communication ag – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the consolidated statement – and its Group management report for the financial year from January 1 to 31 December 2013. Preparation of the consolidated financial statement and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements that must be applied in accordance with § 315a, para. 1 of the German Commercial Code (HGB) is the responsibility of the Management Board of the company. Our responsibility is to express an opinion on the consolidated financial statement and the Group management report based on our audit.

We have carried out our audit of the consolidated financial statement in accordance with § 317 of the German Commercial Code (HGB) taking into consideration the generally accepted German auditing standards. Those standards require that we plan and perform the audit in such a manner that misstatements materially affecting the presentation of the asset, financial, and earnings positions in the consolidated financial statement in accordance with applicable financial reporting principle 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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to accounting and the evidence supporting the disclosures in the books and records, and in the consolidated financial statement and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the evaluation of the financial statements of the companies included in the consolidated financial statement, the segregation of the consolidated group, the accounting and consolidation principles used and the main assumptions made by the Management Board, as well as acknowledgement of the entire presentation of the consolidated financial statement and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections.

Based on the knowledge gained in the audit the consolidated financial statement of ecotel communication ag, Düsseldorf, is in accordance with IFRS as adopted by the EU and the additional requirements of § 315a, para. 1 of the German Commercial Code (HGB), and conveys in compliance with 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 statement, conveying overall an accurate picture of the Group's situation, and correctly presents the opportunities and risks associated with future development.

Düsseldorf, 24 March 2014
Deloitte & Touche GmbH
Auditors

Signed Schlereth Signed Frank
Auditor Auditor

Report of the Supervisory Board

The Supervisory Board of ecotel communication ag (ecotel) regularly monitored and supported the work of the Management Board in financial year 2013, in an advisory role. The detailed reports of the Management Board in written and oral form were the basis of this monitoring and advisory support. The chairman of the Supervisory Board was involved in a regular exchange of information and ideas with the chairman of the Management Board.

In the reporting year the Supervisory Board convened for a total of five sessions, on 17 January, 21 March, 6 June, 26 July and 11/12 November. Four Supervisory Board meetings also were held by telephone. In addition, five resolutions by circulation were made. In the meetings the ecotel Management Board reported to the Supervisory Board on fundamental issues of corporate planning, profitability of the company the course of the business and the position of the company, in accordance with legal requirements, and consulted together with the Supervisory Board concerning these issues. Moreover, the Supervisory Board was involved in all decisions of major significance and in particular reviewed and approved measures of the Management Board that required its agreement in accordance with the rules of procedure of the Management Board.

1. Focus of consultation in the Supervisory Board

In all Supervisory Board meetings in 2013, the Supervisory Board received detailed reports on the course of the B2B segment, on projects of strategic importance and on current legal disputes. This concerned among other things the project management of a large-scale project and a large-volume invitation for tenders, both in the area of data solutions. In addition, the board approved an application of the Management Board to lodge an appeal against a judgement of a first instance court in a legal dispute that is relevant for the company. The Supervisory Board likewise accompanied a cooperation project with a network operator.

In addition, the Supervisory Board received periodic reports on the business development of the subsidiaries easybell GmbH and nacamar GmbH as well as the holdings SynergyPLUS GmbH and mvneco GmbH and discussed the strategic development of these companies with the Management Board. In this context the Supervisory Board reviewed various capital, structure and disinvestment measures recommended by the Management Board.

The Supervisory Board also attended to matters of the Management Board. It appointed the chairman of the Supervisory Board, Mr. Johannes Borgmann as deputy chairman of the ecotel Management Board effective 1 May 2014. Mr. Borgmann will initially take over the Operations and Human Resources departments. In addition the Supervisory Board decided on the structure of the variable remuneration system for 2013 and offered a special bonus for the Management Board members. One Management Board member has meanwhile fulfilled the bonus requirements; this is not the case with the other two Management Board members.

Other important resolutions concerned a share buy-back program and the taking out of an investment loan. The Supervisory Board was also involved in the ad-hoc publication of the preliminary financial figures for financial year 2012. In addition, the Supervisory Board recommended to the shareholder's meeting of the company to amend the company's articles of association. The recommendation implemented by the shareholder's meeting was directed toward eliminating the rules for variable remuneration of the Supervisory Board and to pay the members of the Supervisory Board an (increased) fixed remuneration.

As in the past the Supervisory Board devoted special attention to risk management issues. The Supervisory Board discussed the regular risk reports with the Management Board and also made recommendations relative to risk management. The Supervisory Board is convinced that the Management Board devotes the necessary attention to risk management, prioritises the risks identified by the Management Board and is striving to reduce these risks through appropriate measures.

The Supervisory Board meeting held on 21 March 2013 and the Supervisory Board meeting held by telephone on 25 March 2013 focused on the auditing and approval of the 2012 annual and consolidated financial statements. In addition, in the meeting of 21 March 2013, as a precaution the Supervisory Board approved various contracts between ecotel and companies in which members of the Supervisory Board hold shares (see below for more in this regard).

2. Treatment of conflicts of interest in the Supervisory Board

All members of the Supervisory Board are obligated to comply with the principle of aligning their decisions exclusively to the corporate interests of ecotel. If in consultation or taking of resolutions in the Supervisory Board conflicts of interest occurred or the concern of conflicts of interest occurred, these were dealt with in the Supervisory Board. The member of the Supervisory Board concerned in each case refrained from voting, and if in the specific case it seemed expedient, did not participate in the preceding discussion. In addition the other members of the Supervisory Board obtained the necessary assurances by posing questions to the Management Board, that its actions were not influenced by the (potential) conflict of interest of the respective member of the Supervisory Board. The principles cited above were only employed in the reporting period for resolutions of the Supervisory Board concerning the approval of contracts between ecotel and companies in which members of the Supervisory Board hold investments. These affected Mr. Johannes Borgmann, Mr. Mirko Mach and Dr. Thorsten Reinhard.

3. Financial statement and consolidated financial statement

The Management Board prepared the financial statement and management report of ecotel in accordance with the regulations specified in the German Commercial Code (HGB), and the consolidated financial statements in accordance with IFRS principles. The auditor selected by the ecotel Annual General Meeting of 26 July 2013, Deloitte & Touche GmbH of Düsseldorf, audited the financial statement, the consolidated financial statement, the management report and the Group management report. The auditor has given the Annual Financial Statements and the consolidated financial statement its unqualified audit approval.

The financial statement documents and reports of the auditor were submitted to all members of the Supervisory Board for review. Representatives of Deloitte & Touche GmbH participated in the negotiations of the Supervisory Board concerning these documents and have reported on the essential results of their audit.

The Supervisory Board has thoroughly reviewed the financial statement, the consolidated financial statement as well as the Group management report submitted by the Management Board, and has discussed them with the auditor. The Supervisory Board has reviewed and approved the auditor's report concerning the result of its audit.

After the final result of its review the Supervisory Board raised no objections to the Annual Financial Statement prepared by the Management Board or to the Consolidated Financial Statement for financial year 2013, but rather approved the Annual Financial Statement and the Consolidated Financial Statement with the resolution of 24 March 2014. The Annual Financial Statement of ecotel for financial year 2013 is thereby adopted.

4. Corporate governance

No member of the Supervisory Board participated in less than half of the Supervisory Board meetings. In its meeting on 21 March 2013 the Supervisory Board planned to conduct the efficiency inspection provided for by the Corporate Governance Codex.

In reporting year 2013, the Management Board and Supervisory Board issued a joint compliance statement on 13 March 2013 in accordance with § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Codex. The statements were made available through publication on the company's website.

5. Changes in the Supervisory Board in the reporting period

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

6. Changes in the Management Board in the reporting period

There were no changes in the Management Board in the reporting year.

7. Committees

The Supervisory Board has formed a three-member audit committee that in particular deals with accounting, risk management and compliance issues. In the reporting period the audit committee met four times and in particular, dealt with the quarterly reports and the 2012 Annual Financial Statement. The audit committee has not changed and is comprised of Ms Brigitte Holzer (Chairwoman) and Mr. Mirko Mach and Mr. Sascha Magsamen.

The Supervisory Board also formed a three-member nominating committee, which prepares recommendations for nominees to the annual meeting of shareholders and also performs the duties of the personnel committee. The nominating and personnel committee is unchanged and is comprised of Dr. Bensel (Chairman) and Dr. Thorsten Reinhard and Mr. Johannes Borgmann. This committee convened twice in fiscal year 2013.

8. Changes in the Management Board after the end of the reporting year

Mr. Bernhard Seidl informed the Supervisory Board that he will no longer be available to the company as a member of the Management Board beyond the end of his present appointment on 31 August 2014. In view of this the Supervisory Board resolved on 24 March 2014 to expand the responsibilities of Mr. Borgmann as a future Management Board member to include the departments of Mr. Seidl at the time of his resignation.

The Supervisory Board thanks the members of the ecotel Management Board, as well as all employees of the companies of the ecotel Group for their great dedication to the company and the work performed in the financial year 2013. Special thanks to Mr. Seidl for his major contributions to the ecotel Group in his many years of service as Chief Financial Officer.

Düsseldorf, 28 March 2014
For the Supervisory Board:

Johannes Borgmann
Chairman of the Supervisory Board

Glossary

CDN
A Content Delivery Network (CDN), also known as a Content Distribution Network, is a network of locally distributed servers connected via the Internet that is used to deliver content (especially large media files).

Cloud Computing
Cloud computing describes a network for providing abstracted IT infrastructures (e.g. computing capacity, memory, network capacities or also ready-to-use software) that are dynamically adapted to requirements.

Connected Car
The term »connected car« described various applications such as engine control, remote monitoring of vehicles, taking control if the driver loses consciousness or automatic transmission of an emergency call in case of an accident (eCall). But it also includes "pay as you drive" insurance with rates based on actual mileage or even the personal driving style, as well as numerous infotainment services, such as parking, traffic or weather information.

DE-CIX
DE-CIX (Deutscher Commercial Internet Exchange) is an Internet node in Frankfurt am Main and the largest in the world in terms of throughput. It is operated by DE-CIX Management GmbH.

Ethernet
Cable-based data network technology primarily used in local area networks (LAN). It enables data exchange between all devices connected in a LAN (PCs, printers, etc.). In its traditional form the LAN is limited to one building. Today, Ethernet also connects devices over great distances and in the process enables transmission of greater data volumes.

HSRP
The Hot Standby Router Protocol (HSRP) is a Cisco proprietary protocol developed to ensure high network availability. The HSRP routes IP traffic from hosts to Ethernet networks, without relying on the availability of a single router.

IaaS (Infrastructure as a Service)
Computer clouds provide user access to virtualised computer hardware resources such as computers, networks and memory. With IaaS users can design their own virtual computer clusters, which means they are responsible for the selection, installation, operation and functionality of their software.

IDS
An Intrusion Detection System (IDS) is a system for detecting attacks on a computer system or computer network. The IDS can supplement a firewall or run directly on the computer being monitored to increase network security.

IP-Centrex
IP-Centrex refers to the use of the Centrex principle in IP telephony, by which the functions of a PBX telephone system are provided on the public network by a provider.

IPS
Intrusion Prevention System, a system for detecting attacks on computer systems or networks.

IP Bitstream Access
The "IP Bitstream Access" product of Deutsche Telekom AG enables providers without their own infrastructure to autonomously market DSL connections without the additional telephone connection which was previously required.

IP-Sec
Extension of the Internet Protocol (IP) created for establishing a Virtual Private Network (VPN).

M2M
Machine-to-Machine stands for the automated exchange of information between end devices such as machines, vending machines, vehicles or containers or with a central control station, increasingly by means of the Internet and various access networks, such as the mobile communications network. One application is remote monitoring, control and maintenance of machines, plants and systems, traditionally referred to as telemetry. M2M technology combines information and communication technology.

Monitoring
Systematic recording (logging), observation or monitoring of an event or process by means of technical equipment (for example long-term EKG) or other monitoring systems. Repeated implementation at regular intervals is a central element of the respective programs, in order to allow conclusions based on the comparison of results.

MPLS
Multiprotocol Label Switching (MPLS) enables connection-oriented transmission of data packets in a connectionless network via a previously established ("signalled") path.

MVNE
While the Mobile Virtual Network Operator (MVNO) develops, operates, and markets its own services as a virtual network operator, the Mobile Virtual Network Enabler (MVNE) in turn is a partner of the MVNO. The MVNE operates the necessary infrastructure in order to connect the services of the MVNO to the communication infrastructure of a mobile communications network (for transmission of greater data volumes).

NGN
Next Generation Network (NGN), also known as Next Generation Access Network (NGA network) describes telecommunications technology that replaces conventional circuit switching networks such as telephone networks, cable TV networks, mobile communications networks, etc. with a standardised packet switching network infrastructure and architecture; NGN technology is compatible with older telecommunications networks.

NOC
The Network Operation Centre (NOC) is the technical operating facility for a network and is responsible for the monitoring of the network.

on-demand
Refers to the prompt fulfilment of requirements with respect to services, products, etc.

PaaS (Platform as a Service)
Computer clouds provide user access to programming or runtime environments with flexible, dynamically adaptable computing and data capacities. With PaaS users can develop their own software applications or have them executed, within a software environment that is provided and maintained by the service provider.

PBX hosting
This term refers to a dedicated telephone system provided centrally in a computer centre for a customer with several locations. The locations are connected via IP data networks; external phone calls are made by means of a central SIP trunk set up in the telephone system.

POP
Point of Presence (PoP) is a physical node for a connection to a (private) data network.

SaaS (Software as a Service)
Computer clouds provide user access to software collections and applications. SaaS service providers offer special selections of software that runs on their infrastructure. SaaS is also called Software on demand.

SIP Trunk
SIP is the abbreviation for Session Initiation Protocol. SIP Trunk refers to a technology by which IP-based telephone systems can manage many phone numbers via a single account. The classic SIP method is characterised by the fact that each end device needs a separate account for each phone number. SIP trunking on the other hand makes it possible to manage multiple extension numbers with one account. This capability is especially in demand at companies, which usually require many end devices with separate numbers.

VoIP
Voice over IP – voice services based on the Internet protocol (so-called VoIP services) that in terms of quality and product designare comparable to traditional telephone services. VoIP services are characterised by the fact that their users can telephone on the basis of a packet-switching data network. In this regard the data network can either be the Internet or managed IP networks.

Financial calendar

15 May 2014	Publication of the quarterly report Q1
26 July 2014	Annual General Meeting
14 August 2014	Publication of the quarterly report Q2
14 November 2014	Publication of the quarterly report Q3

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