ecotel
all around communication

2014

Annual Report

ecotel communication ag ecotel communication ag 2014 Annual Annual Report

Key figures ►►

Amounts in million €	2012 [1]	2013 [1]	2014
Revenue	94,1	91,2	101,5
Business Solutions	40,6	42,0	41,9
Wholesale	40,8	34,7	43,2
New Business	12,7	14,4	16,4

Rohertrag	24,8	26,8	26,6
Business Solutions	18,6	21,1	20,6
Wholesale	1,0	0,7	0,6
New Business	5,2	5,0	5,4

EBITDA [2]	6,6	6,6	7,3
in % of sales revenue	7,0 %	7,2%	7,1%

Betriebliches Ergebnis (EBIT)	0,2	3,2	3,0
EBIT (adjusted by special effects)	3,3	3,2	3,0
in % of sales revenue (adjusted by special effects)	3,5%	3,5%	2,9%

Consolidated profit [3]	-2,7	1,4	1,2
Consolidated profit (adjusted by special effects)	1,2	1,4	1,2
Earnings per share in €1 (adjusted by special effects) [4]	0,33	0,40	0,33

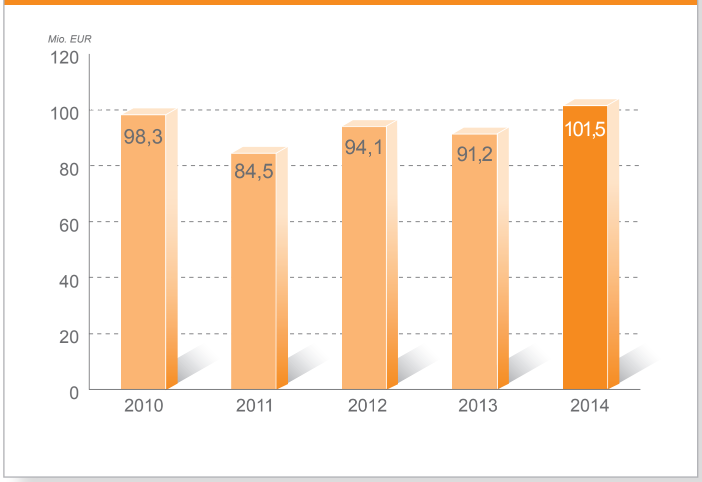
Balance sheet total	42,0	45,2	43,8
Equity capital	18,8	20,2	20,7
in % of the balance sheet total	44,8 %	44,7%	47,1%
Number of shares as of 12/31 (Outstanding shares)	3.685.096	3.600.000	3.510.000
Net debt	-0,3	1,3	1,5
as a multiple of EBITDA	n.a.	0,2	0,2
Employees as of 12/31 [5]	189	200	217

Essential cash flow data

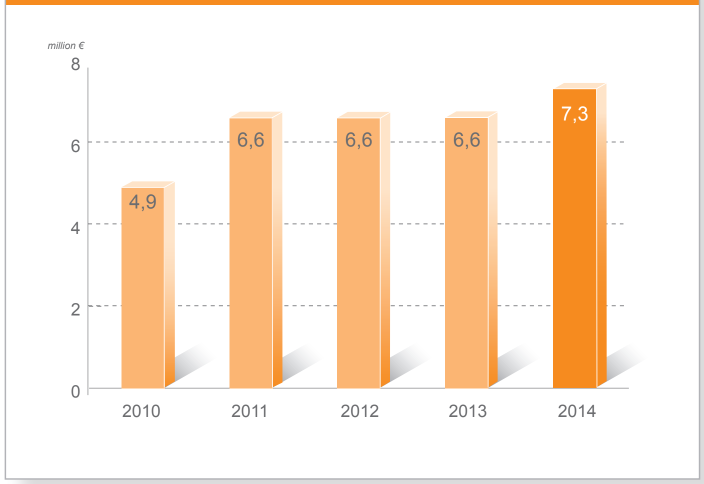
Amounts in million €	2012	2013	2014
Cash and cash equivalents as of 01/01	6,2	7,5	6,1
Cash flow from ongoing business activities	6,8	6,9	4,4
Cash flow from investment activities	-2,7	-7,7	-2,9
Cash flow from financing activities	-2,8	-0,6	-2,6
Cash and cash equivalents as of 12/31	7,5	6,1	5,0

[1] Amounts adjusted, see Consolidated notes »Principles of financial accounting«
[2] Result before scheduled and unscheduled impairments, financial result and taxes on income and earnings
[3] Corresponds to the consolidated profit after deduction of minority interests
[4] Both undiluted and diluted
[5] Without minority companies (synergyPLUS GmbH, mvneco GmbH)

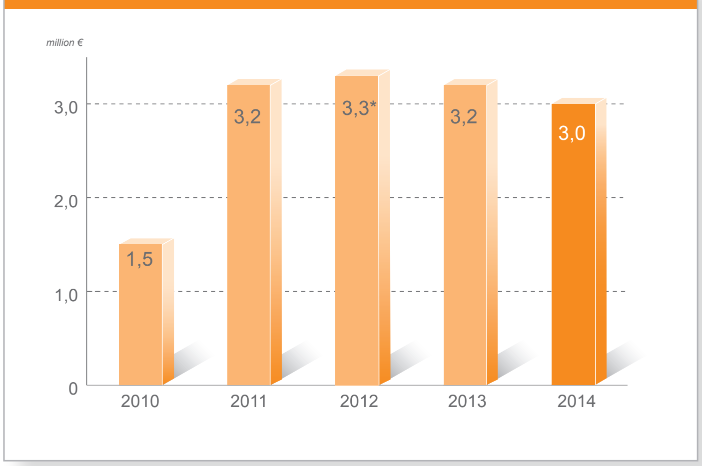
Revenue in million €[1]



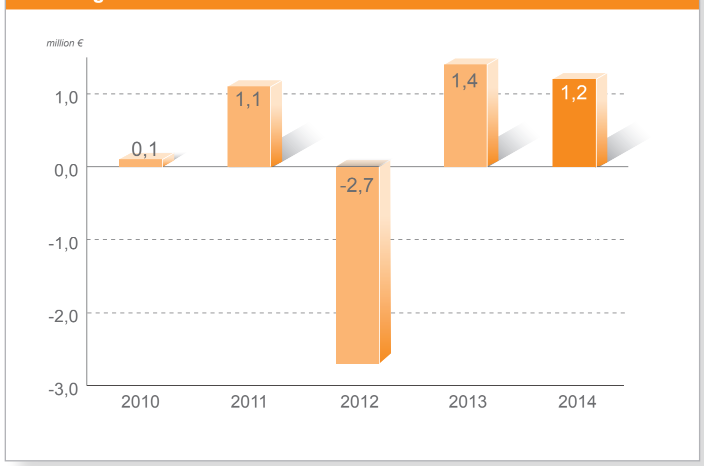
EBITDA in million €[1]



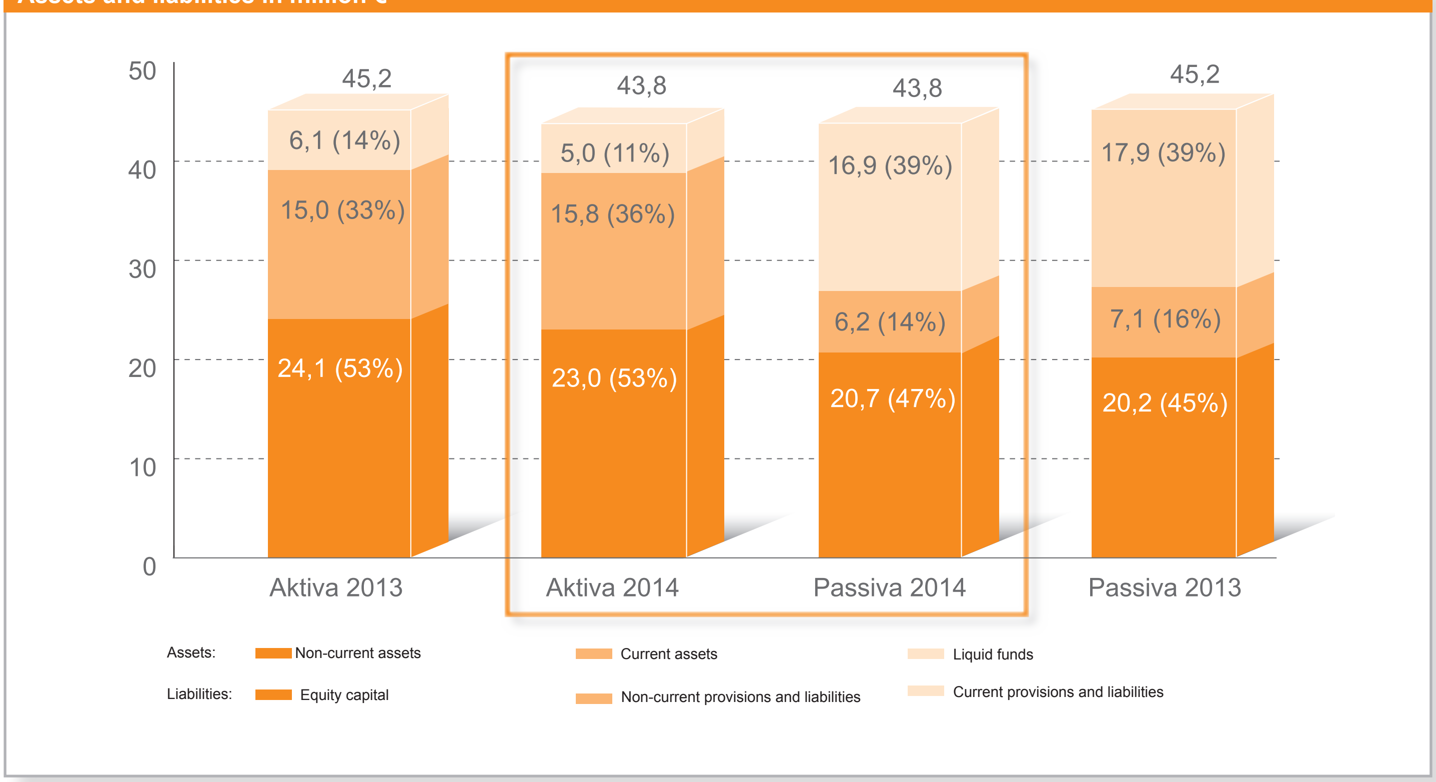
EBIT in million €[1]



Earnings in million €[1,3]



Assets and liabilities in million €[1]



Corporate profile

The ecotel Group (hereinafter »ecotel«) is a telecommunications company that has been active throughout Germany since 1998 and specialises in meeting the information and telecommunication (IT / telecom) requirements of customers. The parent company is ecotel communication ag. The shares are traded in the Prime Standard segment of the Frankfurt Stock Exchange. ecotel markets products and services in the following segments: »Business Solutions (B2B)«, »Wholesale Solutions«, »Private Customer Solutions (B2C)« and »new media solutions«.

ecotel's core segment is represented by »Business Solutions (B2B)«. Here ecotel offers 18,000 small and medium-sized enterprises, as well as large-scale customers throughout Germany, an integrated product portfolio of voice and data services (IT / telecom solutions) from a single source.

In »Wholesale Solutions« ecotel integrates the offerings for other telecommunications companies. In addition, ecotel 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.

The »Private Customer Solutions (B2C)« of ecotel include the services of the easybell Group. The Berlin-based subsidiary markets high-quality yet low-priced Internet and telephone services. For this purpose easybell provides rate-adaptable ADSL2+ and VDSL services nationwide. easybell is also one of the market leaders in the provision of classic call-by-call and Internet-by-call access.
With its »new media solutions« nacamar GmbH offers streaming services for media enterprises on the basis of its own Content Delivery Network (CDN), which is hosted in the ecotel computer centre. The company also markets customised solutions for content management systems, online representation and technical developments (apps) for access by end devices (smartphones, tablet PC and smart TVs).

The corporate group, with its main office in Düsseldorf, currently has about 240 employees, including subsidiaries and holdings.

Contents

Foreword of the Management Board

Dear Shareholders,

ecotel again succeeded in continuing the profitable course of growth in financial year 2014. The forecast goals were again either exceeded or at least reached at the upper end.

In financial year 2014 ecotel exceeded the aspired € 100 million turnover threshold with a figure of € 101.5 million, compared to € 91.2 million in the previous year. This corresponds to growth of 11.3 %. This positioned the company substantially above the forecast corridor of € 85 to 95 million. This growth of revenue is essentially due to the Wholesale Solutions and New Business segments.

Revenue in the Business Solutions segment of € 41.9 million remained at the previous year's level (€ 42 million). In this respect it should be pointed out that since mid-2014 ecotel has discontinued marketing of the company's own mobile services and that without this effect, revenue in Business Solutions would have increased slightly to € 42.3 million.

Despite the strong growth of revenue in the low-margin area of Wholesale Solutions, gross profit was stabilised for the most part at € 26.6 million (previous year: € 26.8 million). This is essentially due to the positive development of the low-margin segments Business Solutions and New Business (easybell).

In the following we would like to summarise for you the most important events from the year 2014.

As a consequence of the steadily and constantly changing market requirements ecotel has successfully developed in the past years from a provider of preselection services to an integrated provider of IT/telecom solutions for business customers. This development is also evident in the revenue, since 88 % of the revenue is meanwhile achieved through business customers (B2B) with the new, sustainable products for full access, data, VPN, housing/hosting etc.

Now the German telecommunications market is facing one of the biggest technological changes in its history. By the end of 2018 all ISDN access lines with circuit switching voice services – especially in the network of the Deutsche Telekom – will be converted to packet switching IP-based voice services (»All-IP«). With the introduction and marketing of new IP-based voice products in 2014 ecotel is well equipped for this change in technology; today, ecotel already offers solutions for the future for customers with PBX systems, without having to modify or replace existing telephone equipment.

As the basis for B2B-compatible IP-based voice services, customers can use for example the high-quality Ethernet connections with guaranteed bandwidth rates and »Quality of Service« (QOS), which ecotel has been successfully marketing and operating for its customers for many years already. In 2014 ecotel made the strategic decision to position itself as a subscriber network operator, in order to achieve greater independence from upstream suppliers and to intensify the added value for IP-based voice services. ecotel is therefore one of the first telecommunications companies with nationwide services capable of addressing business customers with new IP-based products.

The subsidiary easybell can also look back on a successful year 2014. Especially positive in this respect was the development of the DSL business with All-IP-based voice products, which clearly gained in dynamics in the financial year. The total revenue of the easybell Group therefore increased by € 2.7 million (23.7 %) from € 11.4 million to € 14.1 million, with gross profit of € 4.1 million (29 %). As in the past, driving factors for growth take the form of recommendations from satisfied customers who praise the good cost-effectiveness ratio and the service. This is confirmed by various customer surveys conducted by Computer BILD and the German Association for Consumer Studies in cooperation with N24, in which easybell once again was distinguished as the best supra-regional DSL provider in Germany.

ecotel intends to continue to enable the shareholders to share in the company's success and further development. Due to the positive business development and earnings situation, the Management Board and Supervisory Board have decided to recommend the payout of a dividend of € 0.16 per qualified share at the Annual General Meeting.

For 2015 the Management Board expects consolidated revenue of € 90 to 100 million, and EBITDA of € 7.5 to 8.5 million. In addition, the Management Board continues to pursue the goal of sustainably increasing revenue to € 100 million, with EBITDA of € 8 to 10 million by 2016.

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 group. 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.

Johannes Borgmann
Chief Financial Officer

Peter Zils
Chief Executive Officer

Achim Theis
Senior Executive President Sales

ecotel partner convention – ecotel goes All-IP

To prepare for the upcoming replacement of the conventional telephone network with All-IP services ecotel extended an invitation to the first national partner convention in Düsseldorf’s ESPRIT Arena. The all-day event took place on 29 October 2014.

The feedback in the form of the survey distributed to the participants and speakers confirms the acceptance of the new format for the event. In any case the outstanding result is an incentive to keep this mixture of intensive transmission of information, exchange of views and informal get-together.

Welcoming speech by CEO Peter Zils

The large number of participants was evidence of the importance of this issue for the trading partners: more than 100 partners from throughout Germany attended. Within the new framework of this convention with concentration on a central location for the event, it was also possible to acquire speakers of partner companies and organisations and to effectively communicate valuable information on the overall area of All-IP within the time frame of a single day. To complete the tightly scheduled information event, the evening was reserved for activities related to the purpose of the event location: sports and games in teams with XXL table football and electronic goal shooting.

The external speakers included high-ranking representatives of Deutsche Telekom, LANCOM, Unify (formerly Siemens Enterprise) and the state agency for internal security.

One proven insight from the convention is that the majority of trading partners show intensive interest in All-IP competence. Based on this ecotel will launch a suitable training program in 2015 so that this knowledge is communicated both in attended events and in webinars.

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Made in Germany.
Rechenzentrum+VPN

Reception on the balcony with a view into the ESPRIT Arena

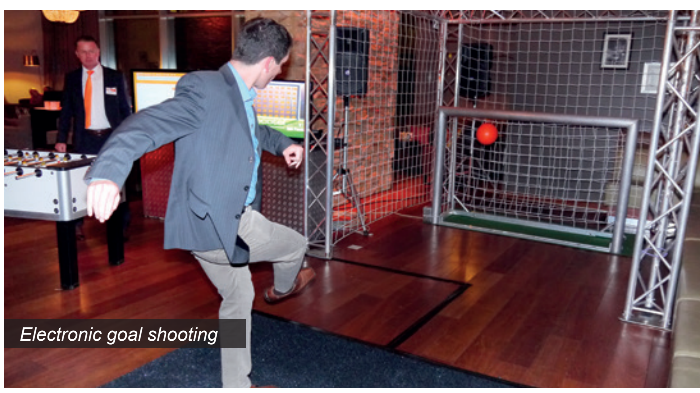

More than 100 partners arrived from throughout Germany


Conference room in Düsseldorf ESPRIT Arena


The first prize for goal shooting was the final ball of the 2014 World Cup

Honour for successful ecotel partners


XXL table football tournament


Electronic goal shooting

Communication can be so easy: Complete wireline bundle for the franchise cooperation BAUEN+LEBEN

The cooperation between ecotel and BAUEN+LEBEN shows how convenient telecommunications can be, when a full-service bundle with exclusive business customer service is used.

BAUEN+LEBEN
IHR BAUFACHHANDEL

BAUEN+LEBEN also offers its system partners attractive purchasing offers as well as a strong joint brand identity. This gives affiliated system partners (franchisees) the necessary framework to concentrate on their core competence, i.e. the management and marketing of the sales mix. The figures speak for the success concept of the group: for 2015 the BAUEN+LEBEN Group plans revenue from sources outside the group totalling more than € 250 million.

The franchise group BAUEN+LEBEN, founded more than 15 years ago, is an organisation consisting of mid-sized and independent builders' merchants. Of a total of 54 locations, 52 are in North Rhine-Westphalia, the other 2 in Saxony. BAUEN+LEBEN is a shareholder in EUROBAUSTOFF, Europe's largest cooperative for the purchase of construction materials. In addition to the classic franchise offering with centralised background tasks such as accounting, EDP, controlling, marketing and logistics,

The driving force for the success concept of the organisation is continuous growth. With the acquisition of 25 BayWa construction material companies in NRW in 2014 the Group has set the course for its continued positive development.

Maximum possible availability

Especially in a fast-growing franchise system with numerous spread out locations, telecommunications operations must be stable and secure, running smoothly in the

BAUEN+LEBEN office in Mönchengladbach

background. And all at an optimal cost-effectiveness ratio. With the concept of providing different telecommunications services from a single source with significant savings potentials and a high level of personal service competence, ecotel has achieved a reputation as a provider of wireline telephone and Internet access. Since 2011 ecotel meanwhile provides 28 BAUEN+LEBEN locations with ISDN (PMX and S0) and full access, i.e. the complete bundle consisting of wireline and ADSL Internet, with corresponding voice and data flat rates. Premium business service and short response times are included.

In addition to offering full service from a single source, ecotel has been able to offer two additional advantages: with the best possible availability nationwide ecotel can implement high-quality access anywhere in Germany – also in remote rural regions. Within the framework of its »multi-supplier strategy«, i.e. the independent purchase of services via corresponding specialised upstream suppliers, ecotel achieves the highest possible coverage within Germany next to Deutsche Telekom.

The rate option *ecotel companyMobile* saves additional costs since the wireline telephone calls to the SIM cards of the BAUEN+LEBEN group of companies are free of charge.

Flexible billing for lean administrative processes

Lothar Knops, Authorised Representative / Manager EDP of BAUEN+LEBEN, summarises his satisfaction: “With ecotel we achieve significant savings of more than 20 % over the entire contract term, compared with our previous provider. Especially positive is the personal service from the special service management team, which results in additional savings in the form of freed up personnel in our company.

Lothar Knops
Authorised Representative / Manager IT / Telecom
BAUEN + LEBEN Service GmbH & Co. KG

Altogether, the full service offered by ecotel makes our administration much easier, since we no longer have to constantly review invoices from different providers. Last but not least, ecotel makes it possible for us to implement central regulation of invoicing, which is essential for our members. With ecotel, our telecommunications infrastructure – also with respect to the upcoming transition from ISDN to the new All-IP technology – has been *facilitated significantly*.“

World market leader benefits from more performance in new corporate network

The long-established STEINEL company is a world leader in the field of light control through sensor technology and in the market segments for hot air blowers and hot glue guns. More than 50 years of inventiveness, technological know-how and experience have combined to create products that are »typical STEINEL«. As an innovation and technology leader STEINEL is usually one step ahead.

STEINEL®
Intelligent technology

The company's own development centres in Germany, the Czech Republic and Switzerland develop innovative and intelligent products with a worldwide reputation. Production takes place exclusively in the company's plants in Germany, Switzerland, Romania and Moldavia. Energy efficiency and the use of state-of-the-art LED and sensor technology are at the focus of the production processes. Made in Europe is STEINEL's formula for success.

New IT/telecom strategy achieves sales-related synergy effects

For regular inspection and also during operation of the communication solutions in use STEINEL receives support from the independent IT/telecom consulting company OVENO GmbH (www.oveno.de). Giuseppe Nicastro, Managing Director of OVENO GmbH, explains: “To determine the specific solution required we conducted joint workshops with the customer to develop a company-wide international IT/telecom strategy. Due to the secure technology and the good cost-effectiveness ratio we favoured and recommended the internationally networked corporate communication of Ethernet-VPN from ecotel. For wireline telephony and mobile communications ecotel also convinced us with significantly lower costs for both areas.”

Giuseppe Nicastro
Management
OVENO GmbH

OVENO GmbH

Scalable and future sustainable

The central requirement was an economically priced and high-performance broadband network that can keep up with the growth of STEINEL and is future sustainable. Because data-intensive corporate applications such as merchandise management systems and video conferencing have to operate without restrictions at all locations, both national and international. This requires stable and intelligent location networking in the form of a virtual private network (VPN) on the basis of modern IP-MPLS technology, which allows fast and secure processing of large data packets.

For the new VPN data network a total of eight European locations in France, Switzerland, the Czech Republic and Moldavia were networked with the main office in Herzebrock-Clarholz as well as the STEINEL computer centre in Fürth. All field sales representatives in the home office and on the road are connected to the new VPN, therefore allowing optimal utilisation of corporate applications.

The technological foundation for STEINEL's new corporate network is the Ethernet fibre optics technology, in which the data is transmitted in the form of light signals. Compared to conventional copper cables, the transfer rates are increased many times over. With ecotel the locations achieve guaranteed symmetrical bandwidths of up to 100 Mbit/s with at least 99.3 % availability.

Wireline services also procured from ecotel

The STEINEL locations in Germany also rely on ecotel for wireline telephone service: with ecotel full access services, costs have been reduced significantly by ca. 30 % compared with the previous provider. Premium business service and short response times are included.

René Heinz, Manager IT at STEINEL International, summarises the advantage of ecotel in a nutshell: "For the introduction of our new data network we sought a unified solution to connect all locations using advanced technology without increased costs to boost the previous performance in the corporate network. In this regard, ecotel's offer convinced us. We are especially satisfied with the cooperation of the ecotel project management team in the rollout and putting into service of all locations. Everyone involved cooperated exceptionally well at eye level. Further projects are already being planned and coordinated."

René Heinz
Manager IT International
STEINEL GmbH

High-speed data cables secure competitive advantages in hotel trade

The fast-growing mobile use of media via smartphone and notebook has also reached the hotel segment. For hoteliers, a fail-safe IT infrastructure is an essential aspect for daily business, to ensure uninterrupted access in view of increasing data quantities from the much-in-demand guest WLAN as well as various booking systems. Those who recognise the signs of the times and provide the required bandwidth will attract more guests and achieve higher revenue.

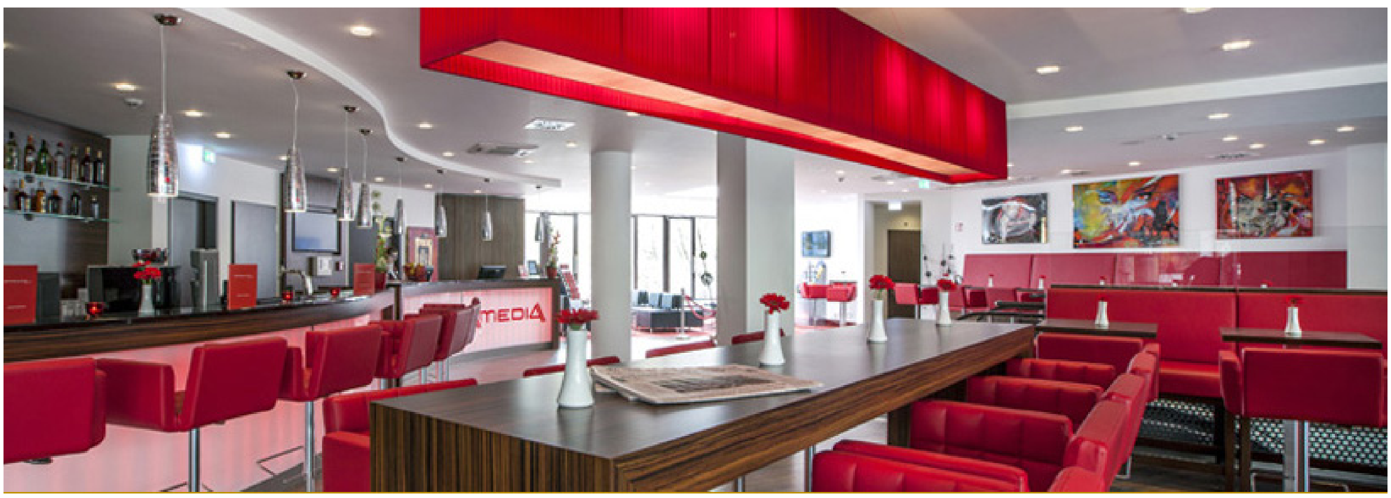
The international Plaza Hotel Group has responded to this trend by using high-performance fibre optic cables from ecotel as the technological basis for new sales opportunities through increased bookings.

The core competence of the hotel group, which was established in 2002, is the operation of owned and leased business hotels. The efficient central management and administration functions are concentrated at the headquarters in Heilbronn. Currently the group owns 17 hotels of the BEST WESTERN and Amedia hotel cooperations in Germany, Austria and the Czech Republic. The total number of rooms is more than 2,000 and the number of employees has meanwhile reached about 500.

For purchasing, the Plaza Group hotel chain relies on the services and solutions of the purchasing company progros Einkaufsgesellschaft mbH. progros is the largest purchasing consultancy in the hotel trade and one of the leading purchasing companies.

Growing media requirements necessitate professional data connections with high bandwidth

Ethernet connections from ecotel are the means of choice for equipping the Plaza Group with state-of-the-art technology. In this technology, data transmission takes place via fibre optic cables in the form of light signals. Compared to conventional copper cables, the transfer rates are increased many times over. ecotel can provide bandwidths of up to 10 Gbit/s with at least 99.3 % availability – nationwide.



Plaza Hotel Group

ecotel Ethernet connections are available at any location throughout Germany and include a fixed public IP address with unlimited data transmission (flatrate). Availability with guaranteed bandwidth is possible even at locations where DSL-based access is not available or only with insufficient bandwidth. In addition, ecotel Ethernet connections offer high quality parameters, which are required especially in the case of professional business customer applications.

At the metropolitan locations of the Plaza hotel chain in Berlin and Hamburg the ecotel Ethernet connections are already in operation; orders have been placed for six further locations of the group.

VoIP ready for the upcoming conversion from ISDN to All-IP voice technology

Also in the upcoming conversion from analogue and ISDN telephony to All-IP networks, which must be completed by the year 2018, ecotel will support the hotel group as a full-service IT / telecom provider.

Ihsan Yalaz, founder and owner of the Plaza Hotel Group, sees the cooperation with ecotel as positive: "The demands of the guests for comfort and service are constantly on the rise. Whether for overnight guests or conferences, fast and secure Internet access is increasingly becoming the decisive factor in choosing a hotel. We want to offer our guests the service of being able to surf the Internet in their rooms and in our public area, without restrictions. That is why we decided for the 100 Mbit/s fibre optic cables from ecotel. We are assured of receiving service with the necessary bandwidth and availability – with exclusive business customer support on top."

Yonca & Ihsan Yalaz
Founders of the Plaza Hotelgroup GmbH

nacamar: The way is the goal

As the Greek philosopher Heraclitus said: “Nothing is more constant than change.” In today’s fast-paced life this is especially true for companies that offer Internet services, such as the ecotel subsidiary nacamar GmbH with web services for audio and video transmission. Audio and video streaming has become a mass market and major international firms such as Amazon, Google and Microsoft offer corresponding »cloud services«. In response to the fast-growing use of audio and video transmission, nacamar now offers not only streaming, but also agency services on the subject of »network video« and implements corresponding projects for PC Mobile and Smart TV.

nacamar
new media solutions

Starting in the early phase of such a project, nacamar provides customer support, creates design recommendations and user stories in accordance with customer preferences and requirements. Other services offered by nacamar include programming of the entire website by means of content management systems such as Typo3, Drupal or Wordpress. Afterwards, the solutions are implemented on the company’s own or leased cloud solutions with continuing support. For this purpose, the creative web team at nacamar has developed additional in-house competences. The new service portfolio makes it possible for nacamar to tap new target markets and customer groups.

So far, the biggest project with an international scope was implemented in 2014: the video portal for the Lyoness Group AG in Graz, Austria. Lyoness is an international and cross-sector purchasing group that offers rewards to its more than 4 million members. With operations in 46 countries around the world Lyoness boasts 47,000 partner companies and 250,000 acceptance locations (cash back points) in Europe, North America, South America, the Middle East, Asia, Australia, New Zealand and Africa.

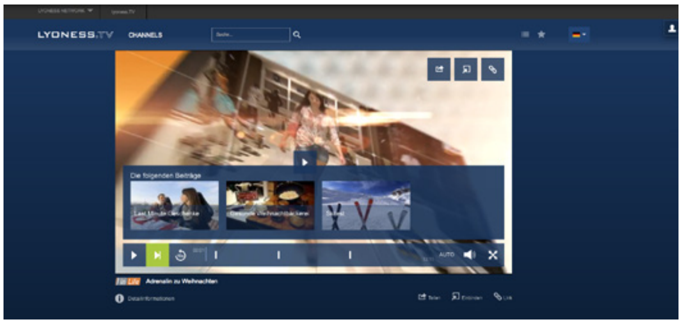
The contract to nacamar consisted of takeover and revision of the existing website www.lyoness.tv, including closed user groups and more than 1,000 self-produced video magazine articles as well as continued development in the direction of user generated content as well as mobile and smart TV apps.

The website

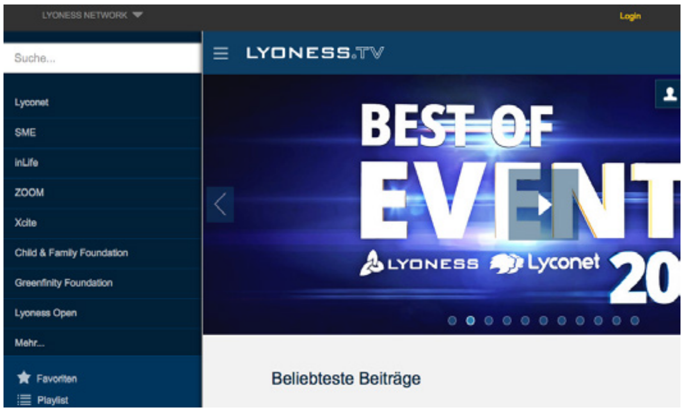
The first subtask of this complex project was to relaunch the existing website www.lyoness.tv in the previous look & feel, but with new and improved technology from nacamar. Especially important to the customer was improved quality of the video delivery in the Asian-Pacific region as well as utilisation of an online video management system that is better equipped for future requirements and more flexible than the solution from the previous provider.

Significant challenges included implementation of special customer requirements regarding player design and additional player functions such as chapter integration, subtitles and multi-language content.

An extensive rights management system ensures that logged in users can see only the content intended for them. For example, the system differentiates between simple card users (“shoppers”) and sales partners. The content displayed also differs on a regional basis.



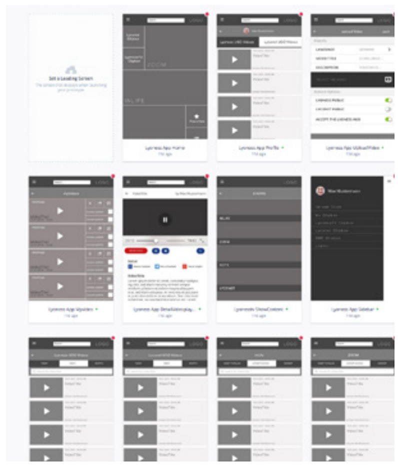
Responsive web design of the entire site ensures that the appearance of the user interface adapts to the respective end device (PC monitor, tablet or smartphone).



Despite the very short implementation period from placing of the order at the beginning of September 2014 and the customer event at the beginning of November 2014, nacamar was able to achieve the essential project goals on schedule and helped Lyoness TV to achieve an improved website with faster download times and video streaming on the Internet.

The next tasks

After completion of the first project stage at the end of 2014 nacamar is currently implementing the next phase, the result of which is to be presented at the next major Lyoness sales partner event in Las Vegas at the end of March 2015. In addition to minor revision of the appearance and fine tuning of the user interface, the main focus of the website relaunch was the addition of content areas (especially for defined user groups) and a completely new area of the website for user generated content. In this area Lyoness will offer users in the future the capability of presenting their own videos to the community and of viewing videos from other users. This should create new opportunities for exchange, especially for the business partner and sales partner network.



At the same time development of a mobile app for smartphones and tablets on Android and iOS has started.

Conclusion

The Lyoness project allowed nacamar to demonstrate the diversity of its current service portfolio such as the online video platform medianac® and the group’s virtual hosting platform and content delivery network. In addition, nacamar provides comprehensive web agency services for demanding customers. This diversity, combined with the efficiency and reliability of the company’s infrastructure, represents a unique selling point of nacamar, which creates strong competitive advantages and will help to acquire and implement more customer projects such as Lyoness TV.

easybell: From underdog to serial winner

easybell GmbH is the most important pillar of ecotel communication ag in Private Customer Solutions. The Berlin-based subsidiary markets high-quality yet low-priced Internet and telephone services.

easybell provides nationwide rate-adaptive ADSL2+- and VDSL services. Since 2012 easybell also take part in regional cooperations and meanwhile also provides FTTH and FTTB services in cooperation with Vattenfall Netcom.

By offering innovative and attractively priced products easybell has developed to become an established player in the broadband market; easybell is the leader in rate comparisons by the major price portals and trade journals. At the same time, however, easybell is not only inexpensive, but also convinces especially with excellent service. Well-grained support employees, transparent products with fair contract conditions and the elimination of long contract terms achieve extraordinarily high customer satisfaction. This results in a very low tendency to switch providers, so that customer stay with easybell for a long time.

Also, the self-determined and web-minded customer base recommends easybell in Internet forums and in personal contacts as a competent and friendly partner. This consistent recommendation marketing, together with intelligent pricing and marketing strategies, keeps the marketing costs for each new customer low. At the same time, the image of easybell is continuously on the rise.

The high customer satisfaction and service quality are also reflected in independent tests and surveys. For the second time in a row easybell was chosen as the test winner in a comparison of the German Association for Consumer Studies (DtGV) in cooperation with N24. easybell won the competition with 14 other providers, including all well-known brands that are active in the German wireline sector.

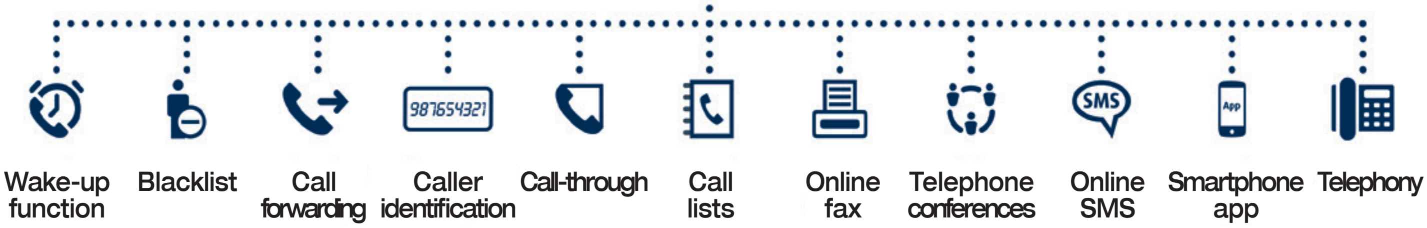
In a DSL customer survey by Computerbild.de easybell also received the best rating. This result is based on 1600 evaluations by users of the evaluation portal »wie-ist-meine-ip.de«.

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

In addition, easybell GmbH also offers classic call-by-call and Internet-by-call access. In these market segments the company has been one of the market-leaders for years.

easybell also experienced dynamic growth in 2014. The number of TAL full-access lines increased by just under 50 percent compared with 2013. This was achieved in a saturated 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 operates with extremely competitive process costs. This approach was continued in 2014 with investments in the IT infrastructure. Within this framework, the website and the customer portal were revised and optimised for modern display devices. This made it possible to boost the conversion rate.



With the marketing of SIP trunks to SOHOs and small businesses, easyball also acquired new customer bases. The SIP trunking solution from easybell is based on the integration of cloud services. For example, single extensions can be removed from the block as cloud accounts. The coming years will present easybell a great opportunity for further growth. As a result of the broadband initiative of the federal government many regional companies will install fibre optic infrastructures in previously under-supplied regions. With respect to marketing, however, these companies frequently lack know-how. In this sector easybell has earned a good reputation through cooperations with Vitroconnect and Vattenfall. In addition, the investments in the IT infrastructure will bear fruits in this respect, since additional carriers can easily be integrated in the existing processes.

As a deep-rooted yet agile company, easybell will therefore help to shape the telecommunication sector in Germany.

The ecotel communication ag 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 3,510,000 shares as of 31 December 2014. The company has no treasury shares.

In the financial year 2014, on the basis of the approved share buy-back program, a total of 90,000 shares were purchased at an average price of € 8.70 during the period from 15 April 2014 to 28 May 2014. After successful completion of the share buy-back program the group owned a total of 390,000 shares with a nominal value of € 1.00 each, which corresponded to a share of 10 % of the capital stock. On 28 June 2014 these shares were called in and the capital stock was therefore reduced from € 3,900,000 to € 3,510,000 or 3,510,000 shares.

Price trend 2014

The German stock market was characterised in 2014 by significant fluctuations. The leading German share index DAX was between 8,355 and 10,985 points during the course of the year. Compared with the start of the year (9,552 points) the DAX gained 2.6 % in the course of the year, rising to 9,805 points by year's end. The development of the TecDAX during the year 2014 fluctuated similarly. However, the TecDAX reported significant increased toward the end of the year, achieving an increase of 17.2 % during the course of the year.

The ecotel share can look back on a similarly positive stock exchange year in 2014. During the course of the year it reached € 10.3, the highest level in more than five years. Average daily trading of the stock in 2014 was 5,734 shares per day compared with 3,033 shares per day in the previous year. With a final quotation of € 9.86 the ecotel share achieved an increase of 55.0 % in the year 2014. With 3,510,000 outstanding shares, as of 31 December 2014 ecotel showed market capitalisation of € 34.6 million (previous year: € 23.0 million).

Up until preparation of the annual financial report on 23 March 2015 the ecotel share increased compared to 1 January 2014 by 85.5 % to € 11.8, while the DAX increased by 24.7 % to 11,910 points and the TecDAX by 39.9 % to 1,663 points in the same period.

Investor relations

In 2014 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 presented the company at investor exhibitions in 2014, such as the Equity Forum in Frankfurt/Main. IR measures are again planned for 2015 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

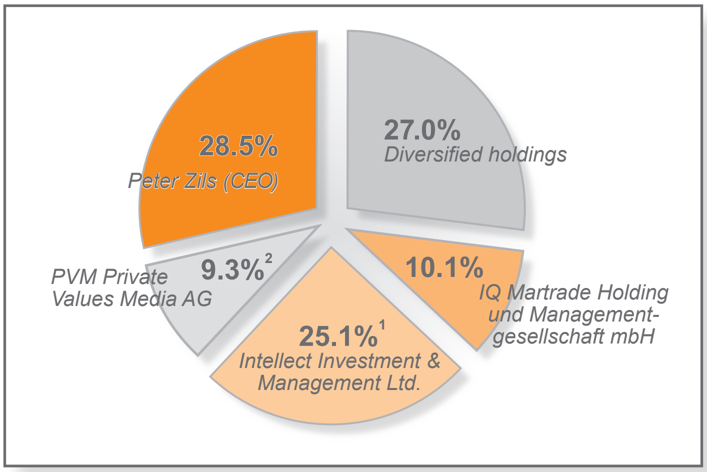
In 2014 there was no significant change in ecotel's shareholder structure. Peter Zils (CEO of ecotel) has a share of 28.5 %, Intellect Investment & Management Ltd. has a share of 25.1 %, IQ Martrade Holding und Managementgesellschaft mbH has a share of 10.1 % and Private Value Media AG has a share of 9.3 % of the company's stock.

Key figures Ø 2014

WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as of 31/12/2014	3,510,000
Symbol	E4C	Average daily trading volume 2014	5,734
Market segment since 08/08/2007	Prime Standard	*High share price 2014 (€)*	10.3
		Low share price 2014 (€)	6.4
Index affiliation	CDAX, Prime All Share Technology All Share	Market capitalisation as of 31/12/2014 (€ million)*	34.6
Class	Non par value shares	Designated sponsor	Close Brothers Seydler Bank AG

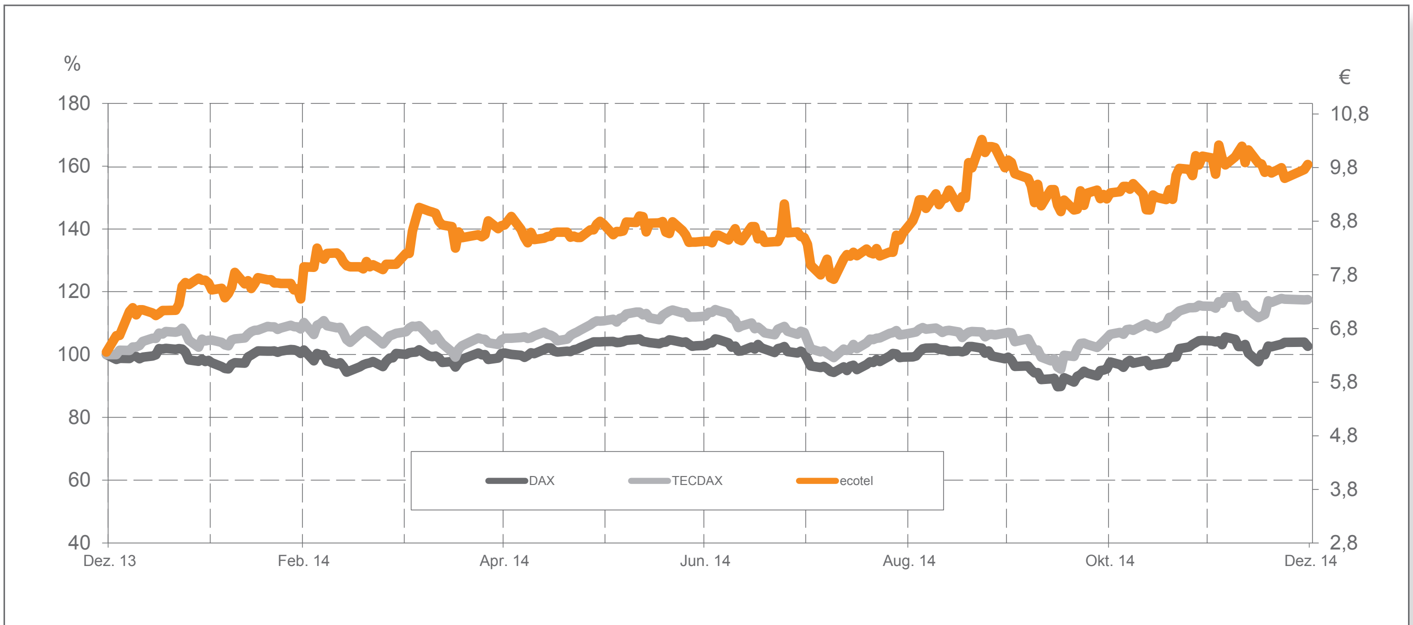
** Based on the closing price of € 9.86 per share and 3,510,000 outstanding shares as of 31 December 2014*

Shareholdings (30/12/2014) in percent



[1] *according to the last notice of 09/07/2009 prior to call-in of treasure shares (capital stock in shares: 3,900,000)*
[2] *according to the last notice of 07/04/2011 prior to call-in of treasure shares (capital stock in shares: 3,900,000)*

Price trend of the ecotel stock in 2014 in percent



Group management report

I. Business and general conditions

1. ecotel – overview

The ecotel Group (hereinafter »ecotel«) is a telecommunications company that has been active throughout Germany since 1998 and specialises in meeting the information and telecommunication (IT/telecom) requirements of customers. The parent company is ecotel communication ag (hereinafter »ecotel ag«). ecotel markets products and services in the following segments: **»Business Solutions (B2B)«**, **»Wholesale Solutions«**, **»Private Customer Solutions (B2C)«** and **»new media solutions«**.

ecotel combines the four divisions to form reporting segments as follows:
The **Business Customers** segment includes the Business Solutions (B2B) division of ecotel ag, the **Wholesale** segment includes the Wholesale Solutions division of ecotel ag and the business activities of the minority holding mvneco GmbH. The **New Business** segment combines the Private Customer Solutions (B2C) of the easybell Group and the new media solutions of nacamar GmbH.

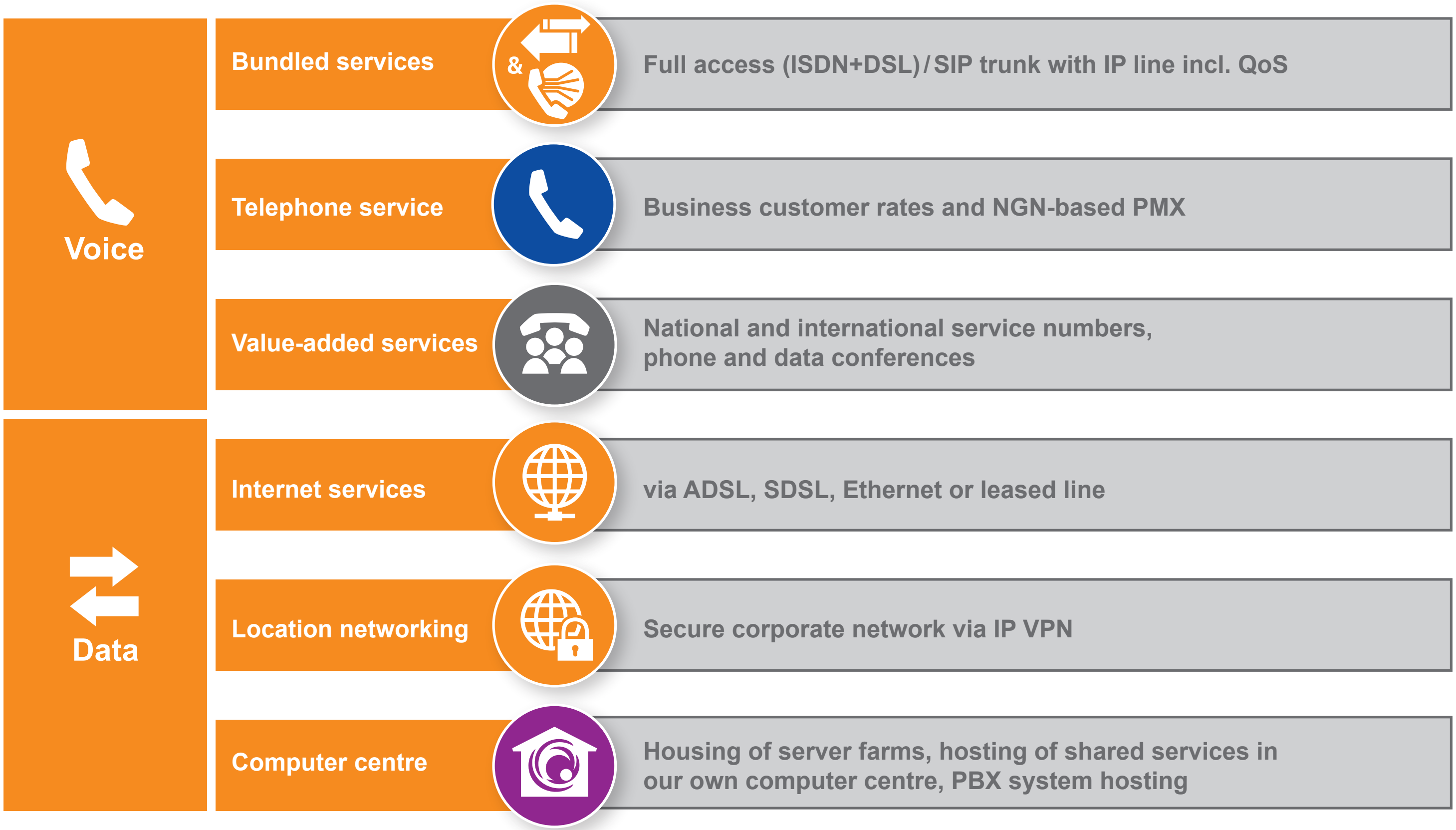
In the following, the four divisions are described in more detail:

Reporting segments	Business Solutions	Wholesale	New Business	
Brands	ecotel all around communication	ecotel all around communication; mvneco The MVNE Company	easybell	nacamar new media
Business divisions	Business Solutions (B2B)	Wholesale Solutions	Private Customer Solutions (B2C)	new media solutions

Business Solutions (B2B)

ecotel's core segment is represented by »Business Solutions«. Here ecotel offers small and mid-sized enterprises, as well as large-scale customers throughout Germany, an integrated product portfolio of voice and data services (IT/telecom solutions) from a single source.

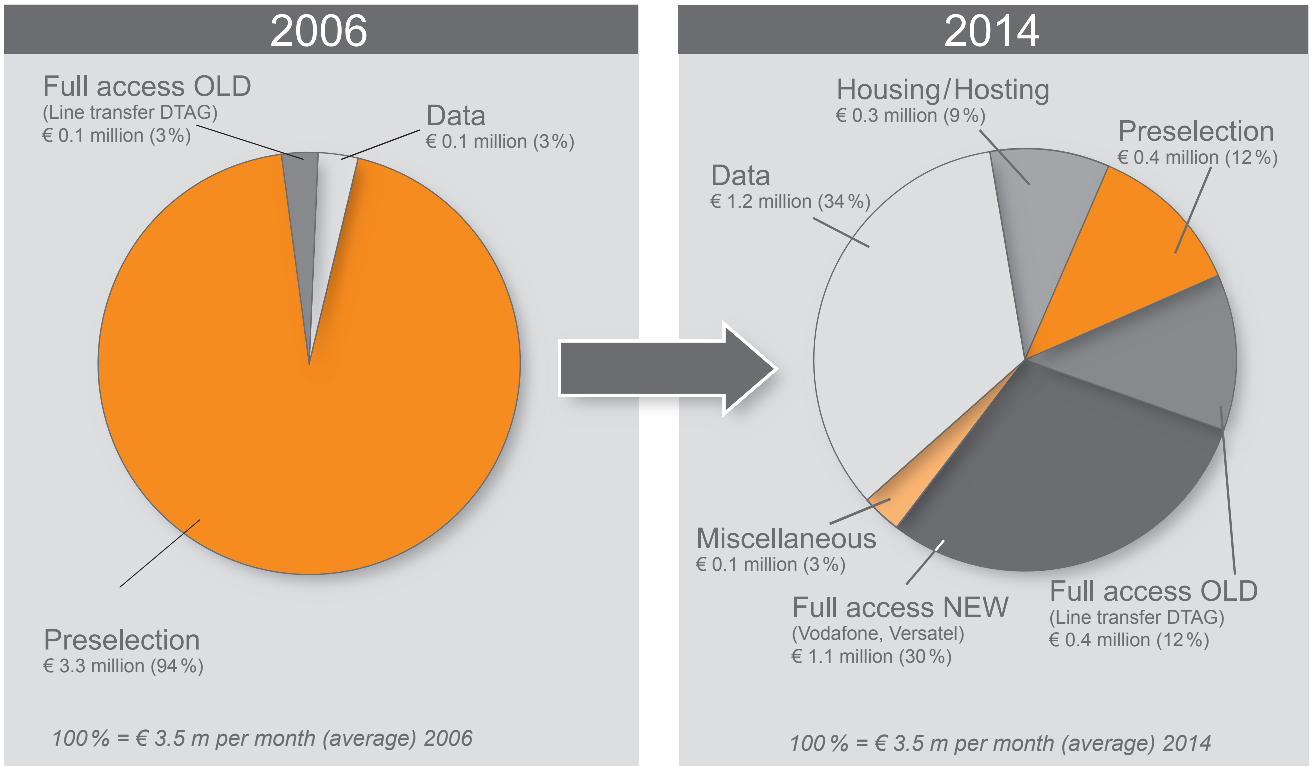
The following overview shows the product portfolio in Business Solutions:



In the area of voice services ecotel offers a complete portfolio, ranging from telephony (ISDN/VoIP) to value added services. The broad portfolio of data services ranges from ADSL, SDSL and VDSL connections via Ethernet access to secure enterprise networking via VPN, as well as housing of server farms and hosting of shared services (SaaS = Software as a Service, Cloud Computing).

Depending on the target group, sales in Business Solutions (B2B) are controlled via direct sales (key accounts) and, with more than 400 sales partners, however, primarily via partner sales. Thus, ecotel has broad access to the target group of SME 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. ecotel provides – with annual revenue of ca. € 42 million – about 18,000 SMEs nationwide from different segments with standardised and individual telecommunications solutions.

Shift of sales distribution in the Business Customer segment



In the past years ecotel has successfully developed from a pure preselect voice provider to a provider of complete IT/telecom business solutions.

The share of revenue from the highly-promising Full Access, Data, VPN and Housing products was therefore expanded from 6 % in 2006 to 88 % in 2014. The share of revenue from preselection customers decreased in the comparison period from 94 % to meanwhile only 12 %.

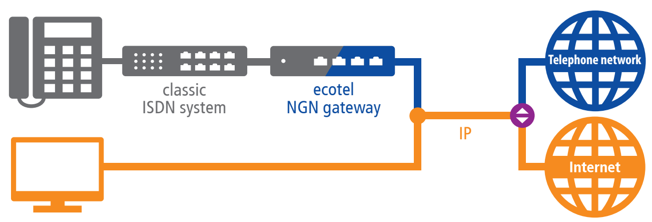
On the basis of the successfully implemented product diversification ecotel is well-equipped for the upcoming change in technology from circuit switching voice services (ISDN) to packet switching IP-based voice services (All-IP). Because B2B-capable IP-based voice services require high-quality customer access by means of high-availability Ethernet access products, which ecotel has been successfully marketing for more than five years.

In 2014 ecotel released the following IP-based voice products for marketing:

NGN-based PMX:

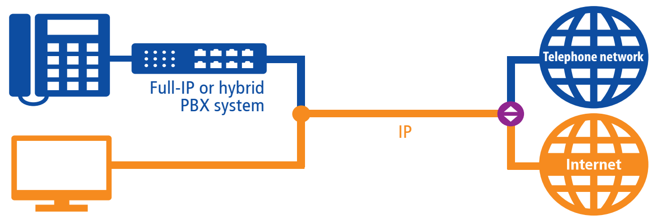
With the product *PMX VoIP ready* ecotel customers throughout Germany will be able in the future to take advantage of attractive access and connection rates for PMX telephone systems. For this purpose the customer receives an additional network termination component from ecotel. An NGN gateway used here converts the incoming and outgoing signals of the existing ISDN telephone systems to IP-based protocols, without having to modify or replace the existing telephone system.

In addition to the monetary savings with respect to the base price and connection charges, the customer also receives a high degree of flexibility, since he can use the Ethernet bandwidth dynamically for voice and data services, together with protection of the investment for the already purchased existing telephone system.



SIP Trunk for customers with IP-capable telephone systems:

If ecotel customers already have an IP-capable telephone system, the new IP-based SIP Trunk voice product can be used. With *ecotel sipTrunk* and a sufficiently dimensioned data line (ecotel or third-party line), between 10 and 300 voice channels can be used, depending on the customer requirements. The existing telephone numbers can either be retained or replaced or supplemented with new numbers.



If the customer combines *ecotel sipTrunk* with an ecotel data line, prioritisation of services for voice can be ordered as an option. This prioritisation (Quality of Service [QoS]) serves to give priority to voice traffic if parallel data services are used on the same line.

Here again the ecotel customer benefits from high savings on the base price and the connection charges as well as from high flexibility in the use of the ecotel Ethernet bandwidth.

PBX system hosting:

With *pbxHosting* ecotel for the first time provides a hosting service on a virtual server as a standard product. The product is initially directed at marketers of PBX systems from Unify (formerly SIEMENS). As an alternative to the physical telephone system that was installed in the facilities of the end customer, they choose a virtual system that is centrally hosted in the ecotel computer centre and market it to the customers – as in the past – as part of their respective business models. In addition to the

computer centre services of ecotel, the goal here is to market additional products to »Unify customers«. As soon as the access to the PBX system is achieved by an ecotel data line and – for switching of the external calls – an SIP trunk from ecotel, partners and customers can take advantage of the lower bundle prices.

The marketing is based on a sales cooperation with Unify that was concluded on the occasion of CeBit 2014.

Wholesale Solutions

In »Wholesale Solutions« ecotel integrates the offerings for other telecommunications companies. In addition, ecotel 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 as well as related managed services, is assigned to the wholesale segment.

Private Customer Solutions (B2C)

The »Private Customer Solutions (B2C)« of ecotel include the services of the easybell Group. Here, private customers benefit from the capabilities and services that were previously available only to business customers. The customers use the same technological capabilities and connections that are also used for business customers. Minimum contract terms are dispensed with to the greatest extent possible and simple products for private customers are offered.

Via the subsidiaries sparcall GmbH and Carrier-Services.de GmbH the easybell Group offers low-priced call-by-call for national and international telephone communication as well as Internet-by-call.

new media solutions

With its »new media solutions« nacamar GmbH offers streaming services for media enterprises on the basis of its own Content Delivery Network (CDN), which is hosted in the ecotel computer centre. The company also markets customised solutions for content management systems, online representation and technical developments (apps) for access by end devices (smartphones, tablet PC and smart TVs).

Infrastructure

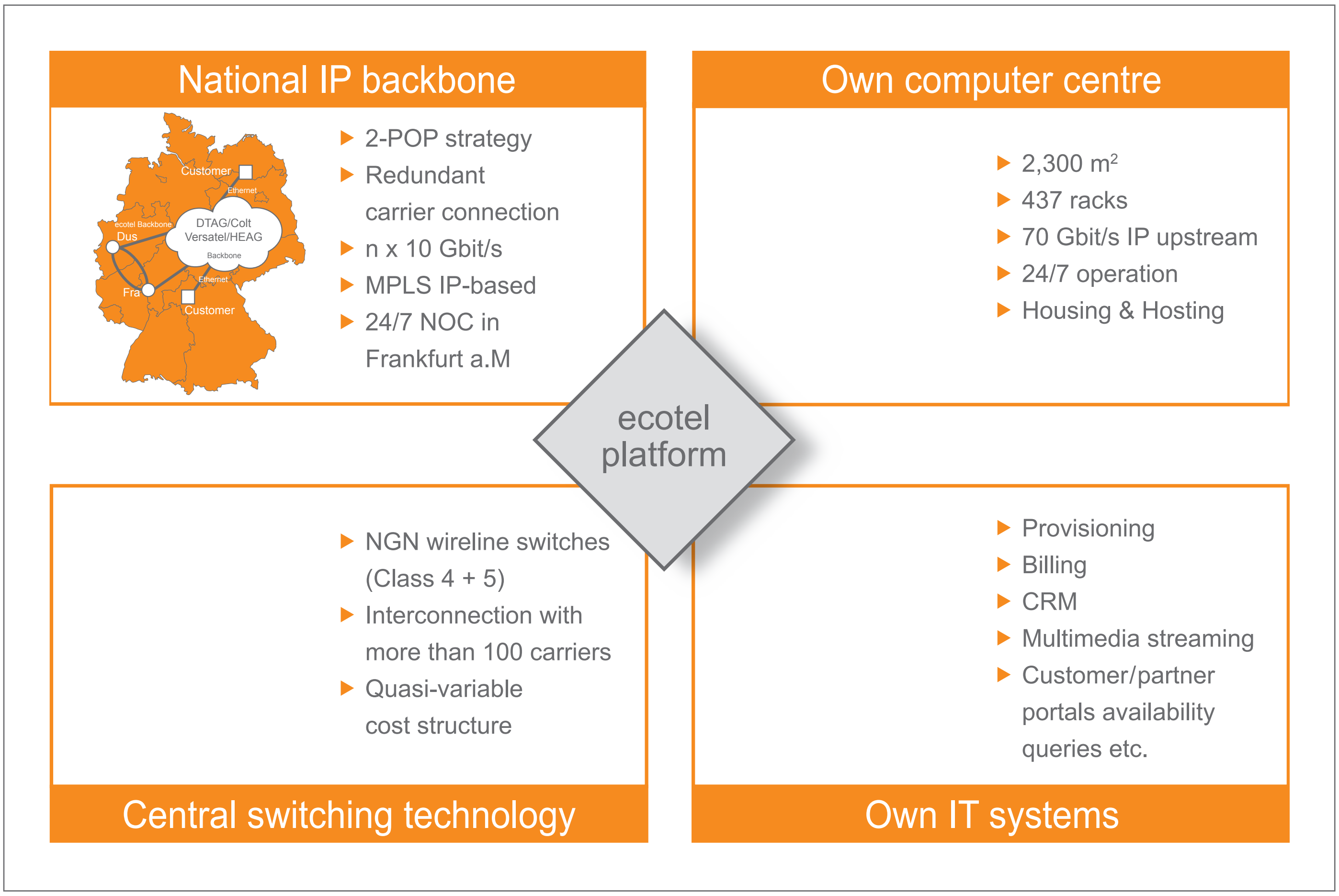
ecotel does not operate its own access network, but rather procures the TC call origination services from various upstream suppliers and can therefore select the operator with the best price/performance ratio. Typical upstream suppliers are Deutsche Telekom (DTAG), Telefonica, Verizon, Versatel, QSC,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

ecotel operates its own computer centre on the campus of Europe's largest Internet node in Frankfurt a.M. as well as additional computer centre capacities 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 also operates a central mobile communications platform.

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

Certified ISO 27001
Made in Germany.
Rechenzentrum+VPN



2. Legal framework of the Group

The voting shares issued by ecotel 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 in § 2, para. 7 of the German Securities Acquisition and Takeover Act (WpÜG).

Management body

The legal management and representative body of ecotel ag is the Management Board. In accordance with § 5 of the articles of association of ecotel ag, 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 ecotel ag 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 ag is legally represented by two Management Board members or by one Management Board member together with one authorised signatory. The current Management Board of ecotel ag is composed of Peter Zils (Chairman/CEO), Johannes Borgmann (Deputy Chairman/CFO) and Achim Theis (Marketing and Sales/CSO). Mr. Wilfried Kallenberg (CTO/COO) has overall power of representation.

Remuneration of the executive bodies and Supervisory Board

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. incoming orders, EBITDA, earnings per share) 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 2014 the Management Board is entitled to variable remuneration claims of € 176 thousand (previous year: € 192 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 and all other executive bodies of the Group. In addition, each of the members of the Management Board is entitled to a company car. There is no share option program for the executive bodies.

The members of the Supervisory Board receive fixed remuneration for each full financial year of their membership in the Supervisory Board. In addition, each member of the Supervisory Board receives a session fee for each meeting of the Supervisory Board attended (but not of a committee of the Supervisory Board). ecotel ag reimburses each Supervisory Board member for expenses incurred during performance of his duties. Members of the Supervisory Board who belonged to the Supervisory Board for only part of the financial year receive proportionate remuneration for each month started of their activity in the Supervisory Board. ecotel ag provides insurance to the members of the Supervisory Board for the performance of their duties, with a suitable deductible.

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 bodies and 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

In 2014 ecotel ag purchased 90,000 shares. Afterwards, the subscribed capital was decreased by a total of € 390,000 to € 3,510,000 through the call-in of 390,000 treasury shares.

Share capital

The capital stock of ecotel ag totals € 3,510,000.00. The capital is divided into 3,510,000 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 € 3,510,000.00 is completely paid in. Each no-par value share grants one vote in the Annual General Meeting. Voting right restrictions do not exist. Different voting rights relative to the shares do not exist. The ecotel ag 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. For the development of the equity, we refer to the presentation of the development of the consolidated result in the consolidated financial statement.

Authorised capital

With the shareholders' resolution of 27 July 2012 the Management Board of ecotel ag is authorised with the consent of the Supervisory Board to increase the capital stock of ecotel ag 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 2014 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 ecotel ag 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 2014 business year the Management Board did not avail itself of this authorisation.

Authorization to acquire treasury shares

With the resolution of 25 July 2014, the Annual General Meeting authorised the Management Board of ecotel ag 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 ecotel ag for the purpose of trading with treasury shares. In combination with the other shares owned by the company or shares that are allocated to ecotel ag 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 24 July 2019.

Capital holdings and control rights

The table below shows the names of the shareholders, who owned more than 3 % of the capital stock of ecotel ag at the end of 2014. The information is based on the shareholdings reported to ecotel ag. Different voting rights relative to the shares do not exist.

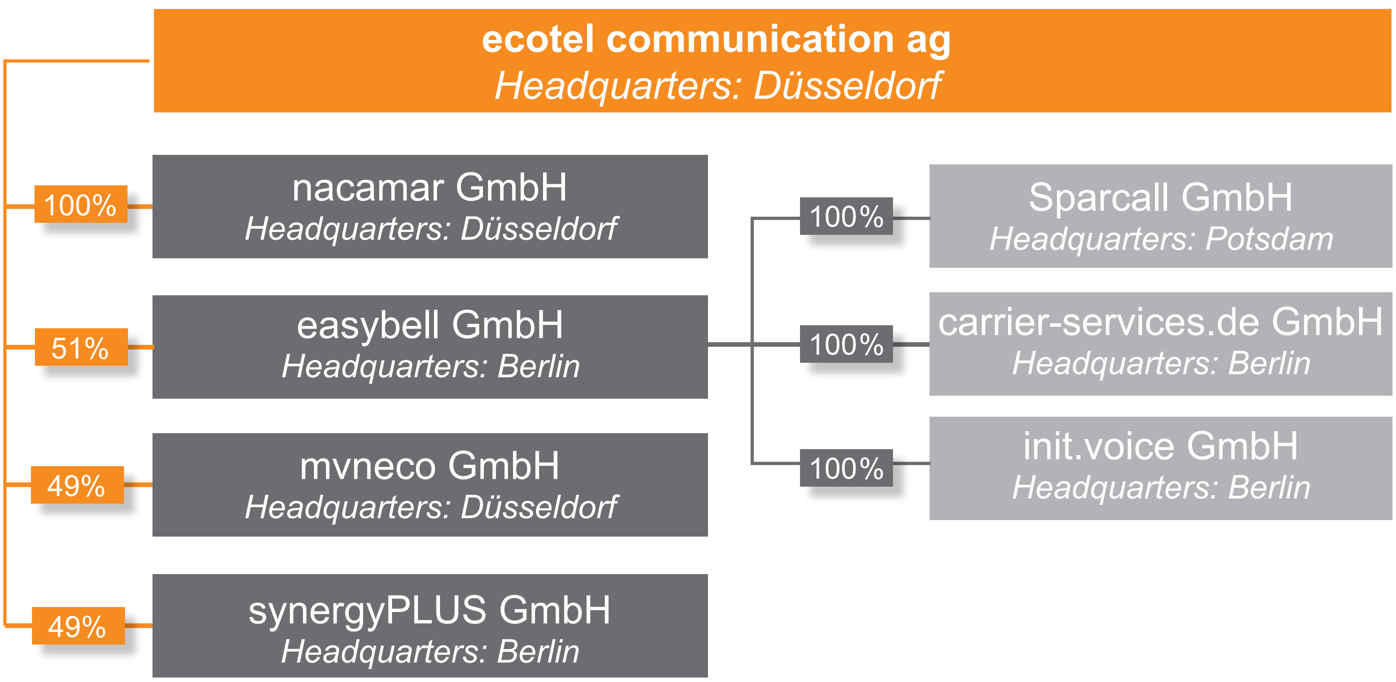
Shareholder	Shareholdings (in %)
Peter Zils	28.5
Intellect Investment & Management Ltd.	25.1
IQ Martrade Holding und Managementgesellschaft mbH	10.1
PVM Private Values Media AG	9.3
Total	73.0

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

Agreements between ecotel and individuals who could be affected by a change of control as a result of a takeover bid, do not exist. For the members of the Management Board and all other executive bodies of the Group there are no agreements that foresee compensation in the event of a takeover.

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



3. Structure and holdings of the Group

ecotel communication ag

ecotel communication ag (ecotel ag) is a telecommunications company with nationwide operations that has specialised in the requirements of business customers. ecotel ag markets products and services for »Business Solutions (B2B)« and »Wholesale Solutions«.

nacamar GmbH

nacamar GmbH operates as an independent service providers for new media business and offers companies from the media sector a broad spectrum 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 (content delivery network), 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 has its headquarters in Düsseldorf.

easybell GmbH

easybell GmbH offers innovative and economically priced telecommunications products to private customers. Currently the focus of easybell GmbH is on marketing of DSL wireline products and DSL voice services. Sales are primarily executed online and 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

mvneco GmbH 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. 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 acted as the exclusive sales partner of ecotel and in particular procured the full access products in conjunction with the supplementing ecotel mobile services as a convergence product via telesales and trade representatives. In 2014 the business representation contract with ecotel was terminated. synergyPlus GmbH is currently a company without active business operations.

4. Corporate management of the group

ecotel manages its three reporting segments 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 remaining Group companies flow. At the group level, the focus is on the controlling variables of consolidated turnover and consolidated EBITDA. The gross profit margin in the Business Solutions segment is also a significant profitability indicator. For this purpose, in the planning at product level and in accordance with the marginal costing method, 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 for each segment at the revenue and EBITDA level with a 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. Detailed controlling of the business divisions also requires continuous monitoring of the revenue, profitability, liquidity, investment and working capital. These also include division specific key indicators (e.g. minute volume, price per minute, purchasing margin, quantity structures) that are mapped in a reporting system (dashboard). Within the company management ecotel also uses performance indicators of a non-monetary nature, such as the number of customers for particular products groups or minutes used. However, these indicators are determined differently depending on the segment and are not used for the overall group controlling.

5. Research and development

ecotel itself does not conduct basic research or extensive technical product developments. ecotel focusses on the compatibility of existing line types, rate combinations and device configurations. The highest possible cost-effectiveness ratio for the customer is always at the focus here. The development expenses in past years were therefore limited essentially to the technological expansion of the computer centre and the in-house development of the remote router management platform for the Allianz project. The capitalised development expenses in 2014 totalled € 287 thousand (previous year: € 1,150 thousand).

6. Market and competitive environment

According to the German Statistical Office, economic growth in Germany in 2014 reached 1.5 % – compared to 0.4 % growth in 2013. It was therefore above the average of 1.2 % for the last ten years. For 2015 economists predict stable growth for the German economy with growth rates of 1.3 % to 1.7 %.

Telecommunications market volume dropped again in 2014

In 2014 the total market for telecommunications services (including cable networks) in Germany again declined slightly from € 59.6 billion to € 58.3 billion (source: VATM-Marktanalyse 2014, p. 4). Due to growth in the broadband cable network, the proportion of alternative competitors on the total market increased from 63 % to 64 %.

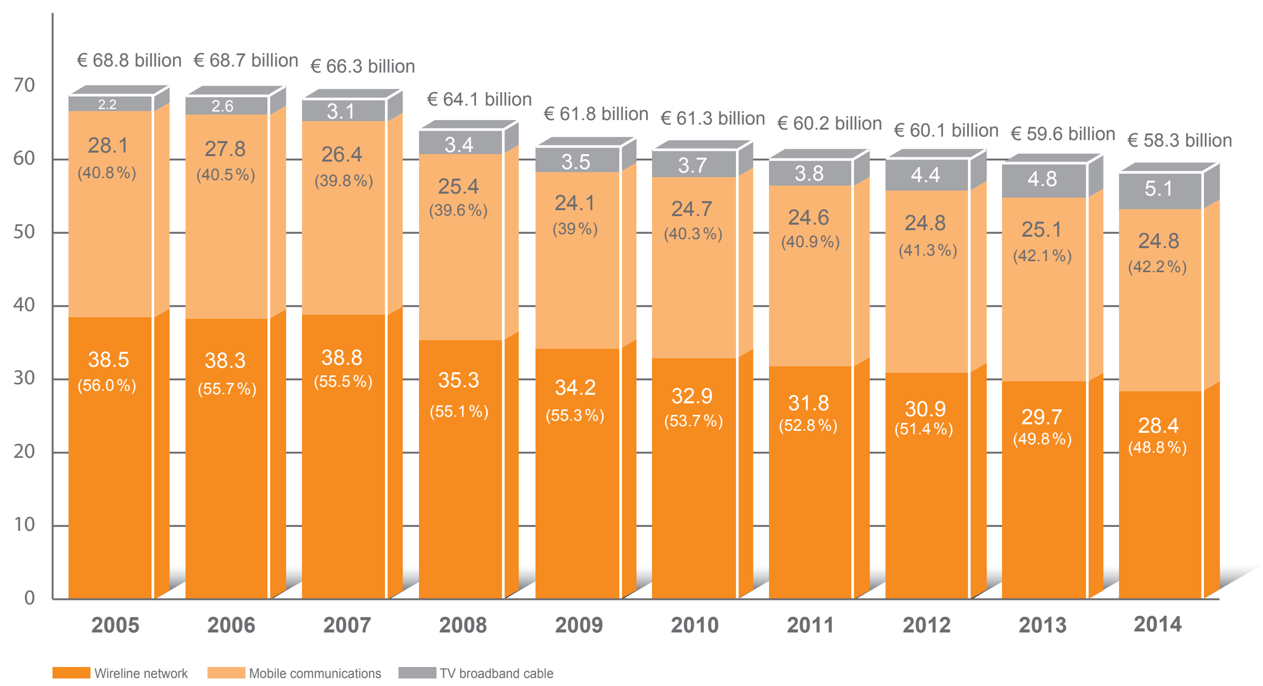
The wireline market, consisting of access, voice and data services with external sales of € 33.5 billion represent 57.5 % of the total market for telecommunication services.

Mobile communications revenue decreased slightly from € 25.1 billion to € 24.8 billion despite the increase in data traffic. The number of activated SIM cards increased slightly from about 115 million to 117 million. Mobile to Mobile (M2M) SIM cards, at ca. 6 %, contributed twice as much to this figure as in the previous year.

In the meantime the alternative competitors in the wireline sector have switched more than 16 million of their own telephone connections (including voice access via cable TV networks) and thus with just under 37 million telephone connections have a market share of 44 % (source: VATM-Marktanalyse 2014, p. 13). 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.

The number of broadband access lines increased steadily in 2014 by 0.7 million to a total of more than 29 million. Of these, 8.5 million (29 %) were for unbundled local access, 2.3 million (8 %) for Resale DSL / Wholesale DSL / IP Bitstream, 12 million (42 %) for DTAG and 6 million (20 %) for cable TV. 0.3 million households (1 %) have now been connected via a broadband optical fibre

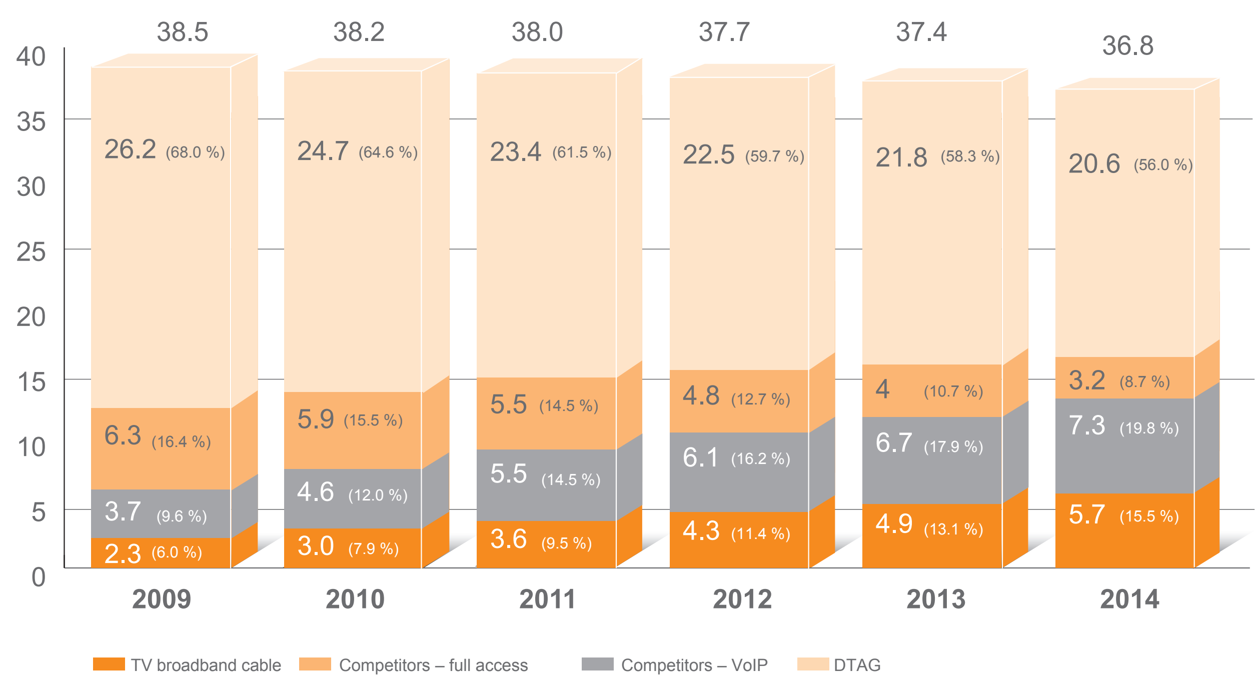
Total market for telecommunications in Germany (in € billion)



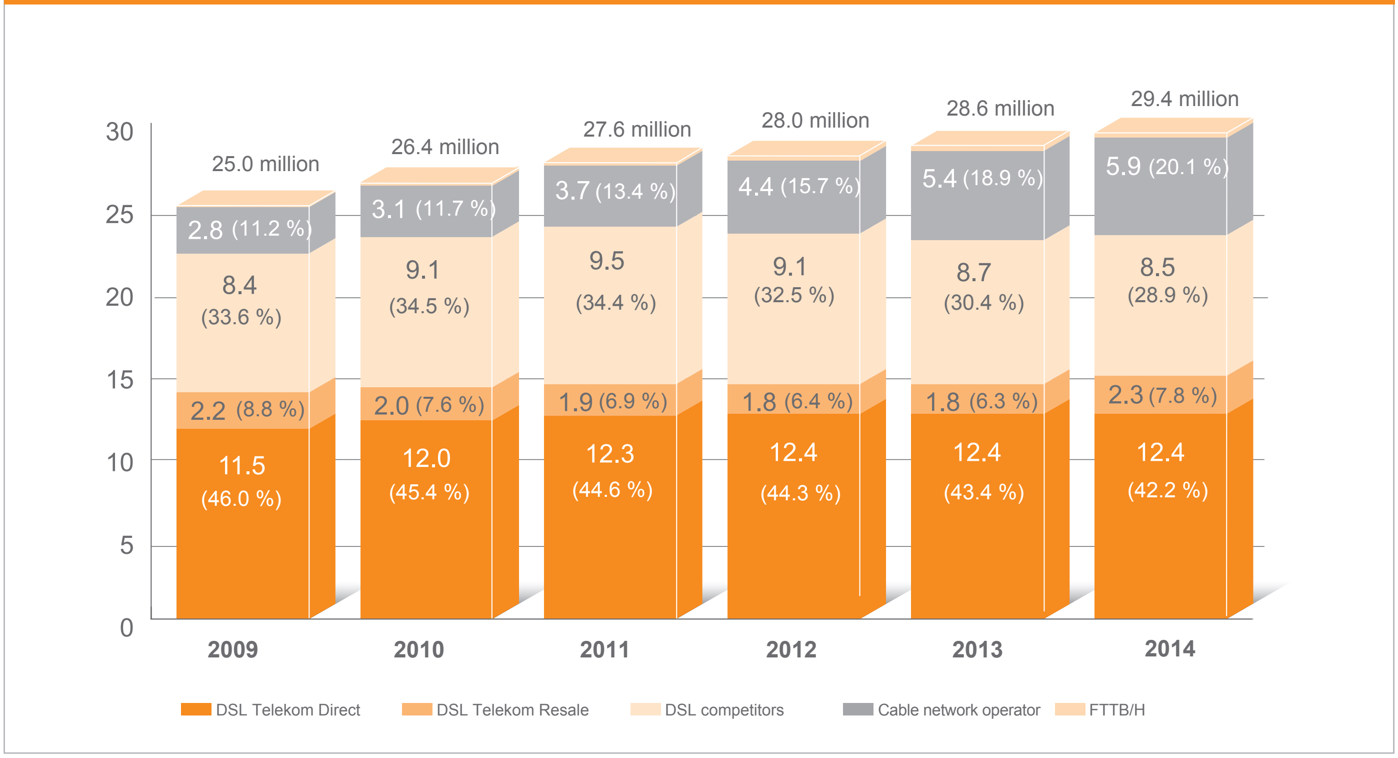
access. DTAG's competitors have a market share thereof totalling 57 %. Growth among the competition is from TV cable broadband networks, while DSL-based alternative wireline companies are losing market shares (source: VATM-Marktanalyse 2014, p. 15).

The share of competitors to DTAG in the traffic volume for voice services is approximately 55 % of the total traffic volume in the German fixed line market. The percentage of voice connection minutes via full access lines of the total volume of fixed-line minutes that are realised by the competitors is more than 90 %. However, the

Fixed-line full access lines (in million)



Broadband access lines (in millions)



call-by-call and preselection volumes (IXC prefix from the DTAG network) are stabilising (source: VATM-Marktanalyse 2014, p. 11).

Trends in the B2B market

The Business Solutions (B2B) segment in Germany is characterised by continuing highly intense competition. The market is developing rapidly due to the convergence of voice and data communication. In addition the traditional voice technology is increasingly being replaced by Voice-over-IP solutions, slowly but steadily.

An important basis in Business Solutions is the continuous expansion of broadband Internet access both via wireline (fibre optics, vectoring) and via mobile communications (LTE, WLAN). The transfer of PBX telephone systems into the network (Hosted PBX/IP Centrex) and the stronger convergence of telecommunications and IT also point the way to the future.

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
- Machine to Machine (M2M) / Internet of Things (IoT) / Computing Everywhere
- 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

In order to survive the competition, companies that are active in the B2B segment must be able to offer all relevant products for business customers in a bundle from a single source and also to implement many of the above trends. As a production factor, especially telecommunication services for business customers are very important in terms of overall profitability. A corresponding regulatory framework must therefore ensure that competitors can draw upon all preliminary services.

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.

- 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.

- Coordination of European telecommunications policy (EU Single Market) with the special requirements of the German telecommunications market.

- 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. Goals and strategies of the company

It is the express goal of ecotel to be a leading provider of telecommunications services for SME business customers. Another goal of the Group is to continue growing in the private customer segment with the »easybell« brand through transparent, simple rate structures. This will be made possible by the Group's high capacity for flexibility and innovation. The strategic goals of the three segments of the ecotel Group are described in the following.

Business Solutions

An important driving force for achieving the mid-term goals of ecotel is the development in the Business Solutions segment. The future alignment in this area stands on three 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 georedundant 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 is being achieved with a new product for connecting telephone systems at the customer location via voice or IP technology (SIP Trunk), and on the other hand via new »private cloud complete solutions for SMEs« including customer-specific telephone systems on virtual servers in the ecotel computer centre, SIP Trunk and access via ecotel. Likewise entirely »Made in Germany«.

New Business

In Private Customer Solutions (B2C) ecotel continues striving with the easybell brand to become an innovation leader in Germany for classic voice and data services by means of modern cloud applications. The focus is on the highest possible cost-effectiveness ratio for customers while simultaneously offering the best customer service.

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

II. Earnings, financial and asset situation

1. Earnings and performance

In 2014 ecotel exceeded the € 100 million revenue threshold with a figure of € 101.5 million (previous year: € 91.2 million). This corresponds to growth of 11.3 %. This increase in revenue is essentially allocated to the Wholesale Solutions segment. Revenue in this area increased by € 8.5 million or 24.5 %. In the high-margin business customer segment revenue decreased slightly by 0.5 % to € 41.9 million. With € 16.4 million the New Business segment again reported growth in the two-digit percentage range.

EBITDA, at € 7.3 million (previous year: € 6.6 million) increased by 10.6 % and was therefore at the upper end of the forecast corridor of € 6.5 to 7.5 million. Based on the sales revenue development, which is explained in the following for each segment, especially one-time proceeds and higher personnel expenses affected the EBITDA.

Stable revenue, slightly decreased gross profits and gross margins in the Business Solutions segment

In the Business Solutions segment ecotel was able to achieve revenue of € 41.9 million (previous year: € 42.0 million). Business Solutions constituted 41 % of the Group revenue. Since mid-2014 ecotel has discontinued marketing its own mobile services. Without this effect, sales revenue in Business Solutions would have increased by € 0.3 million. Revenue from the product areas »Full Access«, »Leased Lines«, »SHDSL Lines« and »Managed Router Services« increased by a total of € 2.8 million to € 23.7 million, while revenue from pure voice / access marketing decreased by € 2.1 million. In 2014 sales revenue was achieved from one-time router installations – essentially for the rollout from the Allianz project – totalling € 0.6 million (previous year: € 1.0 million). Gross profit in the Business Solutions segment decreased by € 0.5 million to € 20.6 million, which corresponds to a gross profit margin of 49 %.

Fast growth of revenue in Wholesale Solutions

Also, revenue in Wholesale Solutions increased significantly from € 34.7 million to € 43.2 million. The gross profit from this segment, which experience has shown to be very low, remained stable at € 0.6 million (previous year: € 0.7 million).

Increasing revenue in New Business segment

In the New Business segment revenue increased in comparison with last year by € 1.9 million to € 16.4 million. While Private Customer Solutions (B2C) was able to grow from € 11.4 million by € 2.7 million or 23.7 % to € 14.1 million, new media solutions experienced a decrease in revenue from € 3.2 million by € 0.7 million or 21.9 % to € 2.5 million.

Gross profit in New Business increased by 8.5 % to € 5.5 million (previous year: € 5.0 million). Private Customer Solutions contributed € 4.1 million to the gross profit, new media solution € 1.4 million.

Higher other operating income / other operating expenses

The balance from other operating income and other operating expenses increased from € –9.6 million in the previous year to € –7.5 million in this financial year. In addition to recurring expenses, which have not changed significantly, this change is essentially due to one-time effects both in the income and in the expenses.

Higher personnel expenses

Personnel expenses increased in 2014 by € 1.3 million from € 10.6 million to € 11.9 million, essentially due to hiring of new personnel and salary increases. The number of employees of the consolidated companies (without minority companies) increased from an average of 186 to 214.

Operating result (EBIT)

EBIT totalled € 3.0 million (previous year: € 3.2 million). In addition to the effects described above increased depreciations also contributed to this decrease. Scheduled depreciations increased from € 0.6 million to € 4.0 million. Of this amount, € 1.6 million were for scheduled depreciations of assets such as software, customer bases and development costs. In addition, a software / customer platform no longer in use and valued at € 0.2 million was written off as an unplanned depreciation.

Financial result / Taxes / Consolidated profit

The financial result, at € –0.2 million, was at the same level as the previous year. Expenses for interest on financial debts totalled € 0.2 million (previous year: € 0.2 million) and capital market support costs totalled € 0.1 million (previous year: € 0.1 million). In addition, income of € 0.1 million was generated from at-equity holdings. The tax expense for 2014 totalled € 1.0 million and is comprised of € 0.9 million effective tax expenses and € 0.1 million deferred tax expenses.

Consolidated profit before deduction of shares of other shareholders totalled € 1.8 million (previous year: € 2.1 million). The annual result attributed to the owners of the parent company totalled € 1.2 million (previous year: € 1.4 million). This corresponds to earnings per share of € 0.33 (previous year: € 0.40).

Comparison of the forecasts with the actual business trend

At € 101.5 million, actual revenues achieved exceeded the € 85 – 95 million range forecast of the previous year's Group Management Report. This forecast was increased during the course of the year 2014 to € 100 million within the framework of the interim financial reports. The actual revenue, however, was also slightly above this forecast. The reason for the overperformance was higher growth than predicted in the Wholesale Solutions segment.

EBITDA totalling € 7.3 million was at the upper end of the forecast corridor of € 6.5 to 7.5 million.

2. Financial position

Cash flow from operating activities for 2014 was € 4.4 million, compared to € 6.9 million in the previous year. This decrease of € 2.5 million resulted essentially from the following, partially opposing, effects: On the one hand, EBITDA increased by € 0.6 million. On the other hand, the working capital (difference between current receivables and liabilities) in the year 2014 increased by € 1.0 million. In addition, ecotel paid taxes totalling € 1.7 million – including € 0.7 million from withholding tax on Group dividends that are reported as receivables from inland revenue offices.

Cash flow from investing activity was € –2.9 million, compared to € –7.7 million in the previous year. This consists essentially of investments in intangible assets and property, plant and equipment (€ 3.6 million) as well as deposits from repayments of loans to financial assets measured at equity (€ 0.7 million). The investments in 2014 were significantly lower than in the previous year. In the previous year a total of € 5.0 million was needed solely for investments in routers, server equipment network platforms and the development of a remote router management platform for the Allianz project.

Cash flow from financing activity totalled € –2.7 million (previous year: € -0.6 million). This includes the payback of financial loans totalling € 0.9 million and interest payments of € 0.2 million as well as payments for the buy-back of shares in 2014 totalling € 0.8 million as well as distributions to minority shareholders totalling € 0.7 million.

Cash and cash equivalents decreased from € 6.1 million at the beginning of 2014 to € 5.0 million at the end of 2014. ecotel has a working capital credit line of € 5.2 million (€ 4.0 for the current account line and € 1.2 million for use as sureties).

As in previous years ecotel was able to meet all payment obligations on schedule and without restrictions. 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. Net worth

The balance sheet total was € 43.8 million as of 31 December 2014, which corresponds to a 3 % decrease compared with € 45.2 million as of 31 December 2013.
On the **assets side** both the non-current assets (€ –1.1 million) and the current assets (€ –0.2 million) decreased. Goodwill remained constant at € 8.9 million. The value of customer relations decreased from € 2.0 million to € 1.8 million. Investments in property, plant and equipment totalling € 2.4 million were lower than the depreciations and impairments totalling € 2.7 million. The slight decrease in current assets resulted from lower trade receivables as well as other current financial assets (€ –0.6 million) as well as the decrease in cash and cash equivalents (€ –1.1 million). This was offset by an increase in the other non-financial assets (€ 0.8 million) – essentially from maintenance and service contracts already concluded and paid for the coming years, and pre-payments to a supplier – as well as the increase in income tax receivables totalling € 0.8 million.

On the **liabilities side** the equity increased by € 0.5 million to € 20.7 million (previous year: € 20.2 million). This corresponds to an equity ratio of 47.1 % (previous year: 44.7 %). The increase in equity resulted from the consolidated profit of € 1.8 million and the buy-back of treasury shares (€ –0.8 million). In addition, the Group distribute € 0.7 million to minority shareholders. The non-current liabilities were reduced by € 0.9 million, essentially due to the repayment of financial loans. The current liabilities were reduced by € 0.9 million, essentially due to lower liabilities from trade receivables at the end of the year.
The net debt (financial liabilities minus liquid funds) totalled € 1.5 million (previous year: € 1.3 million) as of 31 December 2014.
ecotel is financed by long-term annuity loans. Details on contractually stipulated payback can be found in the consolidated notes.

4. General statement of the economic situation of the group

ecotel is in a stable economic position. The balance sheet indicators are solid, the financing is secure in the middle term and the equity ratio is at a high level. The earnings situation is characterised by contractually secured recurring revenue from Business Solutions (B2B) and a secure and growing customer base in the Private Customer Solutions (B2C). The business in the Wholesale Solutions segment is difficult to predict, but does not involve a high earnings risk. For the opportunities and risks and the forecast, we refer to chapters III and IV of this management report.

III. Risks and opportunities 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 group the managing directors of the subsidiaries, as well as the members of the ecotel management team assist the Management Board.

With the aid of a quarterly risk report the Management Board and the Supervisory Board track the identified risks with reference to the planned development 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 group, in the form of a risk matrix.

All potential risks are evaluated in this respect according to their probability of occurrence and the possible extents 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 4 (four) damage classes according to the following table.

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

The probabilities and damage classes allocated to the identified risk items are divided into risk classes as shown in the following table. The risk class also results in the gross risk for each risk item (1 through 4). The Management Board derives countermeasures to be initiated for each risk item and uses this to asses the net risk (1 through 4). The gross risk and net risk can therefore deviate from one another due to the countermeasures.

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

ecotel continues to maintain 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. Regularly recurring processes are implemented to a large extent with IT support (interfaces between operative and accounting systems for invoices, incoming and outgoing payments as well as credit processes). Account assignment guidelines are used for correct accounting. External service providers are consulted for the IFRS preparation of financial statements as well as for more complex accounting issues. The same applies for preparation of the tax return. These preparation and consultation services are controlled and processed by means of internal plausibility tests and coordination measures. In addition the central key financial figures are monitored by a regular target/actual comparison with deviation analysis.

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. In the following the essential risks are explained and listed with their gross and net risk (based on measures initiated).

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 invoicing, provisioning, receivables management, as well as customer, supplier and partner support.

Assurance of the highest possible availability of the 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. In the area of availability of the server farms, e.g. 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; n+1 redundancy was implemented in the area of the air conditioning technology. However, risks of external capacity bottlenecks for the power supply of the computer centre in Frankfurt am Main exist; these risks can possibly cause hindrances for future customer growth. Likewise there will be renovations of the air conditioning system in the computer centre in 2015. The necessary expansion and renovation work will be supervised closely by the Management Board and Management and evaluated with respect to the potential risks for ecotel. (gross risk 3 / net risk 4).

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 2015 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).

In the area of Ethernet marketing competition has increased recently, resulting in a price war. Due to the bundling of Ethernet products with PMX access lines on the basis of NGN SIP-Trunk ecotel developed a differentiation strategy (gross risk 1 / net risk 2).

Due to the successful implementation of the Allianz router rollout ecotel has received follow-up orders from Allianz Deutschland AG and from Allianz agencies. In order to process these orders efficiently and successfully on both sides, it is necessary to establish and manage processes, structures and resources within the ecotel Group and the Allianz Group. Disruptions and delays in these processes could mean that ecotel will not be able to implement planned revenue until a later time (gross risk 1 / net risk 1).

In the placement of orders ecotel is dependent on the performance of the upstream suppliers and the stability of the systems and processes. In the event of a backlog the risk exists of losing our reputation with the sales partners and customers and even of losing orders. To identify problems and delays as they occur and to be able to offer solutions, Management maintains contact to the different levels of the upstream suppliers (gross risk 1 / net risk 2).

ecotel's plan to become a subscriber network operator involves not only technological challenges, but also advanced requirements for data security and data protection. In this respect ecotel will take measures to be able to fulfil the requirements and to guarantee its customers the best possible security (gross risk 3 / net risk 3).

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 the business customers is currently 0.1 %. 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).

ecotel has agreed with the financing credit institutions on so-called financial covenants that are usual in the market, 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. With respect to all required covenants (equity ratio, EBITDA / sales revenue and net debt / EBITDA) ecotel is currently well within the intervals prescribed by the financial covenants. The enterprise assumes that compliance with all covenant threshold values is ensured again in 2015 (gross risk 4 / net risk 4).

At year end 2014 ecotel had liquid funds totalling € 5.0 million. The net debt at the end of the year totalled € 1.5 million. As an additional liquidity reserve ecotel has a revolving credit facility of € 5.2 million, of which, at the end of 2014, € 0.8 million were used as surety for payment.

Currently ecotel 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.

Legal risks

ecotel is exposed to numerous legal risks. These can include, for example, risks in the areas of warranties, infringement of contract clauses, competition and patent law as well as tax law. The effects of impending or future law suits often cannot be predicted reliably.

The Group continuously identifies and analyses the potential occurrence of risks for legal disputes and quantitatively and qualitatively assesses the potential legal and financial consequences. On this basis suitable measures are taken promptly to prevent potential damage to the Group. As of the end of financial year 2014 the Group does not foresee any significant legal disputes.

Tax risks

Risks arise for the Group when tax laws and other regulations are not complied with fully. In addition, these risks arise due to issues that are open to interpretation if appropriate tax measures have not been taken in the opinion of the tax authorities. Tax field audits can therefore result in payment of additional taxes, interest and penalties. With the involvement of external tax consultants the Group continuously monitors tax risks that can result for example from tax laws, changed administrative interpretations or tax case law. Based on field audits conducted in financial year 2014 the Group sees no substantial tax risks for the non-audited periods of assessment.

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 2015 and 2016 only with a delay (gross risk 2 / net risk 2).

ecotel purchases the majority of its lines from a few upstream suppliers. The term of the current purchasing contract (reseller contract) of an important supplier will expire at the end of 2015 due to the upcoming change in technology from ISDN to All-IP-based voice services for new orders. Currently ecotel is conducting negotiations for a further contract renewal and assumes that there will be continued cooperation with this upstream supplier also in the area of the new All-IP services. Regardless of this, ecotel is planning to offer All-IP voice services on the basis of its own TNB strategy starting the second half of 2015 (gross risk 1 / net risk 1).

Risks of the market environment

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

There is already strong price and predatory competition in the private customers segment, which could spread even more to the business customers segment in the future. Telekom Deutschland already shows a market share significantly above 50 % in all business customer segments. In addition, the acquisition of Kabel Deutschland by Vodafone and the merger of O2/E-Plus has put two more strong players on the market. If the strong consolidation of the telecommunications industry should continue, this 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 ruled out 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. It also remains to be seen what regulatory changes will result from developments on the European home market for telecommunications (gross risk 2 / net risk 2).

There are tendencies that the new federal government could give in to demands by Deutsche Telekom for a reduction of market surveillance and / or regulation. A result of this could be that Deutsche Telekom might make it more difficult for alternative telecommunications providers to access its network, with reduced competition in many segments. Prices for broadband access lines could therefore rise drastically in the future, with negative effects on ecotel'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 ecotel Group and that ecotel, through the flexible business model and the monitoring system, can quickly recognise risks, respond to them, and implement counter measures in 2015 as well.

3. Opportunities for 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. Major telecommunications providers have announced that in the coming years (2017/2018) ISDN technology will be replaced by VoIP technology. For many business customers that also means necessary investments in existing telephone/communication systems, for which ecotel has introduced new, innovative products that can avoid these investments. 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 virtual server in the ecotel computer centre (ecotel PBX Hosting) including connection of the customer location and ecotel SIP Trunk solution as a »Private Cloud Solution – Made in Germany«.

Sustainable marketing activities in the data segment
In 2014 revenue from data, including hosting totalled € 18.6 million, or more than 40 % of the Business Solutions revenue. This quota could increase more than provided for in the current planning, for example through expansion of the existing Ethernet and SHDSL product spectrum to include new functions, and through 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 creates optimal opportunities for ecotel 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 is conducing one active legal dispute as of the date of the financial statements. We refer to the explanations in section V, Supplementary report.

Further revenue and earnings growth at easybell
The coming years will present easybell a great opportunity for further growth. As a result of the broadband initiative of the federal government many regional companies will install fibre optic infrastructures in previously under-supplied regions. With respect to marketing, however, these companies frequently lack know-how. In this sector easybell has earned a good reputation through cooperations with Vitroconnect and Vattenfall. In addition, the investments in the IT infrastructure will bear fruits in this respect, since additional carriers can easily be integrated in the existing processes. As a deep-rooted yet agile company, easybell will therefore help to shape the telecommunication sector in Germany.

Consolidation at nacamar

Short-term compensation of the loss of a key account for the delivery of web streaming content and http caching at nacamar was not possible. Through a strategic realignment, internal restructuring measures and the acquisition of new customers, nacamar achieved consolidation.

IV. Outlook

Comments on forecasts

This Group Management Report contains forward-looking statements, which reflect the current views of the ecotel Management with respect to future events. They are generally characterised by the words »expect«, »assume«, »presume«, »intend«, »estimate«, »strive«, »set as a goal«, »plan«, »become«, »aspire to«, »outlook« and similar expressions and generally contain information that refers to the expectations or goals for sales revenue, EBITDA, gross profit margin or other performance-related standards. Forward-looking statements are based on current plans, estimates and expectations. They should therefore be viewed with caution. Such statements involve risks and uncertain factors, most of which are difficult to assess and which generally are beyond the control of ecotel.

Other possible factors that can have a negative effect on the cost and revenue development are changes in interest rates, regulatory requirements and developments concerning rights of control. If these or other risks and factors of uncertainty occur, or if the assumptions on which the statements are based turn out to be incorrect, ecotel's actual results can diverge substantially from those expressed or implied in these statements. ecotel can make no guarantee that the expectations or goals will be achieved. ecotel – notwithstanding existing capital market obligations – refuses to accept any responsibility whatsoever for updating the forward-looking statements by taking into account new information or future events or other matters.

Forecast for 2015

Taking into account the overall economic conditions of the current and expected market situation presented in this group management report and assessing the risks and opportunities of the ecotel Group, the Management Board expects the following forecast:
For 2015 the Management Board expects consolidated revenue of € 90 to 100 million and EBITDA in a corridor of € 7.5 of 8.5 million.

In this respect the Management Board expects that the revenue in the core segment of Business Solutions will be within a corridor of € 42 – 45 million with a stable gross profit margin. Revenue of € 17 – 19 million is expected for the New Business segment. Revenue planning for the low-margin Wholesale Solutions segment is possible only to a limited extent, since experience shows that this segment is subject to large fluctuations. Here ecotel expects revenue of € 30 – 45 million.

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. We refer to the explanations in the »Comments on forecasts«.

Mid-term goals for 2016

Management continues to pursue the goal of sustainably increasing revenue to € 100 million, with EBITDA of € 8 to 10 million in 2016. In the Business Solutions segment the Group is planning to accelerate the increase in revenue and to keep the gross profit stable in this segment or to increase it depending on revenue growth.

V. 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 2014.

Until the time of preparation of the consolidated financial statement ecotel was able to terminate an active legal dispute. The one-time revenues to which ecotel is entitled are included in the group forecast presented above.

VI. 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, 23 March 2015

ecotel communication ag

The Management Board

Peter Zils **Johannes Borgmann** **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, 23 March 2015

ecotel communication ag

The Management Board

Peter Zils **Johannes Borgmann** **Achim Theis**

Consolidated financial statement

Consolidated balance sheet as of 31 December 2014

€	Notes	01/01/2013 1)	31/12/2013 1)	31/12/2014
Assets				
A Non-current assets				
I. Intangible assets	(1)	13,793,947.48	13,778,707.54	13,091,835.54
II. Fixed assets	(2)	5,940,228.48	9,448,499.36	9,126,589.45
III. Financial assets accounted for based on the equity method	(3)	1,410,000.00	889,412.00	678,119.42
IV. Other financial assets	(3)	3,800.00	3,800.00	0.00
V. Deferred income tax claims	(6)	0.00	0.00	80,646.01
Total non-current assets		**21,147,975.96**	**24,120,418.90**	**22,977,190.42**
B. Current assets				
I. Inventories	(4)	145,446.68	110,438.10	108,037.04
II. Trade receivables	(5)	11,802,900.87	13,336,258.96	13,285,480.70
III. Other financial assets	(5)	959,561.32	1,133,828.31	555,933.27
IV. Other non-financial assets	(5)	360,906.01	339,199.98	1,153,449.08
V. Actual income tax claims	(6)	26,783.10	8,397.67	758,682.68
VI. Cash and cash equivalents	(7)	7,533,432.71	6,102,618.82	4,987,505.15
Total current assets		**20,829,030.69**	**21,030,741.84**	**20,849,087.92**
Total assets		**41,977,006.65**	**45,151,160.74**	**43,826,278.34**

1) Values adjusted, see Notes »Principles of financial accounting«

€	Notes	01/01/2013 1)	31/12/2013 1)	31/12/2014
Liabilities				
A. Equity capital				
I. Subscribed capital	(8)	3,685,096.00	3,600,000.00	3,510,000.00
II. Capital reserves	(8)	1,443,254.38	1,443,254.38	1,833,254.38
III. Other reserves	(8)	11,971,955.04	13,120,261.29	13,188,036.40
Shares of owners of the parent company		**17,100,305.42**	**18,163,515.67**	**18,531,290.78**
IV. Shares of other shareholders	(8)	1,733,550.34	2,006,444.80	2,119,209.82
Total equity capital		**18,833,855.76**	**20,169,960.47**	**20,650,500.60**
B. Non-current liabilities				
I. Deferred income tax	(9)	466,021.00	625,810.78	851,949.84
II. Non-current loans	(10)	4,831,250.00	6,488,750.00	5,383,750.00
Total non-current liabilities		**5,297,271.00**	**7,114,560.78**	**6,235,699.84**
C. Current liabilities				
I. Current taxes on earnings	(9)	669,730.47	566,269.92	535,287.63
II. Current loans	(10)	2,488,715.17	942,500.00	1,105,000.00
III. Accounts payable	(10)	12,968,031.77	12,872,615.08	12,017,265.73
IV. Liabilities to associated companies	(10)	213,230.42	34,460.90	0.00
V. Other financial liabilities	(10)	1,147,831.99	1,733,764.43	1,597,214.10
VI. Other non-financial liabilities	(10)	358,340.07	1,717,029.16	1,685,310.44
Total current liabilities		**17,845,879.89**	**17,866,639.49**	**16,940,077.90**
Total liabilities		**41,977,006.65**	**45,151,160.74**	**43,826,278.34**

1) Values adjusted, see Notes »Principles of financial accounting«

Consolidated statement of comprehensive income for financial year 2014

€		Notes	1/1–31/12/2013 1)	1/1–31/12/2014
1.	Sales revenue	(13)	91,230,483.83	101,498,584.67
2.	Other operating income	(14)	632,824.92	2,928,925.94
3.	**Total operating performance**		**91,863,308.75**	**104,427,510.61**
4.	Cost of materials			
	Expenses for services purchased	(15)	–64,422,360.08	–74,887,919.38
5.	Personnel costs	(16)		
5.1	Wages and salaries		–9,182,781.99	–10,293,889.48
5.2	Social contributions and expenses for pensions and benefits		–1,422,381.39	–1,597,981.90
6.	Scheduled depreciations	(17)	–3,414,066.23	–4,023,868.11
7.	Unscheduled depreciations	(17)		
7.1	of non-current assets		0.00	–243,520.29
7.2	of current assets		0.00	–4,434.26
8.	Other operating expenses	(18)	–10,263,739.30	–10,395,403.02
9.	**Operating result (EBIT)**		**3,157,979.76**	**2,980,494.17**
10.	Financial revenues		42,681.76	226,691.25
11.	Financial expenses		–261,477.00	–531,020.43
12.	Earnings from financial assets valued based on the equity method		0.00	102,946.63
13.	**Financial result**	**(19)**	**–218,795.24**	**–201,382.55**
14.	**Earnings from normal business activities before income tax**		**2,939,184.52**	**2,779,111.62**
15.	Taxes from income and revenue	(20)	–925,391.61	–1,025,112.70
16.	**Surplus (= total consolidated profit)**		**2,013,792.91**	**1,753,998.92**
17.	Allocation of the surplus to the			
17.1	**Owners of the parent company (consolidated surplus)**		**1,434,836.34**	**1,151,233.90**
17.2	Shares of other shareholders	(21)	578,956.57	602,765.02

€	Notes	1/1–31/12/2013 1)	1/1–31/12/2014
Undiluted earnings per share	(22)	0.40	0.33
Diluted earnings per share	(22)	0.40	0.33

1) Values adjusted, see Notes »Principles of financial accounting«

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

Consolidated cash flow statement for financial year 2014 (see Note. 23)

€	2013[1)]	2014
Earnings from normal business activities before income tax	2,939,184.52	2,779,111.62
Net interest income	219,026.16	3,883.76
Depreciation and amortisation expense	3,433,330.70	4,454,605.81
Depreciations (+)/appreciations (–) on current assets	0.00	4,434.26
Earnings from financial assets valued based on the equity method	0.00	–102,946.63
Other expenses (+)/income (–) not affecting the balance sheet	–110,522.93	0.00
Profit (–)/loss (+) from retirements of intangible assets and property, plant and equipment	–1,734.42	7,613.12
Increase (–)/decrease (+) in the accounts receivable	–1,533,726.93	–3,291.67
Increase (–)/decrease (+) in receivables and other assets	–117,183.52	–184,556.94
Increase (+)/decrease (–) in the accounts payable	1,219,418.30	–855,349.34
Increase (+)/decrease (–) in liabilities (without financial debts)	1,670,660.90	5,531.78
Paid (–)/received (+) income tax	–850,676.95	–1,660,886.95
Inflow of funds from ongoing business activities	**6,867,775.83**	**4,448,148.82**
Payments received from disposal of intangible assets and items of property, plant and equipment	3,079.28	8,767.73
Payments made for investments in intangible assets and property, plant and equipment	–8,223,277.03	–3,615,497.35
Repayment of loans to financial investments accounted for using the equity method	529,412.00	695,122.79
Interest paid in	12,248.08	2,900.26
Outflow of funds from investment activities	**–7,678,537.67**	**–2,908,706.57**
Buyback of shares	–469,666.10	–783,458.80
Payments to other shareholders	–112,831.00	–698,022.11
Payments from taking out financing loans	2,600,000.00	0.00
Payments for repayment of financing loans	–2,348,125.00	–942,500.00
Interest paid out	–289,429.95	–230,575.01
Inflow/outflow of funds from financing activities	**–620,052.05**	**–2,654,555.92**
Change in funds balance affecting the balance sheet	**–1,430,813.89**	**–1,115,113.67**
Funds balance at start of period	7,533,432.71	6,102,618.82
Funds balance at end of period	**6,102,618.82**	**4,987,505.15**

1) Values adjusted, see Notes »Principles of financial accounting«

Development of the consolidated equity

			Retained
€ thousand Notes (8)	**Subscribed capital**	**Capital reserves**	**Other retained earnings**
As of 1 January 2013 before adjustment	**3,685**	**1,443**	**15,056**
Effect from IAS 8 (correction of deferred revenue)	0	0	0
As of 1 January 2013 after adjustment	**3,685**	**1,443**	**15,056**
Buyback of treasury shares	–85	0	–385
Compensation payment due to easybell GmbH P/L transfer agreement	0	0	0
Dividend-related change of indirect third-party shares in sparcall GmbH	0	0	99
Reposting of previous year's earnings	0	0	–3,084
Changes in equity capital not affecting the earnings	**–85**	**0**	**–3,370**
Consolidated profit 2013 [1]	0	0	0
Changes in equity capital affecting the earnings	**0**	**0**	**0**
As of 31 December 2013	**3,600**	**1,443**	**11,686**
As of 1 January 2014 after adjustment	**3,600**	**1,443**	**11,686**
Buyback of treasury shares	–90	0	–694
Allocation of capital reserve from call-in of treasury shares	0	390	–390
Payouts	0	0	0
Reposting of previous year's earnings [1]	0	0	1,435
Changes in equity capital not affecting the earnings	**–90**	**390**	**351**
Consolidated net income 2014	0	0	0
Changes in equity capital affecting the earnings	**0**	**0**	**0**
As of 31 December 2014	**3,510**	**1,833**	**12,037**

[1] *Values adjusted, see Notes »Principles of financial accounting«*

earnings				
	Consolidated profit	Shares of owners of the parent company	Shares of other shareholders	Total
	–2,595	**17,589**	**1,734**	**19,323**
	–489	–489	0	–489
	–3,084	**17,100**	**1,734**	**18,834**
	0	–470	0	–470
	0	0	–208	–208
	0	99	–99	0
	3,084	0	0	0
	3,084	**–371**	**–307**	**–678**
	1,435	1,435	579	2,014
	1,435	**1,435**	**579**	**2,014**
	1,435	**18,164**	**2,006**	**20,170**
	1,435	**18,164**	**2,006**	**20,170**
	0	–784	0	–784
	0	0	0	0
	0	0	–490	–490
	–1,435	0	0	0
	–1,435	**–784**	**–490**	**–1,274**
	1,151	1,151	603	1,754
	1,151	**1,151**	**603**	**1,754**
	1,151	**18,531**	**2,119**	**20,650**

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

General information

The ecotel Group (hereinafter »ecotel«) is a telecommunications company that has been active throughout Germany since 1998 and specialises in meeting the information and telecommunication (IT / telecom) requirements of customers. The parent company is ecotel communication ag (hereinafter »ecotel ag«). ecotel reports on the following segments:

The **Business Customers segment** includes the Business Solutions (B2B) division of ecotel ag, the **Wholesale segment** includes the Wholesale Solutions division of ecotel ag and the business activities of the minority holding mvneco GmbH. The **New Business segment** combines the Private Customer Solutions (B2C) of the easybell Group and the new media solutions of nacamar GmbH.

The headquarters of ecotel communication ag is Düsseldorf, Germany. The address is: ecotel communication AG, Prinzenallee 11, 40549 Düsseldorf. The company was entered in the commercial register of the district court of Düsseldorf (HRB 39453) on 1 September 2000.

The shares of ecotel communication ag are traded in Frankfurt / Main and also in stock exchanges in Germany.

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 2015, through submission by the Management Board to the Supervisory Board of ecotel communication ag.

Principles of financial accounting

The ecotel financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the relevant commercial regulations pursuant to §315a, paragraph 1 of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The consolidated financial statement is prepared in Euros. The consolidated balance sheet was extended from one comparison year to two previous years due to the stipulations of IAS 8 (error correction). In the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement, comparison figures are stated for one previous year.

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 is organised according to the total cost method. Expenses are summarised in the profit or loss based on their type and not distributed based on their connection with single functional areas of the company.

Because ecotel did not have the appropriate circumstances in the previous year, nor in financial year 2014, there will be no presentation of »other comprehensive income« at the end of the profit and loss account.

The financial statements of the subsidiaries are included in the consolidated financial statement, taking into account the standardised evaluation methods that apply to the Group.

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.

New or changed pronouncements of the IASB to be applied for the first time in the consolidated financial statement as of 31 December 2014

At the time the consolidated financial statement was drawn up, as of 31 December 2014 the following new and changed standards and interpretations were adopted and put into effect by the EU as European legislature (»endorsed«). 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
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

The first application of these standards had no significant effects on the asset, finance and earnings situation of the ecotel Group. In the following, the content of the changes to the above-mentioned standards/interpretations are described in more detail.

IFRS 10 was published in May 2011. 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.

IFRS 11 was published in May 2011. 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, for example, 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.

IFRS 12 was published in May 2011. 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. The additional information required by this standard is provided under »Consolidated Companies« and in section 3 and 8.

The revised standard ***IAS 28*** was published in May 2011. 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.

The change to ***IAS 32*** was published in December 2011. 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 to ***IAS 36*** was published in May 2013. 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 is 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.

In June 2013 IASB published changes to ***IAS 39***. As a result of the changes, 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.

Pronouncements of the IASB not to be applied in the consolidated financial statement as of 31 December 2014

At the time the consolidated financial statement was drawn up, as of 31 December 2014 the following new interpretations were adopted and put into effect by the European Union as European legislature (»endorsed«). 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
Changes to IAS 19 »Employee Benefits«: Employee contributions	1 July 2014	1 February 2015
Annual improvement project cycle 2010 – 2012	1 July 2014	1 February 2015
Annual improvement project cycle 2011 – 2013	1 July 2014	1 January 2015
IFRIC 21 »Levies«	1 January 2014	17 June 2014

In November 2013 IASB published changes to ***IAS 19*** »Employee Benefits«. The change clarifies how employee contributions or third-party contributions to performance-oriented plans are to be reported. The type of reporting depends on whether the contributions are based on the number of years of employment or not. In addition, a solution is ensured that will facilitate reporting if the amount of the contributions is not based on the number of years of employment. The interpretation is to be applied in the EU to financial years starting on or after 1 February 2015; earlier application is permissible. For lack of corresponding performance-oriented pension plans, the Group expects no effects from the change on the consolidated financial statement.

The ***annual 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 for 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 in the EU for financial years starting on or after 1 February 2015; earlier application is permissible. The group currently assumes that there will be no effects from the application of this collective standard.

The ***annual 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 the International Financial Reporting Standard«: 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 a 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 in the EU for financial years starting on or after 1 January 2015; earlier application is permissible. The group currently assumes that there will be no effects from the application of this collective standard.

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 in the EU to financial years starting on or after 17 June 2014; earlier application is permissible. The Group currently assumes that the interpretation will have no effect on the reporting in the consolidated financial statement.

At the time the consolidated financial statement was drawn up, as of 31 December 2014 the following new and changed standards and interpretations were adopted, however without having been put into effect by the EU in European legislature (»endorsed«). However, these go into force later and likewise 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 16 »Property, Plant and Equipment« and IAS 38 »Intangible Assets«: Clarification of acceptable methods of depreciation	1 January 2016	Unknown as of yet
Changes to IAS 16 »Property, Plant and Equipment« and IAS 41 »Agriculture: Fruit-bearing Plants«	1 January 2016	Unknown as of yet
Changes to IAS 27 »Separate Financial Statements«: Equity method in separate financial statement	1 January 2016	Unknown as of yet
Changes to IAS 28 »Shares in Associated Companies and Joint Ventures« and IFRS 10 »Consolidated Financial Statements«: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Unknown as of yet
IFRS 9 »Financial Instruments«	1 January 2018	Unknown as of yet
Changes to IFRS 11 »Joint Arrangements«: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Unknown as of yet
IFRS 14 »Regulatory Deferral Accounts«	1 January 2016	Unknown as of yet
IFRS 15 »Revenue from Contracts with Customers«	1 January 2017	Unknown as of yet
Annual improvement project 2012 – 2014 cycle	1 January 2016	Unknown as of yet
IAS 1 »Presentation of Financial Statements«	1 January 2016	Unknown as of yet
IFRS 10 »Consolidated Financial Statements«, IFRS 12 »Disclosure of Interests in Other Entities« and IAS 28 »Investment in Associates and Joint Ventures«	1 January 2016	Unknown as of yet

In May 2014 the IASB published changes to ***IAS 16*** »Property, Plant and Equipment« and ***IAS 38*** »Intangible Assets«. These changes are provided by the IASB as additional guidelines for defining an acceptable depreciation method. According to the changes, revenue-based depreciation methods are not suitable for property, plant and equipment and are suitable for intangible assets only in certain cases. The changes are to be applied to financial years starting on or after 1 January 2016; earlier application is permissible. Since the group uses no revenue-based depreciation methods, it is assumed that there will be no effects from the application of this standard.

In June 2014 the IASB published changes to ***IAS 16*** »Property, Plant and Equipment« and ***IAS 41*** »Agriculture: Fruit-bearing Plants«. With these changes, fruit-bearing plants that are used only for the production of agricultural products, are brought within the scope of IAS 16, so that they are to be accounted for in the same way as property, plant and equipment. To except fruit-bearing plants from the scope of application and to put them within the scope of IAS 16, therefore allowing companies to account for them at historic cost of acquisition or according to the revaluation method, the definition of a »fruit-bearing plant« is included in both standards. The changes are to be applied to financial years starting on or after 1 January 2016; earlier application is permissible. Since the Group's business model is not based on fruit-bearing plants, the change is expected to have no effects on the consolidated financial report.

In August 2014 IASB published changes to ***IAS 27*** »Separate Financial Statements«. With the changes, it is again permitted to use the equity method as a reporting option for shares in subsidiaries, joint ventures and associated companies in the separate financial statement of an investor. The changes are to be applied to financial years starting on or after 1 January 2016; earlier application is permissible. This will result in no changes for the consolidated financial report, since the reporting option refers to separate financial statements.

In September 2014 the IASB published changes to ***IFRS 10*** »Consolidated Financial Statements« and ***IAS 28*** »Investment in Associates and Joint Ventures«. The changes address a known inconsistency between the two standards in the accounting of the sale to or contribution of an investor's assets to his associated company or joint venture. If the transaction involves assets that constitute a business in accordance with IFRS 3, the investor must recognise the profit or loss in full. If the transaction only involves the sale of assets that do not constitute a business, partial recognition of the profit or loss is required. The changes are to be applied to financial years starting on or after 1 January 2016; earlier application is permissible. The Group currently cannot definitively assess the effects that the first application of the changes to the standard will have, if they are adopted by the EU in this form.

IFRS 9 »Financial Instruments« contains regulations for the recognition, accounting and write-off of financial assets and debts, as well as for the accounting of hedging relationships. The IASB published the final version of the standard during the completion of the different phases of its comprehensive project on financial instruments on 24 July 2014. The previous accounting of financial instruments in accordance with IAS 39 »Financial Instruments: Recognition and Measurement« therefore can now be completely replaced by accounting in accordance with IFRS 9. The now published version of IFRS 9 supersedes all previous versions. The central requirements of the final IFRS 9 can be summarised as follows:

- As compared with the preceding standard IAS 39 the requirements of IFRS 9 on the scope and recognition and write-off remain unchanged to a large extent.
- However, the stipulations of IFRS 9 compared to IAS 39 provide for a new classification model for financial assets.
- The subsequent measurement of financial assets in the future will be based on three categories with different measures of value and a different recognition of valuation adjustments. The categorisation is the result of both the contractual cash flows of the instrument and the business model in which the instrument is held. Fundamentally, it is a matter of obligatory categories. However, the companies are also entitled to options in some cases.
- For financial obligations, on the other hand, the existing regulations have been largely adopted in IFRS 9. The only essential change concerns financial obligations in the fair value option. For these, fair value fluctuations are to be recognised in other comprehensive income, due to changes in the proprietary credit risk.
- IFRS 9 provides for three steps that will determine the amount of the losses to be recognised and the interest collection. Based on this, losses already expected upon inflow are to be recognised at the cash value of an expected 12-month loss (step 1). If there is a significant increase in the credit risk, the risk prevention

must be increased to the amount of the expected risks for the entire remaining term (step 2). Upon the occurrence of an objective indication of impairment, the interest collection must be based on the net carrying value (carrying value minus risk prevention) (step 3).

- In addition to extensive transitional provisions, IFRS 9 also involves extensive publication regulations both during the transition and in application. Changes in comparison with IFRS 7 »Financial Instruments: Notes« result primarily from the regulations on impairments.

The final ***IFRS 9*** is to be applied to financial years starting on or after 1 January 2018; earlier application is permissible. The Group assumes that the future application of IFRS 9 could affect the reporting of the Group's financial assets and financial debts. A reliable estimate of the effects of the application of IFRS 9 will be possible, however, only after conducting a detailed analysis.

In May 2014 the IASB published supplements to ***IFRS 11*** »Joint Arrangements«. This clarifies that both the initial acquisition and the acquisition of additional shares in a joint operation that constitutes a business must be reported applying the regulations for the accounting of mergers in IFRS 3, unless they contradict the regulations of IFRS 11. In addition, the disclosure requirements of IFRS 3 must also be fulfilled. The changes are to be applied to financial years starting on or after 1 January 2016; earlier application is permissible. The group currently assumes that there will be no effects from the application of this standard.

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 May 2014 the IASB published the new standard ***IFRS 15*** »Revenue from Contracts with Customers«. The goal of the new standard on revenue recognition is to bring together the numerous regulations contained in diverse standards and interpretations in one standard. At the same time, standardised basic principles are defined that can be applied to all segments and all types of revenue transactions. The questions concerning the amount and point in time or period of time in which revenue is to be recognised can be answered using the 5-step model. The standard also contains a series of additional regulations on questions of detail as well as an expansion of the required notes. The new standard must be applied for financial years that start on or after 1 January 2017. The first application must fundamentally be retrospective; however, diverse options for simplification are granted; earlier application is permissible. The group is currently examining the potential effects of the first application of the standard.

The annual ***Improvements to IFRS 2012–2014*** are a collective standard, which was published in September 2014. There are changes to four standards:

IFRS 5 » Long-Term Assets Held for Disposal and Discontinued Operations«:

Inclusion of special guidelines for cases in which a company reclassifies an asset from the category »Held for disposal« to the category »Held for distribution« or vice versa; inclusion of special guidelines for cases in which the accounting as »Held for distribution« is discontinued.

IFRS 7 »Financial Instruments: Notes«:

Inclusion of additional guidelines for clarification whether an administrative contract represents continued involvement with respect to a transferred asset. Clarification of the applicability of the changes to IFRS 7 with respect to information on offsetting to combined interim financial reports.

IAS 19 »Employee Benefits«:

Clarification that the high-value corporate bonds that are used for determination of the discount rate for services after termination of the employment should be denominated in the same currency as the payments to be made, so that the market depth for high-value corporate bonds should be assessed at the currency level.

IAS 34 »Interim Financial Reporting«:

Clarification of the meaning of »elsewhere« in the interim financial report and inclusion of a regulation to include a reference to this other location if the latter is not within the main part of the report.

The changes are to be applied to financial years starting on or after 1 January 2016, prospectively or retrospectively, depending on the respective change; earlier application is permissible. The group currently assumes that there will be no effects from the application of this collective standard.

In December 2014 the IASB published limited changes to IAS 1 »Presentation of Financial Statements« with the title »Disclosure Initiative«. The changes should encourage companies to exercise discretion in the presentation of relevant information in the financial report. It is clarified, for example, that materiality considerations are to be applied to all constituents of the financial statement and that the inclusion of irrelevant information can impair the use of information. The changes are to be applied prospectively for financial years that start on or after 1 January 2016 and have not yet been endorsed by the European Union in European law. The group is currently examining the potential effects of the first application of the standard.

In December 2014 the IASB published limited changes to IFRS 10 »Consolidated Financial Statements«, IFRS 12 »Disclosure of Interests in Other Entities« and IAS 28 »Investments in Associates and Joint Ventures« with the title »Investment Entities: Applying the Consolidation Exception«. The changes address matters that have resulted in connection with the application of the consolidation exception for investment companies and are to be applied prospectively for financial years that start on or after 1 January 2016. The changes, which have not yet been endorsed by the European Union in European law, are not expected to have any significant effects on the presentation of the Group's asset, finance and earnings situation or of the cash flow.

Error correction in the financial year

In financial year 2014, incorrect accounting of the previous periodic, performance-based revenue recognition from customer contracts in the business customers segment was determined. In the automated recognition of the period-based revenue recognition used in the past, an error was determined during internal reviews. This resulted in the reporting of figures for trade receivables and sales revenue that were too high. This error was eliminated. Pursuant to IAS 8.42 the Group therefore corrects the previous accounting retrospectively and has marked the correction accordingly. This resulted in the following effects:

Retrospective presentation of the consolidated balance sheet as of 1 January 2013

1 January 2013	As of 1 January 2013 before adjustments	Corrections in accordance with IAS 8	As of 1 January 2013 after adjustments
Trade receivables	12,513,716.87	–710,816.00	11,802,900.87
Deferred income tax liabilities	687,973.30	–221,952.30	466,021.00
Other reserves	12,460,818.74	–488,863.70	11,971,955.04

Retrospective presentation of the consolidated balance sheet as of 1 January 2014

1 January 2014	As of 1 January 2014 before adjustments	Corrections in accordance with IAS 8	As of 1 January 2014 after adjustments
Trade receivables	14,181,967.96	–845,709.00	13,336,258.96
Deferred income tax liabilities	889,883.42	–264,072.64	625,810.78
Other reserves	13,701,897.65	–581,636.36	13,120,261.29

Retrospective presentation of the consolidated statement of comprehensive income for financial year 2013

2013	2013 prior to adjustments	Corrections in accordance with IAS 8	2013 after adjustments
Sales revenue	91,365,376.83	–134,893.00	91,230,483.83
Earnings from normal business activities before income tax	3,074,077.52	–134,893.00	2,939,184.52
Taxes from income and revenue	–967,511.95	42,120.34	–925,391.61
Consolidated profit (= total consolidated profit)	2,106,565.57	–92,772.66	2,013,792.91

Due to the above adjustments, the undiluted and the diluted earnings per share in financial year 2013 are both reduced by € 0.03 to € 0.40.

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 definition of control assumes that the Group has the right of control over the subsidiary, in the form that the group has substantial rights to control the significant business activities of the subsidiary. 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. Income and expenses of a subsidiary are included in the consolidated financial statement from the date of acquisition. Income 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 – if applicable – 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 and has substantial rights to control the decisive business activities of the subsidiary. 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]	Remuneration in € thousand [2]	Profit or loss in € thousand [2]	Revenue in € thousand [2]	Employees [1)] (average) [2]
easybell GmbH	50.98	1,792	2,414	8,444	19
Berlin	(50.98)	(377)	(8)	(5,750)	(10)
carrier-services.de GmbH [3]	100.0	995	372	3,369	4
Berlin	(100)	(623)	(145)	(2,957)	(5)
sparcall GmbH [3]	100.0	1,449	449	2,075	0
Bad Belzig	(100.0)	(3,000)	(566)	(2,482)	(0)
init.voice GmbH [3]	100.0	144	–6	215	1
Berlin	(100.0)	(149)	(38)	(286)	(1)
nacamar GmbH	100.0	1,666	–281	2,514	19
Düsseldorf	(100.0)	(1,947)	(–260)	(3,257)	(18)
mvneco GmbH	48.65	–239	818	3,833	22
Düsseldorf	(48.65)	(–1,057)	(567)	(3,679)	(20)
synergyPlus GmbH	49.9	298	738	68	2
Berlin	(–49.9)	(–440)	(–57)	(278)	(6)

[1] Without Management Board members/managing directors and trainees
[2] Previous year's figures in parentheses
[3] Indirect interest via easybell GmbH

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. Effective 01/01/2014 ecotel private AG of Düsseldorf merged with ecotel communication ag. Mediagate Participations S.à.r.l. was liquidated on 29 August 2014.

Accounting and valuation methods

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.

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

Concessions and commercial property rights	Development costs	Software	Customer base
3 – 5 years	5 years	3 years	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).

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.

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. The tangible fixed assets (Other equipment, plant and office equipment) is regularly written off over a period of 3 – 7 years.

If there are indications of an impairment and if the recoverable amount is below the historic cost of acquisition 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. 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. Currently there are no foreign Group companies.

Derivative financial instruments do not exist as of 31 December 2014. In the past, derivative financial instruments were 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. The entry in the balance sheet is made initially on the settlement date, which as a rule is a few days after the date the debt was incurred (transaction date).

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 revenue*** **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 revenue.

Sales revenue from the data and Internet business are reported with the provision of the service. For contracts on the basis of fixed prices, sales revenue is reported proportionally over the term of the service contract, (and) for all other service contracts sales revenue is reported on the basis of the service provided or based on use. Sales revenue from contracts for services billed according to time and material expense is recognised with provision of the work hours and the incurring of direct costs at the contractually specified hourly rate. Any shares calculated in advance (e.g. monthly basic fees calculated in advance) that have note yet been provided or earmarked, are included in the sales revenue through corresponding deferred revenue in the period in which they occur.

Sales revenue from the sale of hardware is realised as soon as the product has been shipped to the customer and 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.

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.

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 measured at equity is shown separately within the financial result.

Discretionary decisions and estimation uncertainties

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, income and expenses, as well as the contingent liabilities.

The ***discretionary decisions*** 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

(1) INTANGIBLE ASSETS

The intangible assets developed in financial year 2014 as follows:

€ thousand	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer base	Prepayments on tangible assets	Total
Acquisition costs and manufacturing costs as of 01/01/2014	**14,427**	**8,260**	**4,123**	**9,424**	**0**	**36,234**
Additions	0	282	287	345	0	914
Transfers	0	0	0	0	0	0
Disposals	0	17	0	0	0	17
As of 31/12/2014	**14,427**	**8,525**	**4,410**	**9,769**	**0**	**37,131**
Write-downs as of 01/01/2014	**5,553**	**6,585**	**2,867**	**7,450**	**0**	**22,455**
Scheduled additions	0	777	343	479	0	1,599
Unscheduled additions	0	0	0	0	0	0
Disposals	0	15	0	0	0	15
As of 31/12/2014	**5,553**	**7,347**	**3,210**	**7,929**	**0**	**24,039**
Carrying amounts as of 31/12/2013	8,874	1,675	1,256	1,974	0	13,779
Carrying amounts as of 31/12/2014	**8,874**	**1,178**	**1,200**	**1,840**	**0**	**13,092**

In the previous year intangible assets developed as follows:

€ thousand	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer base	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 31/12/2013	**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	526	0	1,361
Unscheduled additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As of 31/12/2013	**5,553**	**6,585**	**2,867**	**7,450**	**0**	**22,455**
Carrying amounts as of 31/12/2012	8,874	1,049	355	2,500	1,016	13,794
Carrying amounts as of 31/12/2013	**8,874**	**1,675**	**1,256**	**1,974**	**0**	**13,779**

In financial year 2014 a ban on competition was acquired from synergyPlus for € 345 thousand. The capitalization was carried out only to the extent to which a purchase took place vis-a-vis a third party (at equity interest) and is written off as a straight-line depreciation through the end of the contract term on 30 June 2016.

The nacamar acquisition that took place in 2007 includes a customer base totalling € 1,581 thousand (previous year: € 1,791 thousand). This »nacamar« customer base is allocated to the Business Solutions segment and is amortised over a useful life between 10 and 18 years depending on the customer segment.

The reported goodwill is composed as follows:

Cash-generating unit (CGU)	Carrying amount 31/12/2013	Carrying amount 31/12/2014
	€ thousand	€ thousand
Business Solutions	8,732	8,732
nacamar	0	0
easybell	124	124
carrier-services	17	17
Init-voice	1	1
	8,874	**8,874**

In accordance with IAS 36, impairment tests were performed in the financial year just ended 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) and the value in use determined. In financial year 2014, as in the previous year, there was no need for depreciation.

The following assumptions served as the basis for performing the impairment test of the CGU business customers:

- Capitalisation interest rate (WACC) after taxes: 5.9 % (previous year: 6.1 %), before taxes: 8.3 % (previous year: 8.2 %)
- Growth rate (perpetual annuity): 0.5 % (previous year 0 %)

(2) Property, plant and equipment

Property, plant and equipment developed in financial year 2014 as follows:

€ 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 01/01/2014	**6,411**	**95**	**14,036**	**1,067**	**21,609**
Additions	110	24	1,865	358	2,357
Transfers	4	0	690	–694	0
Disposals	6	0	36	0	42
As of 31/12/2014	**6,519**	**119**	**16,557**	**731**	**23,926**
Write-downs as of 01/01/2014	**3,352**	**46**	**8,763**	**0**	**12,161**
Scheduled additions	655	31	1,738	0	2,424
Unscheduled additions	0	0	243	0	243
Disposals	4	0	25	0	29
As of 31/12/2014	**4,003**	**77**	**10,719**	**0**	**14,799**
Carrying amounts as of 31/12/2013	3,059	49	5,273	1,067	9,448
Carrying amounts as of 31/12/2014	**2,516**	**42**	**5,838**	**731**	**9,127**

In financial year 2013 development of property, plant and equipment of the Group was presented as follows:

€ 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 31/12/2013	**6,411**	**95**	**14,036**	**1,067**	**21,609**
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 31/12/2012	2,199	78	2,632	1,031	5,940
Carrying amounts as of 31/12/2013	**3,059**	**49**	**5,273**	**1,067**	**9,448**

For write-down in financial year 2014 we refer to the information in Note 17.

Future lease payments

As of the reporting date the following obligations arising from operating / leasing contracts existed:

€ thousand	up to 1 year	from 1 year to 5 years	from 5 years	Total 31/12/2014
Operating and office equipment (leasing)	244	489	0	733
Other rental contracts	930	2,213	0	3,143
	1,174	**2,702**	**0**	**3,876**

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 2013 the following financial obligations arising from operating / leasing contracts existed:

€ thousand	up to 1 year	from 1 year to 5 years	from 5 years	Total 31/12/2013
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 payments from leases recognised as expenses in the reporting period are stated in text number 18.

(3) Financial assets measured at equity / Other financial assets

The financial assets assessed according to the equity method are the at-equity shares of mvneco GmbH and the at-equity shares of synergyPlus GmbH.

The at-equity method for **mvneco GmbH** comprises a carrying amount of € 0 thousand (previous year: € 0 thousand) as well as a loan totalling € 529 thousand (previous year: € 529 thousand). The loan bears interest of 3 % p.a. (previous year: 5 % p.a.) and is provided with a qualified waiver. The outstanding debt including interest is € 1,245 thousand as of 31 December 2014. Taking into account the impairments made necessary in the previous years totalling € 714 thousand and partial waivers, the carrying amount on the balance sheet date is € 529 thousand. mvneco GmbH functions as a technology service provider and consultant for mobile services as well as related managed services for the Group.

As of the closing date mvneco GmbH reported assets totalling € 2,690 thousand (previous year: € 2,551 thousand), debts totalling € 2,929 thousand (previous year: € 3,608 thousand), sales revenue totalling € 3,833 thousand (previous year: € 3,679 thousand), and a net income of € 818 thousand (previous year: € 567 thousand). The equity value therefore continues to be negative as in previous years and is reported as € 0 thousand.

The at-equity method for **synergyPlus GmbH** has changed as follows:

The loan assessed in the previous year to the at-equity company synergyPlus GmbH totalling € 360 thousand was paid back during the financial year. The negative equity value of the previous year totalled € 220 thousand and has now been eliminated due to the company's positive result. The carrying amount of the interest in the at-equity synergyPlus GmbH is € 149 thousand as of 31 December 2014 (previous year: € 0 thousand); the write-up results from the proportionate allocation of the company's positive result. As of the closing date the company reported assets totalling € 309 thousand (previous year: € 357 thousand), debts totalling € 11 thousand (previous year: € 797 thousand), sales revenue totalling € 68 thousand (previous year: € 278 thousand) and profit for the year of € 738 thousand (previous year: € –57 thousand). synergyPlus GmbH functions as a sales partner for the Group.

The interest in Mediagate Participations S.à.r.l reported in previous years in the financial assets no longer exists as a result of the liquidation that was carried out in financial year 2014.

(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 depreciation 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

€ thousand	Remaining term more than 1 year	Total 31/12/2013	Remaining term more than 1 year	Total 31/12/2014
Trade receivables				
vis-a-vis third parties [1]	0	13,282	0	13,286
vis-a-vis associated companies	0	54	0	0
	0	**13,336**	**0**	**13,286**
Other financial assets				
Remaining other receivables and current assets	0	1,134	0	556
Other non-financial assets				
Prepaid expenses	0	339	0	1,153
	0	**1,473**	**0**	**1,709**

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

The trade receivables as of 1 January 2013 likewise had a term of less than one year.

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

€ thousand	31/12/2013	31/12/2014
Deferred income tax claims	0	81
Actual income tax claims	8	759
	8	**840**

As in the previous year, the actual 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

€ thousand	31/12/2013	31/12/2014
Deposits in banks	6,095	4,985
Cash on hand and checks	8	3
	6,103	**4,988**

(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 2014 was 3,510,000 (previous year: 3,600,000). The shares are issued as no-par value bearer shares with a prorated amount of the capital stock of € 1.00. Due to the buy-back of shares in the financial year, the capital stock was reduced by € 90 thousand in 2014 (previous year: € 85 thousand). The shares that were bought back during the financial year were called in with the shares previously held by the company. The stipulations of § 71b of the Corporation Law (AktG) apply.

The **non-controlling interests** relate to the direct minority interests in the equity of easybell GmbH (€ 878 thousand; previous year: € 185 thousand) as well as the indirect minority shares in the equity of sparcall GmbH (€ 698 thousand, previous year: € 1,458 thousand), of carrier-services.de (€ 484 thousand, previous year: € 302 thousand) and of init. voice GmbH (€ 59 thousand, previous year: € 62 thousand).

In the financial year the amount of € 963 thousand from easybell GmbH was distributed to the shareholders. After consolidation, easybell GmbH and the subsidiaries of easybell GmbH contribute € 13,893 thousand (previous year: € 11,169 thousand) to the consolidated turnover, € 7,845 thousand (previous year: € 6,826 thousand) to the assets – of which € 3,885 thousand (previous year: € 3,861 thousand) are cash and cash equivalents – as well as € 3,159 thousand (previous year: € 2,676 thousand) to the Group debt.

Share ownership

The table below shows the names of the shareholders, who owned more than 3 % of the capital stock of ecotel communication ag at the end of 2014.

	%
Peter Zils	28.5 %
Intellect Investment & Management Ltd.	25.1 %
IQ Martrade Holding und Managementgesellschaft mbH	10.1 %
PVM Private Values Media AG	9.30 %
Subtotal:	**73.0 %**
Diversified holdings	27.0 %

Included were the notifications, which 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. The respective notifications are listed in detail in the annual financial statement of ecotel ag.

Authorised capital

The Management Board of ecotel ag 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 thousand against cash and / or investments in kind through the issue of new no-par value bearer shares, until 26 July 2017.

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 reporting during the year. 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 below the prescribed thresholds in financial year 2014 and on the balance sheet date.

(9) Financial obligations from actual and deferred income taxes

€ thousand	Opening balance 01/01/2014	Con-sumption	Reversal	Allocation	Closing balance 31/12/2014
Actual income tax	566	329	16	314	535
Deferred taxes on earnings [1]	626	37	0	263	852
	1,192	**366**	**16**	**577**	**1,387**
Of which with a term of up to 1 year	566				535

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

€ thousand	Opening balance 01/01/2014	Con-sumption	Reversal	Allocation	Closing balance 31/12/2014
Actual income tax	670	353	0	249	566
Deferred taxes on earnings [1]	466	42	0	202	626
	1,136	**395**	**0**	**451**	**1,192**
of which with a term of up to 1 year	670				566

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

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

€ thousand	Remaining term up to 1 year	Total 31/12/2013	Remaining term up to 1 year	Total 31/12/2014
Loans	**943**	**7,432**	**1,105**	**6,489**
Accounts payable	**12,873**	**12,873**	**12,017**	**12,017**
Liabilities to associated companies	**34**	**34**	**0**	**0**
Other taxes	759	759	344	344
Social security	11	11	16	16
Wages and salary to be paid	164	164	462	462
Other personnel-related liabilities	130	130	295	295
Annual audit / Supervisory Board	163	163	188	188
Other	507	507	292	292
Other financial liabilities	**1,734**	**1,734**	**1,597**	**1,597**
Other non-financial liabilities	**1,717**	**1,717**	**1,685**	**1,685**

As of 31 December 2014, as in the previous year, there were no derivative financial obligations.

The borrowings are long-term loans with fixed interest and contractually stipulated repayment terms. Current borrowings are essentially the repayment due in 2015 for the 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. Since the exchange rate risk was low in the previous after expiration of the contracted secured transactions, no further derivative financial instruments were used for exchange rate security in the previous year and 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. Due to the fixed interest rate of the reported loans no interest rate risks exist (in this respect) 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 2014 (€ thousand)	Trade receivables	Other receivables and other current assets	Total 31/12/2014
As of 01/01/2014	164	0	164
Adjustments in the reporting period	0	0	0
Disposals	69	0	69
	95	**0**	**95**

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

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

As of 31 December 2014, past-due unadjusted receivables existed in the following amount:

Past-due unadjusted receivables (€ thousand)	Gross value 31/12/2014	Adjusted receivables	Unadjusted receivables past due in the following time periods				
			up to 30 days	31 – 60 days	61 – 90 days	91 – 120 days	over 120 days
Trade receivables	13,380	95	980	231	36	24	203
Other financial assets	556	0	0	0	0	0	0
	13,936	**95**	**980**	**231**	**36**	**24**	**203**

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 € 203 thousand (previous year: € 120 thousand) relate to receivables that the company still expects to recover. Of these € 32 thousand (previous year: € 27 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 2013 the following situation existed:

Past-due unadjusted receivables (€ thousand)	Gross value 31/12/2013	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 [1]	14,346	164	672	230	61	136	120
Other financial assets	1,134	0	0	0	0	0	0
	15,480	**164**	**672**	**230**	**61**	**136**	**120**

1) Previous year's values adjusted, see »Principles of financial accounting«

The necessary error correction had no effect on the above time frames.

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 2014 and 2013 ecotel had at its disposal only financial instruments of levels 1 and 2. During financial year 2014 there were no reclassifications between level 1 and level 2. All financial assets in the presentation as of 31 December 2014 below are assessed at fair value and allocated to level 1. The assessment of the financial instruments to be 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. As of 31 December 2014 and 2013 the Group reports no financial instruments measured at fair value.

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 31/12/2014 (€ 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	Carrying amounts
Liquid funds	4,988	4,988	0	0	0	4,988
Trade receivables	13,285	0	13,285	0	0	13,285
Other financial and non-financial assets	1,709	0	1,709	0	0	1,709
	19,982	**4,988**	**14,994**	**0**	**0**	**19,982**

Financial liabilities as of 31/12/2014 (€ thousand)	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments affecting profit or loss at fair value	Carrying amounts
Current loans	1,105	1,105	0	1,105
Accounts payable	12,017	12,017	0	12,017
Other liabilities current	1,597	1,597	0	1,597
Non-current loans	5,384	5,384	0	5,384
	20,103	**20,103**	**0**	**20,103**

As of 31 December 2013 the following breakdown existed:

Financial assets as of 31/12/2013 (€ 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	Carrying amounts
Liquid funds	6,103	6,103	0	0	0	6,103
Trade receivables [1]	13,336	0	13,336	0	0	13,336
Other financial and non-financial assets	1,473	0	1,473	0	0	1,473
Financial assets	4	0	0	0	4	4
	20,916	**6,103**	**14,809**	**0**	**4**	**20,916**

1) Previous year's values adjusted, see »Principles of financial accounting«

The carrying amount from trade receivables as of 1 January 2013 also corresponded to the fair value.

Financial liabilities as of 31/12/2013 (€ thousand)	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments measured at fair value through profit and loss	Carrying amounts
Current financial debts	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
	22,073	**22,073**	**0**	**22,073**

The derivative financial instruments held for trading purposes, were recognised in the consolidated profit statement based on the assessment at fair value in 2014, as income of € 0 thousand (previous year: € 110 profit from the reversal of forward-exchange transactions).

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 2015 repayments are due with a nominal value of € 1.1 million. To cover the liquidity requirement, cash and cash equivalents of € 5.0 million are available (previous year: € 6.1 million). In addition, ecotel communication ag has contractually stipulated working capital lines totalling € 5.2 million, which can be used up to a value of € 1.2 million for surety obligations. As of 31 December 2014 therefore, working capital lines of € 4.0 million (previous year: € 1.7 million) exist. So-called financial covenants exist relative to the bank loan taken out by ecotel communication ag (remaining value: € 6.5 million). € 7.4 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 and also of the 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. All other financial obligations are due within one year.

Repayments / interest payments for financial liabilities (€ thousand)	Carrying amounts	Repayments			Interest payments		
	31/12/2014	2015	2016 to 2019	from 2020	2015	2016 to 2019	from 2020
Liabilities to banks	6,489	1,105	5,384	0	202	387	0
Derivative financial liabilities	0	0	0	0	0	0	0

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

Repayments / interest payments for financial liabilities (€ thousand)	Carrying amounts	Repayments			Interest payments		
	31/12/2013	2014	2015 to 2018	from 2019	2014	2015 to 2018	from 2019
Liabilities to banks	7,432	943	5,629	859	228	571	18
Derivative financial liabilities	0	0	0	0	0	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 neither on the previous year's closing date, nor as of 31 December 2014. Likewise there were no primary financial instruments with fixed interest rates (financial debts) and assessment at fair value on 31 December 2014, since all financial instruments are assessed at historical cost of acquisition and are subject to a fixed interest rate. On 31 December 2014 the ecotel Group 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 likewise was neither the case in the previous year, nor as of 31 December 2014, so that no sensitivity analysis was conducted for the exchange rate risk.

(12) Contingent receivables and liabilities and other financial obligations

As of 31 December 2014 contingent liabilities due to guarantees and other commitments totalled € 793 thousand (previous year: € 1,157 thousand) for surety obligations.

The carrying value of financial assets provided as security totalled € 14 thousand as of 31 December 2014 (previous year: € 72 thousand).

In addition, ecotel submitted a surety bond for a loan totalling € 300 thousand for the benefit of a credit institute.

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

€ thousand	2013 1)	2014
Domestic	73,207	75,366
Foreign	18,023	26,133
	91,230	**101,499**

1) Previous year's values adjusted, see »Principles of financial accounting«

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.

(14) Other operating income

Other operating income consists of the following:

€ thousand	2013	2014
Revenue from damages	0	2,000
Benefits in kind, vehicle use	229	256
Revenue from insurance refunds and refunded collection fees	24	207
Recharging of fees and expenses	24	57
Rent received	92	46
Dissolution of liabilities	1	33
Reversal of provisions for losses on receivables	56	32
Other	207	298
	633	**2,929**

The revenue from damages results from a settlement in connection with termination of a legal dispute and was allocated to the Business Solutions segment.

(15) Cost of materials

The cost of materials and services was incurred exclusively for external services utilised.

(16) Personnel expenses

€ thousand	2013	2014
Wages and salary	9,183	10,294
Social security contributions	1,422	1,598
– of which expenses for pensions and support	681	757
	10,605	**11,892**

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 % of the remuneration subject to the pension insurance up until 31 December 2014 (employer's contribution) and 9.35 % starting 1 January 2015. No other pension plans exist.

In the financial year the average number of staff employed in the consolidated companies was:

Staff	2013	2014
Full-time employees	186	214

(17) Scheduled depreciations and unscheduled 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 2014 and in the previous year, after execution of the impairment tests there were no impairments on goodwill of the cash generating units. In the financial year there was an impairment of a software / customer platform no longer in use totalling € 244 thousand (previous year: € 0 thousand) that was allocated to the Business Solutions segment and therefore completely written off.

(18) Other operating expenses

€ thousand	2013	2014
Partner and dealer commissions, marketing and advertising expenses	3,948	4,021
Legal, auditing and consultancy fees	2,146	1,582
Other administrative costs	1,388	1,317
EDP costs	969	1,290
Rents, leases, premises expenditure	773	914
Motor vehicle costs (without leasing rate)	198	254
Repairs and maintenance	268	259
Change in provisions for losses on receivables / losses on receivables	165	219
Leasing rate for motor vehicles	199	203
Insurance premiums	138	135
Foreign exchange losses	25	13
Other	47	188
	10,264	**10,395**

(19) Financial result

€ thousand	2013	2014
Interest income		
Interest income from bank deposits / fixed-term deposits	1	0
Other interest income and similar earnings	42	3
Interest income of financial assets measured at equity	0	224
	43	**227**
Interest expense		
Interest expense on credit liabilities	–256	–230
Other interest and similar expenses	–6	–1
	–262	**–231**
Net interest income	**–219**	**–4**
Other financial expenses and income		
Result from derivative financial instruments		
(Forward exchange transactions)	110	0
Costs of supporting the share price and other financial expenses	–91	–113
Depreciation of financial assets measured at equity	–19	–187
Result of companies measured at equity	0	103
	0	**–197**
Financial result	**–219**	**–201**

(20) Taxes from income and revenue

€ thousand	2013	2014
Actual income tax	–765	–880
Deferred taxes on earnings [1]	–160	–145
	–925	**–1,025**

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

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 tax 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.

The reconciliations of the expected to actual tax expense for the year under review and for the previous year are shown below:

€ thousand	2013 [1]	2014
Earnings before taxes	2,939	2,779
Group tax rate	**31.0 %**	**31.0 %**
Expected tax expense	–911	–861
Differences due to tax rates differing from the Group tax rate	29	53
Tax effect due to tax-free income / expenses in the case of distributions of profits	–65	–59
Tax increases due to expenditures that are not tax-deductible	–8	–199
Previous year's taxes	34	–83
Earnings from equity holdings	0	140
Other tax effects	–4	–16
Tax expense according to the P/L statement (expense – / income +)	–925	–1,025
Effective tax rate in %	**31.5 %**	**36.9 %**

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

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 2014 and 31 December 2013.

The deferred taxes must be allocated to the following items:

€ thousand	2013 [1] Assets	2013 [1] Liabilities	2014 Assets	2014 Liabilities
Property, plant and equipment / intangible assets	688	1,511	617	1,322
Trade receivables	265	68	2	69
Offset – assets / liabilities	–953	–953	–539	–539
	0	**626**	**80**	**852**

[1] Previous year's values adjusted, see »Principles of financial accounting«

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 2014 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.

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

(21) Allocation of the surplus to the shares of other shareholders

The share of the surplus attributed to non-controlling shareholders of € 603 thousand (previous year: € 579 thousand) relate to the proportional annual results of easybell GmbH (€ 1,183 thousand; previous year: € 212 thousand), of sparcall GmbH (€ –760 thousand, previous year: € 277 thousand), carrier-services.de GmbH (€ 183 thousand; previous year € 71 thousand) and init.voice GmbH (€ –3 thousand, previous year: € 19 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 2014, as in the previous year, there were no respective diluting financial instruments, so that the undiluted and diluted earnings per share are identical.

	2013 [1]	2014
Accrued consolidated profit for the year (in €)	1,434,836.34	1,151,233.90
Weighted average number of shares	3,634,271.54	3,541,534.25
Undiluted earnings per share (in €)	0.40	0.33
Diluted earnings per share (in €)	0.40	0.33

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

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 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) Appropriation of profit

In accordance with § 58, para. 2 of the German Stock Corporation Law (AktG) the annual financial statement of ecotel communication ag is decisive for the appropriation of profits of the ecotel Group. The financial statement of ecotel communication ag shows a bottom line totalling € 4,238 thousand (previous year: € –52 thousand). Due to the self-created intangible assets of € 26 thousand (previous year: € 45 thousand) capitalised in the individual financial statement of ecotel communication ag in accordance with commercial law, there additionally exists a payout block corresponding to this amount in accordance with § 268, para. 8 of the German Commercial Code.

(25) Related party disclosures

The volume of services supplied to related parties and utilised services provided by them is presented as follows:

€ thousand	Volume of services provided by ecotel		Volume of the services utilised by ecotel	
	2013	2014	2013	2014
synergyPlus GmbH				
– from goods and services	0	0	271	64
mvneco GmbH				
– from goods and services	123	61	214	37

As of 31 December 2014 the receivables vis-a-vis the companies measured at equity totalled € 0 thousand (previous year: € 54 thousand). Financial obligations existed vis-a-vis synergyPlus GmbH of € 0 thousand (previous year: € 19 thousand) and vis-a-vis mvneco GmbH of € 0 thousand (previous year: € 16 thousand).

The ecotel Group maintained service relationships with the following related parties in 2014:

€ thousand	Volume of services provided by the ecotel Group		Volume of the services utilised by the ecotel Group	
	2013	2014	2013	2014
consultist GmbH				
– from goods and services	0	0	180	180
combyn GmbH				
– from goods and services	0	0	29	30

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 € 18 thousand (previous year: € 0 thousand).

Agreement with combyn GmbH

Since 2009 there is a business relationship for services and consulting activities between easybell GmbH and combyn GmbH. The shareholder of combyn GmbH is Mr. Lars Urban, who is also managing director of easybell GmbH. As in the previous year there were no liabilities to combyn GmbH as of the closing date.

In 2014 Ms. Sandra Zils, the spouse of the CEO, received remuneration as an employee of ecotel communication ag totalling € 12 thousand (previous year: € 12 thousand) for her work in the ecotel Group.

(26) Segment reporting

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.

The classification of segments is based on the internal reporting by business segments, which are defined as follows:

- 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 sector comprises the private customer business (B2C) of easybell GmbH and the new media business of nacamar GmbH.

The annual earnings before interest and taxes (EBIT) is presented as a segment result, which the 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. The segments presented here have been prepared according to the accounting and valuation methods of the Group. Therefore, there are no valuation adjustments.

€ thousand	Business Solutions		Wholesale		New Business		Consolidation, cross-segment		Group	
	2013 [1)]	2014	2013	2014	2013	2014	2013	2014	2013 [1]	2014
External revenue	42,078	41,881	34,712	43,232	14,440	16,385	0	0	91,230	101,499
Inter-segment revenue	0	0	646	945	306	232	–952	–1,177	0	0
Gross earnings	21,118	20,565	668	596	5,022	5,450	0	0	26,808	26,611
EBIT	2,147	1,866	131	52	880	1,063	0	0	3,158	2,980
Scheduled depreciations	–2,650	–3,316	0	–2	–764	–706	0	0	–3,414	–4,024
Unscheduled depreciation	0	–248	0	0	0	0	0	0	0	–248
Result of companies measured at equity	0	0	0	0	0	0	0	103	0	103
Segment assets	27,266	27,390	8,476	7,702	9,641	8,758	–232	–24	45,151	43,826
Segment liabilities	9,033	9,266	7,146	6,120	4,153	3,527	4,649	4,263	24,981	23,176
Investments in intangible assets and property, plant and equipment	6,373	2,693	0	98	535	480	0	0	6,908	3,271

[1] *Previous year's values adjusted, see »Principles of financial accounting«*

Inter-segment transactions were executed at market prices. The Group sales revenue originated essentially in Germany. For further explanations, please refer to the information on sales revenue. Segment assets and segment investments refer completely to Germany.

(27) Statement of Management pursuant to § 289 a HGB including the statement pursuant to § 161 AktG

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 2014 the Management Board of ecotel communication ag was composed as follows:

- Peter Zils, engineer, Düsseldorf (Chairman), CEO
- Johannes Borgmann, businessman, Wesel, CFO (since 01/05/2014; deputy chairman)
- Bernhard Seidl, engineer, Munich, CFO (up until 31/08/2014)
- Achim Theis, businessman, Düsseldorf, CSO

The following persons were appointed as members of the Supervisory Board in financial year 2014:

- Johannes Borgmann, businessman, Wesel (chairman up until 30/04/2014)
- Dr. Norbert Bensel, independent corporate consultant, Berlin (chairman starting 01/05/2014)
- Mirko Mach, businessman, Heidelberg (Deputy Chairman)
- Dr. Barbara Bludau, attorney, Munich (since 25/07/2014)
- Brigitte Holzer, businesswoman, Berg
- Sascha Magsamen, businessman, Frankfurt am Main
- Dr. Thorsten Reinhard, attorney, Kronberg/Taunus

The presentation of the board remuneration changed with the current corporate governance codex.

The following tables show the allowances granted to each board member for financial year 2014, including the additional benefits, in the case of variable remuneration shares supplemented by the maximum and minimum achievable remuneration (according to sample table 1 in section 4.25, paragraph 3 (1st indent mark) of the German Corporate Governance Codex).

Allowances granted in € thousand	Peter Zils CEO				Achim Theis CSO			
	2013 Target value	2014 Target value	2014 (Min)	2014 (Max)	2013 Target value	2014 Target value	2014 (Min)	2014 (Max)
Fixed remuneration	300.0	300.0	300.0	300.0	220.0	220.0	220.0	220.0
Additional services	23.2	23.2	23.2	23.2	16.6	16.6	16.6	16.6
Total	**323.2**	**323.2**	**323.2**	**323.2**	**236.6**	**236.6**	**236.6**	**236.6**
Variable remuneration	100.0	100.0	0.0	100.0	60.0	71.2	0.0	71.2
Total	**423.2**	**423.2**	**323.2**	**423.2**	**296.6**	**307.8**	**236.6**	**307.8**
Pension expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total remuneration	**423.2**	**423.2**	**323.2**	**423.2**	**296.6**	**307.8**	**236.6**	**307.8**

Allowances granted in € thousand	Bernhard Seidl CFO				Johannes Borgmann CFO			
	2013 Target value	2014 Target value	2014 (Min)	2014 (Max)	2013 Target value	2014 Target value	2014 (Min)	2014 (Max)
Fixed remuneration	220.0	146.7	146.7	146.7	0.0	146.7	146.7	146.7
Additional services	12.6	8.4	8.4	8.4	0.0	11.7	11.7	11.7
Total	**232.6**	**155.1**	**155.1**	**155.1**	**0.0**	**158.4**	**158.4**	**158.4**
Variable remuneration	100.0	100.0	100.0	100.0	0.0	66.7	0.0	66.7
Total	**332.6**	**255.1**	**255.1**	**255.1**	**0.0**	**225.1**	**158.4**	**225.1**
Pension expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total remuneration	**332.6**	**255.1**	**255.1**	**255.1**	**0.0**	**225.1**	**158.4**	**225.1**

The following table shows the inflow for each board member in or for financial year 2014 comprising fixed remuneration, short-term variable, long-term remuneration and other remuneration with differentiation based on the respective years of reference (according to sample table 2 in section 4.2.5, paragraph 3 (2nd indent mark) German Corporate Governance Codex).

Inflow in € thousand	Peter Zils CEO		Johannes Borgmann CFO		Bernhard Seidl CFO		Achim Theis CSO	
			Joined: 01/05/2014		Resigned: 31/08/2014			
	2014	2013	2014	2013	2014	2013	2014	2013
Fixed remuneration	300.0	300.0	146.7	0.0	146.7	220.0	220.0	220.0
Additional services	23.2	23.2	11.7	0.0	8.4	12.6	16.6	16.6
Total	**323.2**	**323.2**	**158.4**	**0.0**	**155.1**	**232.6**	**236.6**	**236.6**
Single-year var. remuneration	16.7	50.0	11.1	0.0	30.0	50.0	13.6	29.9
Multiple-year var. remuneration	0.0	4.2	0.0	0.0	0.0	8.3	0.0	12.5
Sustainability 2011	–	4.2	–	–	–	8.3	–	12.5
Sustainability 2012	–	–	–	–	–	–	–	–
Sustainability 2013	–	–	–	–	–	–	–	–
Other var. remuneration	40.0	4.2	–	–	40.0	–	25.0	25.0
Miscellaneous	–	–	–	–	30.0	–	–	–
Total	**379.9**	**381.6**	**169.5**	**0.0**	**255.1**	**290.9**	**275.2**	**304.0**
Pension expenses	–	–	–	–	–	–	–	–
Total remuneration	**379.9**	**381.6**	**169.5**	**0.0**	**255.1**	**290.9**	**275.2**	**304.0**

The success-related variable remunerations are linked to a sustainable corporate development over a period of three years. For financial year 2014 the Management Board is entitled, in addition to fixed remuneration and additional benefits, to well-earned variable remuneration totalling € 176.4 thousand (previous year: € 192.4 thousand). After deducting already paid remuneration shares, corresponding reserves were formed. The remunerations are solely for short-term due services. The earnings for the financial year 2014 therefore totalled € 1,080 thousand.

The following table shows the remuneration of the Supervisory Board:

Supervisory Board	Remuneration in € thousand for 2014	Remuneration in € thousand for 2013
Johannes Borgmann	8.7	16.3
Dr. Barbara Bludau	7.0	–
Brigitte Holzer	15.0	9.8
Dr. Thosten Reinhard	15.0	9.3
Mirko Mach	20.0	12.8
Sascha Magsamen	14.0	9.3
Dr. Norbert Bensel	21.7	9.8
Total	**101.4**	**67.3**

In financial year 2014 the members of the company's Management Board and Supervisory Board were members of the following committees and / or performed the following full-time functions:

Supervisory board member	Function	Company
Dr. Norbert Bensel	Managing Director	NB Consulting- und Beteiligungs GmbH, Berlin
	Member of the Supervisory Board	Praktiker AG, i. L., 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 Advisory Board	BREUER Nachrichtentechnik GmbH, Bonn
	Member of the Advisory Board	IQ Martrade Holding- und Managementgesellschaft mbH, Düsseldorf
	Management Board	EL-Net Consulting AG, Munich
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg
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
	(up until 31/08/2014)	
	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	Spobag AG, Düsseldorf
	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	Telemazz Commercials GmbH, Frankfurt
	Managing Director	Präzisionsdreherei Johann Kölbel Nachfolger GmbH, Puchheim

Supervisory board member	Function	Company
Dr. Thorsten Reinhard	Partner (Member)	Noerr LLP, London / Great Britain
	Member of the Supervisory Board	Wackler Holding SE, Munich
Dr. Barbara Bludau	Attorney	P+P Pöllath + Partners, Munich

The remaining 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 2014 the fee entered as expense for the auditors of the consolidated financial statement of ecotel ag for the audits of the consolidated financial statement and the individual financial statements of the parent company and consolidated subsidiaries was € 70 thousand (previous year: € 65 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) Events after the reporting period

Until the time of preparation of the consolidated financial statement ecotel was able to terminate an active legal dispute by means of a settlement. The revenues to which ecotel is entitled (about € 1 million less costs) are not included in the annual financial report as of 31/12/2014.

(31) Exemption from publication

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, 23 March 2015

The Management Board

Peter Zils *Johannes Borgmann* *Achim Theis*

Audit opinion of the 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 1 January to 31 December 2014. 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, 23 March 2015

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 2014, 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 additionally involved in a regular exchange of information and ideas with the chairman of the Management Board.

The ecotel Supervisory Board and Management Board met for a total of five meetings in the reporting year, namely on 30 January 2014, 24 March 2014, 20 May 2014, 25 July 2014 and 20 November 2014. Four Supervisory Board meetings also were held by telephone. In addition, a resolution was made by circulation as well as a resolution within the framework of a telephone conference. In the meetings the ecotel Management Board reported regularly 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, 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 2014, the Supervisory Board received detailed reports on the course of the B2B segment, on projects of strategic importance and on current legal disputes. The project management of a major contract was on the agenda of every Supervisory Board meeting. Other subjects of discussion included the planning of additional projects in the context of current customer developments, as well as the next steps and measures to be taken.

Projects requiring approval were discussed in detail between the Supervisory Board and Management Board in each case. In addition, the board approved a recommendation of the Management Board to conduct settlement negotiations in a legal dispute that is relevant for the company.

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.

Another subject of the discussions in the Supervisory Board was the change of two managing directors of the subsidiary nacamar GmbH. In addition, the task of creating a restructuring concept for this company was assigned. The Supervisory Board also examined various capital and structure measures recommended by the Management Board for subsidiaries and made the necessary resolutions in this regard. In addition, the Supervisory Board approved the merger of the subsidiary ecotel private GmbH with ecotel communication ag.

The Supervisory Board meetings regularly focused on strategic supplier contracts, with discussion of options and alternatives. The company was able to achieve satisfactory results in each of these fields.

Other significant resolutions of the Supervisory Board in the reporting year related to the call-in of the company's bearer shares and the corresponding change to the articles of association as well as an increase of the working capital line.

As in the past the Supervisory Board devoted special attention to risk management issues in the reporting year. 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 24 March 2014 focused on the auditing and approval of the 2013 annual and consolidated financial statements. In addition, in the meeting of 24 March 2014, as a precaution the Supervisory Board approved various contracts between ecotel and companies in which members of the Supervisory Board hold shares (details below).

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 respective Supervisory Board member did not participate in the discussion and in each case withheld his vote in the resolution. 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 25 July 2014, 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 auditor audited the financial statement in accordance with § 317 para. 4 HGB and determined that the Management Board has set up a monitoring system, that the legal requirements for early detection of risks that are threatening to the existence of the company are fulfilled and the Management Board has taken suitable measures to recognise developments early on and to prevent risks.

The auditor submitted to the Supervisory Board the statement of independence required by the Corporate Governance Codex and disclosed to the Supervisory Board the audit and consultation fees incurred during the respective financial year.

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 2014, but rather approved the Annual Financial Statement and the Consolidated Financial Statement with the resolution of 24 March 2015. The Annual Financial Statement of ecotel for financial year 2014 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 20 November 2014 the Supervisory Board planned to conduct the efficiency inspection provided for by the Corporate Governance Codex.

In reporting year 2014, the Management Board and Supervisory Board issued a joint compliance statement on 30 January 2014 in accordance with § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Codex. The statement was made permanently available through publication on the company's website.

5. Changes in the Supervisory Board in the reporting period

In the reporting year Mr. Johannes Borgmann resigned his seat on the Supervisory Board. At the recommendation of the Supervisory Board the Annual General Meeting of 25 July 2014 elected Dr. Barbara Bludau to the Supervisory Board for the remaining tenure of the resigning board member.

6. Changes in the Management Board in the reporting period

In the reporting year Mr. Bernhard Seidl resigned from the Management Board on 31 August 2014. By resolution of the Supervisory Board of 30 December 2013, Mr. Johannes Borgmann was appointed effective 1 May 2014 as a member of the Management Board for a period of three years. He represents Finance, Operations and HR.

In addition, Mr. Peter Zils was appointed as Chairman of the Management Board effective 1 March 2015 for a period of three more years. Accordingly his contract now ends on 28 February 2018. Mr. Zils is responsible for Strategy / Business Development, Technology, Wholesale, Holdings and Investor Relations. At the same time, Supervisory Board member Achim Theis, who is responsible for Sales, Marketing and Product Development, was reappointed for the period from 1 December 2014 to 30 November 2017; his contract was concluded for the same period.

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 financial reports during the year as well as the 2013 annual and consolidated 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 was unchanged until Mr. Borgmann's resignation as a Supervisory Board member on 30 April 2014 and was comprised of Dr. Bensel (Chairman) and Dr. Thorsten Reinhard and Mr. Johannes Borgmann. This committee convened three times in fiscal year 2014. With effect from 20 November 2014 Dr. Barbara Bludau was elected by the Supervisory Board as an additional member of the nominating and personnel committee, which as of that date now again comprises three members.

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 2014.

Düsseldorf, 24 March 2015

For the Supervisory Board:

Dr. Norbert Bensel

Chairman of the Supervisory Board

Glossary

All-IP

The term All-IP refers to the standardising change-over of previous transmission technologies in telecommunication networks on the basis of the Internet Protocol (IP). As a result, services such as telephony, television and mobile communication are no longer provided via the classic circuit switching networks, but rather via packet switching by means of the network protocol now common in computer networks.

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 (German 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.

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.

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.

IPS

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

IP-Sec

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

LTE

Long Term Evolution (LTE) is a mobile communication standard of the fourth generation (3.9G standard), which can achieve substantially higher download rates of up to 300 megabits per second. The basic scheme of UMTS is retained in LTE. This enables fast and economical retrofitting of the infrastructures of UMTS technology (3G standard) to LTE Advanced (4G standard).

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.

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.

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 design are 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 2015	Publication of the quarterly report Q1
24 July 2015	Annual General Meeting
14 August 2015	Publication of the quarterly report Q2
13 November 2015	Publication of the quarterly report Q3

Imprint

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