ecotel
all around communication

2015
Annual Report

ecotel communication ag Annual Report 2015

Key figures

Amounts in million €	2013	2014	2015
Revenue	91,2	101,5	106,3
Business Solutions	42,0	41,9	42,9
Wholesale	34,7	43,2	45,8
New Business	14,4	16,4	17,6

Gross earnings	26,8	26,6	27, 8
Business Solutions	21,1	20,6	20,9
Wholesale	0,7	0,6	0,4
New Business	5,0	5,4	6,5

EBITDA [1]	6,6	7,3	7,9
in % of sales revenue	7,2 %	7,1 %	7,4 %

EBIT	3,2	3,0	3,6
in % of sales revenue	3,5 %	2,9 %	3,4 %

Consolidated profit [2]	1,4	1,2	1,6
Earnings per share in €1 [3]	0,40	0,33	0,46

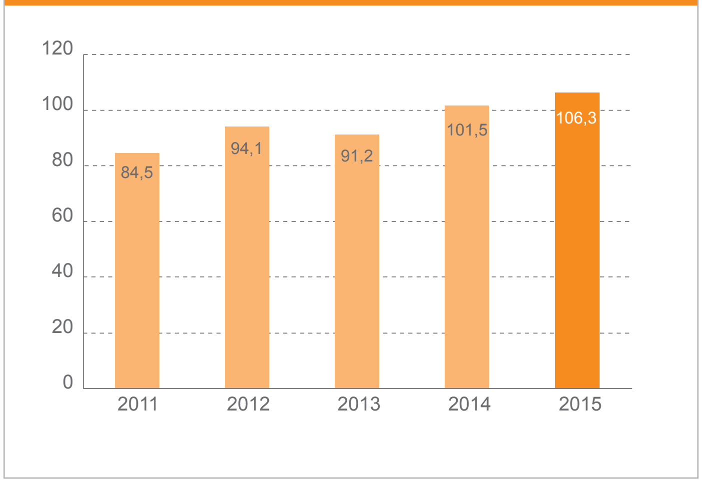
Balance sheet total	45,2	43,8	50,2
Equity capital	20,2	20,7	22,0
in % of the balance sheet total	44,7 %	47,1 %	43,8 %
Number of shares as of 12/31 (Outstanding shares)	3.600.000	3.510.000	3.510.000
Net debt	-1,3	-1,5	2,6
Free Cashflow [4]	-0,8	1,5	5,4
Employees as of 12/31 [5]	200	217	212

Essential cash flow data

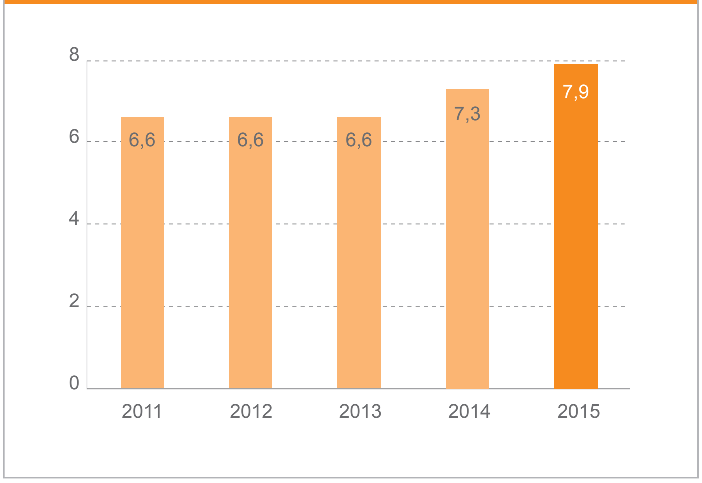
Amounts in million €	2013	2014	2015
Cash and cash equivalents as of 01/01	7,5	6,1	5,0
Cash flow from ongoing business activities	6,9	4,4	8,5
Cash flow from investment activities	-7,7	-2,9	-3,2
Cash flow from financing activities	-0,6	-2,6	-2,6
Cash and cash equivalents as of 12/31	6,1	5,0	7,7

[1] Result before scheduled and unscheduled impairments, financial result and taxes on income and earnings
[2] Corresponds to the consolidated profit after deduction of minority interests
[3] Both undiluted and diluted
[4] Free Cashflow = Cash flow from ongoing business activities + Cash flow from investment activities
[5] Without minority companies (synergyPLUS GmbH, mvneco GmbH)

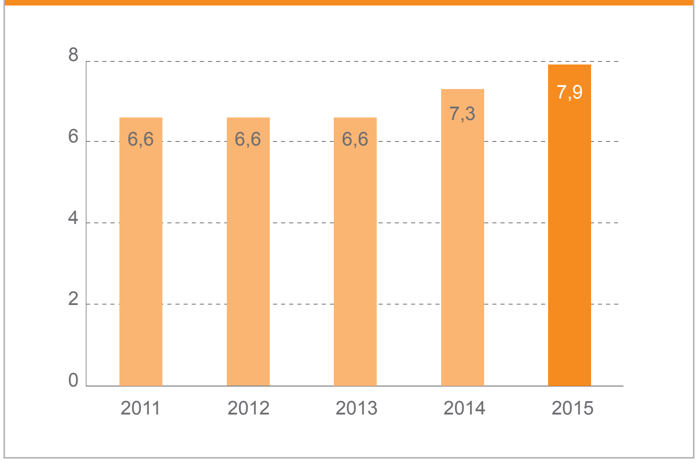
Revenue in million €[1]



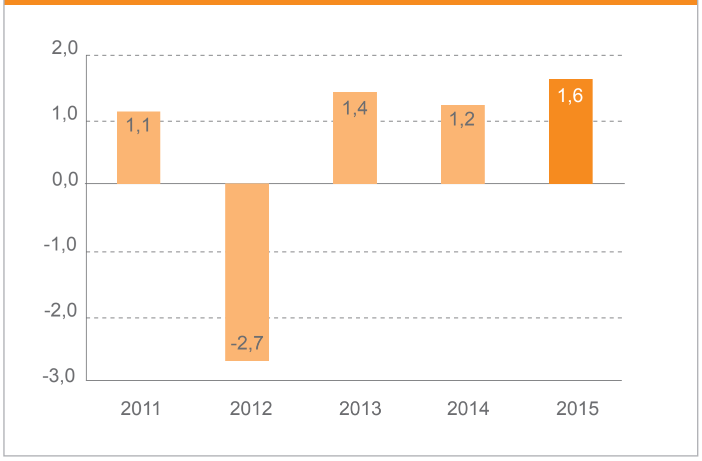
EBITDA in million €[1]



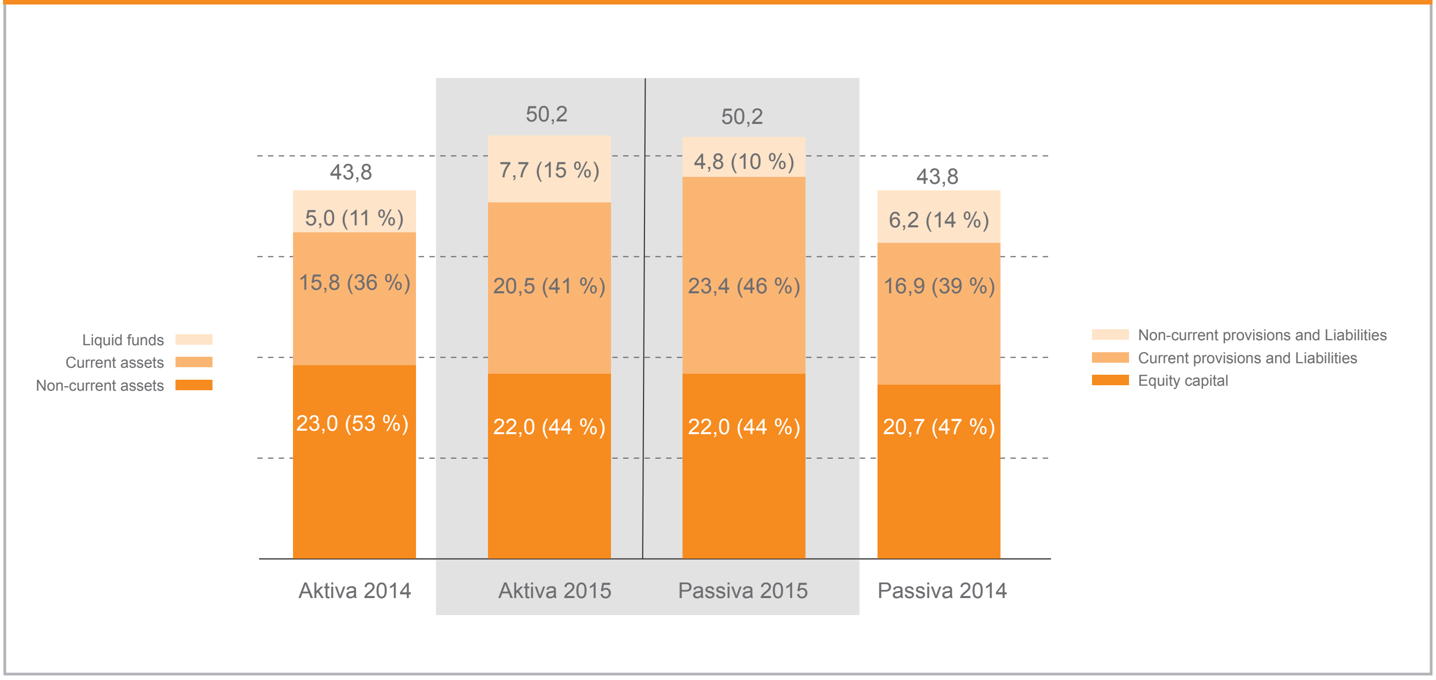
EBITDA in million €[1]



Earnings in million €[1,3]



Assets and liabilities in million €[1]



Corporate profile

The ecotel Group (hereinafter »ecotel«) is a telecommunications company operating throughout Germany since 1998 that 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 business 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 and increasingly also key accounts throughout Germany an integrated product portfolio of voice and data services (IT/telecom solutions) from a single source.

In »Wholesale Solutions« ecotel integrates the services offered to 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 PCs 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,
We can look back on another successful business year. ecotel succeeded in growing and increasing profitability in all business segments. The forecast goals were met or exceeded.

With total consolidated revenue of € 106.3 million (previous year: € 101.5 million) ecotel was again able to exceed the € 100 million revenue threshold. The high-margin core segment Business Customers increased revenue by € 1 million to € 42.9 million. Meanwhile, data and computer centre services from revenue with business customers constitute a share of 46 %. In the low-margin and difficult-to-forecast Wholesale Solutions segment revenue increased by 5.9 % to € 45.8 million. The New Business segment, which comprises Private Customer Solutions under the easybell brand and new media solutions under the nacamar brand, achieved a 7.3 % increase in revenue to € 17.6 million.

In financial year 2015 ecotel again increased the gross profit, namely to € 27.8 million (previous year: € 26.6 million). This growth was achieved in part by the New Business segment with € 1.1 million and the Business Customers segment with € 0.3 million. The gross profit margin in the Business Customers segment remained nearly constant at 48.6 % (previous year: 49.1 %).

Consolidated EBITDA increased by € 0.6 million or 8 % to € 7.9 million. This increase was achieved in large part by the New Business segment with a 50 percent increase and a contribution of € 2.7 million (previous year: € 1.8 million). The Business Customers segment achieved EBITDA of € 5.2 million (previous year: € 5.4 million). Financial year 2015 was again influenced by one-time revenue, which had a positive effect on EBITDA in the Business Customers segment (2015: € 0.9 million, 2014: € 2.0 million).

Consolidated profit increased by € 0.4 million or 41 % to € 1.6 million, which corresponds to earnings per share of € 0.46 (previous year: € 0.33). Free cash flow improved by € 3.9 million to € 5.4 million, which corresponds to a value of € 1.53 per share. Therefore, ecotel was able to transform the net debt of € 1.5 million as of 31 December 2014 into net assets of € 2.6 million by the end of financial year 2015.

On the basis of this development we have decided together with the Supervisory Board to increase the recommended dividend at the annual meeting to € 0.23 (previous year: € 0.16 / share) per qualified share.

After the successful implementation of key contracts at the end of the financial year and the successful implementation of all technical and legal requirements for commissioning of the company's own local network at the start of the year, we are very optimistic about the year 2016. Interoperability with Telekom Deutschland GmbH and other network operators now enables ecotel to provide business customers with nationwide available IP-based voice services, including individual rate advantages.

Another advantage of the products offered by ecotel is the option of optimal combination of different services: through dynamic prioritisation of ecotel voice services on an ecotel data line, for example, it can be used much more effectively and the bandwidth can be selected based on actual requirements. This special product design allows us to offer a much more suitable and economically more attractive range of services.

The acquisition and successful implementation of the large-scale contracts with Curanum and Hochtief additionally confirm that we can achieve success with key accounts as well.

In the past two years we have increasingly focused the utilisation of the free cash flow on investments in technical infrastructures (modernisation of the computer centre, network operation, etc.). Within the scope of impending technological change, we will increase investments in systems, processes and personnel in financial year 2016, which will temporarily burden EBITDA. For 2016 we expect consolidated revenue of € 95 – 105 million, and EBITDA of € 7.0 – 8.5 million, with a stable gross profit margin in the Business Customers segment. We will continue to pursue the goal of sustaining the business operations of the ecotel Group, taking into account the interests of the shareholders, lenders and employees, in addition to developing the business units.

In conclusion we would like to thank all of our employees for their work and their contribution to our success. We thank our customers, business partners and shareholders for the close and trustful cooperation. We look forward to successful collaboration with you in meeting the upcoming challenges of the telecommunications market.

Johannes Borgmann
Chief Financial Officer

Peter Zils
Chief Executive Officer

Achim Theis
Chief Sales Officer

The high-margin core segment Business Customers increased revenue by EUR 1 million to EUR 42.9 million in the concluded financial year. Meanwhile the data and computer centre services constitute 46 % of the B2B revenue.

The acquisition and successful implementation of the large-scale contracts with Curanum and Hochtief confirm that we can achieve success with key accounts as well.

Achim Theis CSO

ecotel introduces itself

A new era in telecommunications – as natural and inevitable, and also as necessary as the change of seasons. And also a great opportunity!

Currently the telecommunications industry in Germany – together with its users, of course – faces the next stage of evolution: away from the circuit switching telephone network (especially ISDN) toward packet switching transmission via Internet Protocol.

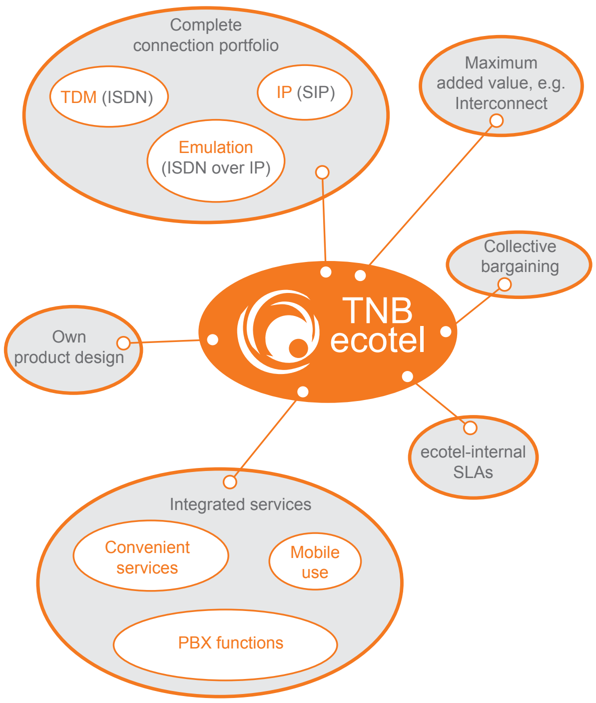
Oliver Jansen
Director Marketing / Product Management

“Voice is just another application on the net” – although this statement was made 15 years ago by the former CEO of a world-famous network supplier, it is now becoming reality on a large scale. This phenomenon is typical: a particular technology has already existed for a long time and has even withstood the test of time – only the users either do not know about it or do not recognise its usefulness.

The first telephone book for Berlin from 1881 soon came to be known as the »book of fools«, the telefax was largely ignored for 50 years and even e-mail enjoyed only a marginal existence for more than 20 years. The SMS needed at least 15 years to achieve a popularity that it is now losing three times as fast – to WhatsApp and similar services. And now the popular ISDN – first ignored for ten years (“Why do I have to see who is calling, I will find out when I answer the phone …”) and then suddenly indispensable. In a few years this service will be just another anecdote in the vade mecum of telecommunications.

Two insights can be realised: the speed with which technologies and services come and go is increasing rapidly and voice transmission has now fully arrived in the age of the Internet. Our industry subsumes this last point under the term All-IP, ergo: everything via the Internet Protocol.

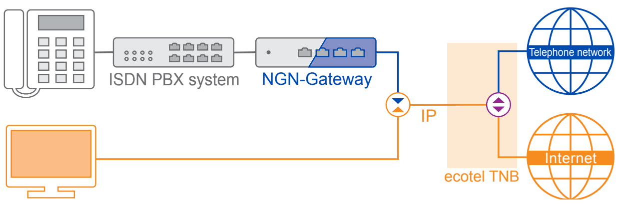
The decisive advantage is that it is now clear which protocol and which infrastructure is established for the coming decades. Of course, the bandwidth requirement will continuously rise, services will continue to come and go – and that is exactly why the management of data flow will be a matter of urgency. After all, it is far from useful in real-time communication if the voice transmission arrives at the other end with a delay of seconds.



There is no shortage of tasks and potential decisions to be made by telecommunications providers – exactly this is the focus of our strategy. Our many years of experience in the acquisition and retention of high-quality customer relationships qualifies us especially well to help shape the next era.

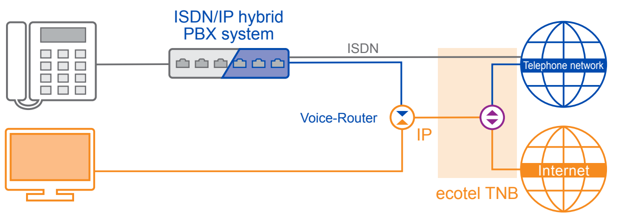
An essential condition for this is now fulfilled: since 2016 ecotel is a local exchange carrier (LEC). The network interconnection that has taken place now allows us for the first time – largely independent of upstream third-party products – to design our own standalone products to optimally serve the requirements of our target customer group now and in the future. And this is done with a speed and versatility that is typical for an enterprise of our size. Whether for the calculation of special rates or creating new services such as an integrated SIP and ISDN trunk – it is necessary not only to understand customer requirements, but also to be able to implement them – by one company, from a single source.With these competences we can provide the typical scenarios for supplying customers in the age of All-IP.

Scenario 1:
Emulation of ISDN connections



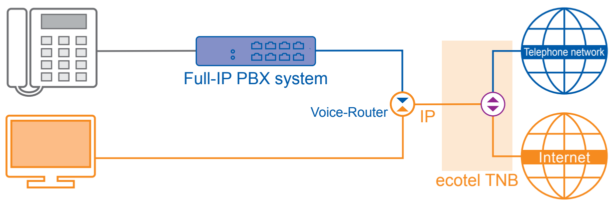
The essential functions of the ISDN connections used in the past (S2M or S0) are provided by means of a gateway. The previous telecommunications system (telecom system) can continue to operate unchanged, since the connection of the gateway to the public network already takes place via IP. However, only very few SIP providers, including ecotel of course, offer secure and prioritised (QoS) data lines. Yet quality and security are essential for acceptance by the customer. And in the event of a later switch to a purely SIP product, the customer already has a suitable data line.

Scenario 2:
Parallel operation of SIP trunk and ISDN connections



Here the customer is introduced to All-IP by means of gradual migration: in addition to the (still) existing ISDN connection, a SIP trunk with the existing customer telephone numbers is activated (clip no screening). Outgoing connections can be routed either in the overflow or completely via SIP and incoming connections continue to be routed via the existing ISDN connection. The complete switch to SIP can take place at a later time.

Scenario 3:
Complete migration from ISDN to SIP



An existing ISDN connection is migrated completely to a SIP trunk by means of porting.

As in scenario 2, this requires that the telecom system is SIP compatible – which is the case with the majority of systems marketed in Germany in recent years.

Bandwidth and quality
An essential aspect of all three scenarios is to ensure maximum bandwidth and quality of the data line: a symmetric bandwidth of 100 kbit/s is needed for each voice channel. With this capacity it is possible to achieve voice quality at the ISDN level – as long as this is supported by the SIP provider and the end devices – or even better quality (HD audio). In the case of business customers the data line should also be equipped with documented special features for secure and prioritised transmission of real-time data (SLA).

Summary
The end of ISDN is irrefutable, but can be accepted calmly and even enthusiastically if an experienced provider such as ecotel accompanies the technological change and uses the opportunity to create new advantages of digital transformation.

VPN »Made in Germany« is the basis for the networking of HOCHTIEF

Central services management for corporate communication of offices and construction sites

HOCHTIEF is one of the world's most international construction corporations. The enterprise implements demanding infrastructure projects worldwide, partially on the basis of concession models. The group conducts activities in all areas of traffic infrastructure, energy infrastructure and social/urban infrastructure, as well as mining operations. With about 68,000 employees and sales revenue of more than € 22 billion in financial year 2014, HOCHTIEF is present in all important markets around the world: in Australia, with the subsidiary CIMIC, the group is the market leader. In the USA – the world's largest construction market – HOCHTIEF's subsidiary Turner is Number 1 in commercial construction and its subsidiary Flatiron is one of the most important road construction companies. Due to its commitment to sustainability, HOCHTIEF is listed since 2006 in the Dow Jones Sustainability Index.

With respect to the requirement to optimise communication in the HOCHTIEF business locations and construction sites in the form of more secure and high-availability networking, the primary consideration was to use one primarily responsible provider in the future, while simultaneously optimising costs. In the search for a provider, the IT/telecom provider ecotel, which specialises in business solutions, was shortlisted as the result of an industry recommendation.

HOCHTIEF was convinced by ecotel's centrally managed overall concept with one partner for all technical and business matters, including a dedicated project and service management system for direct exchange with the departments involved at both ends.

from left: Andreas Stamm, Thorsten Gzuk, Hermann Bauer, Stefan Claßen (ecotel) – Dirk Steffen, Bernd Ruttloff, Michaela Kohn (HOCHTIEF)

High-performance VPN designed for flexible scaling

The first stage of the large-scale VPN project is to interconnect 70 German locations of HOCHTIEF Solutions AG via a standardised MPLS-VPN-based company network with ISO 27001 certified security »Made in Germany«. During the course of the project, numerous national and international locations and construction sites will successively be integrated in the secure corporate network.

Integration of the single locations within the MPLS-VPN was implemented by ecotel both with Ethernet lines, including guaranteed bandwidth throughputs (with 10 Mbit to 1 Gbit lines, depending on the standard) and with SHDSL and ADSL lines and mobile UMTS / LTE router solutions. To guarantee availability especially of critical locations, dedicated backup connections with the Hot Standby Routing Protocol (HSRP) are used for automatic switching of the VPN connection as needed. ecotel provides special security in communication with the public Internet via a high-availability central Internet breakout with a 1 Gbit/s port. The VPN concentrator in the core network enables client dial-in for mobile users and the connection of international site-to-site VPN locations.

Streamlined administration and significant cost reduction

Due to ecotel's multi-supplier concept for networking of locations, HOCHTIEF benefits from maximum bandwidth availability and centrally managed connection technologies from a single source.

HOCHTIEF

Dirk Steffen, Corporate Development / Innovation Management HOCHTIEF AG, explains: “The secure, high-availability data connection of our national and international locations and construction sites is a critical corporate requirement and a necessary condition for the daily operations of HOCHTIEF. The cooperation with ecotel gives us clear advantages also with respect to the required service quality within the framework of the complex overall concept. We now have one central partner who is responsible for all matters, including a dedicated contact person for direct communication at eye level.

Even during the tender and negotiation processes we were impressed by the cross-division cooperation of the ecotel team (Sales, Consulting, Service and Technology). Not least of all, we were convinced by the price-performance ratio as an important criterion that will achieve high savings throughout the contract term.”

MPLS data network for secure corporate communication at Curanum

Seamless integration of All-IP voice services included

Curanum is a leading operator of homes for the elderly and care centres in Germany. As a private, modern service undertaking Curanum has been dedicated for more than 20 years to helping people who need the assistance of others. A company of the Korian Group, Curanum meanwhile has more than 146 facilities nationwide. These include, for example, the subsidiary Phönix, a VPN customer of ecotel with 60 SHDSL locations. Curanum is a member of the French Korian Group, which employees about 45,000 people in more than 700 care facilities.

CURANUM home for seniors in Landshut

In all of the countries (France, Belgium, Italy and Germany) the employees act on the basis of the common values of the group: respect, responsibility, initiative and transparency.

After consolidation of the two companies Curanum and Phönix under the umbrella of the Korian Group in 2014, it was necessary to implement a standardised corporate network in Germany with a homogeneous network topology. In addition, telephone communication at each customer location needed to be integrated by means of an innovative concept for IP-based voice services.

The IT / telecom consulting firm savecall of Munich, which has been in the service of Curanum as an independent expert since 2012, conducted a market analysis for choosing a suitable provider.

After an extensive comparison with respect to the price-performance ratio, competence and experience in the carrier / customer relationship and the general respect shown to its customers, ecotel was determined to be a suitable provider for Curanum. Andreas Marreck, an IT / telecom expert at savecall telecommunication consulting GmbH, explained the recommendation for ecotel as follows: “With ecotel, we have an established partner in MPLS multi-location networking that meets the high technological requirements, as well as the price and service requirements of our customer in every respect.”

MPLS data networks from ecotel provide a flexible basis for Curanum's planned growth course in Germany

A central requirement was to design a homogeneous high-performance network that is flexibly scalable for future growth of the Curanum Group and also suitable for the use of cloud services.

CURANUM home for the elderly in Hilden

Initially, all 146 locations in Germany will be networked via a standardised system consisting of 10 M 8 Ethernet lines, including guaranteed bandwidth throughputs and Quality of Service (QoS) parameters with the company headquarters and the computer centre in the form of an IP-MPLS-based VPN data network. During the course of the project, additional new locations will be flexibly integrated in the MPLS-VPN and switched to optical waveguide technology as necessary. The technological basis for the new Curanum corporate network is the established ecotel Ethernet technology, which enables the fast and secure transmission of data with a guaranteed bandwidth – at every single customer location throughout Germany.

Growing requirements demand high-performance partners and technologies

Axel Regenhardt, Head of IT Curanum AG, explains: "For the operational implementation of our expansion strategy we need flexible, high-performance partners with a high level of customer orientation. To ensure the high performance of our new corporate network in the future as well, we again chose ecotel due to positive experiences in the past. Since the services offered by ecotel also convinced us with respect to a balanced price-performance ratio, it was natural for us to choose ecotel also for the area of voice and value-added services."

Axel Regenhardt
Head of IT Curanum AG

Fibre optics ensure top presence in professional sports

Ethernet data lines with a sustainable future for Lagardère Sports Germany GmbH

Lagardère Sports Germany, formerly SPORTFIVE, is Germany's leading sports rights agency. The company's services cover the entire spectrum of sports marketing – from stadium advertising and jersey sponsoring to hospitality programs and the marketing of media rights. The core business in Germany is football: Lagardère Sports Germany is currently the full marketing partner of 16 professional football teams, including Borussia Dortmund and Hamburger SV.

In the fast-moving world of professional sports, the operation of modern football stadiums necessitates state-of-the-art technological standards. Fast and secure communication channels with flexible scaling options have to function reliably at all times. An important condition for the daily operations of the Lagardère Sports sales and marketing experts is the provision of high-performance Internet access in the stadiums.

Lagardère Sports Germany has already been a customer of ecotel since 2012, initially with interconnectivity for eleven locations. In the subsequent course of the project, the number of locations increased successively to 15. Due to the constructive cooperation in a spirit of partnership the original three-year contract was extended for another three years.

Turbo fibre optics provides maximum range for fans in stadium

ecotel currently provides high-availability broadband Internet access for the Lagardère Sports headquarters as well as 19 external locations, football stadiums of the 1st and 2nd national league. This enables the entire e-mail communication of the single locations, including file services, and also provides the basis for an MPLS network that is used worldwide by Lagardère Sports. The merging of the data takes place via the main German location in Hamburg. A central Internet breakout there ensures a secure connection.

Most of the connections were implemented using high-speed optical fibre cables on the basis of high-performance Ethernet technology. The single locations therefore achieve high symmetrical bandwidths of up to 100 Mbit/s with service availability of up to 99.50 % through double support on two ecotel PoP locations.

Fritz-Walter Stadium *Image source: 1st FC Kaiserslautern e.V.*

Another plus: flexible bandwidth scaling is readily possible. This is an important prerequisite for Lagardère Sports, since different stadiums have to be provided with service – due to constant fluctuations in the national league rankings.

Comprehensive package from a single source

Ralf Bellmann, IT consultant of the IT service provider hanseConcept that is responsible for Lagardère Sports Germany nationwide and currently IT Manager Infrastructure Lagardère Sports Germany GmbH, explains: "The high-availability connectivity of our personnel in the stadiums, who are involved in local marketing of the teams in the form of stadium advertising and jersey sponsoring, as well as hospitality programs and media rights, is an important part of our core business. That means we need to be able rely on an experienced IT / telecom provider, who guarantees unlimited availability of the service at all times."

Ralf Bellmann
IT Manager Infrastructure
Lagardère Sports Germany GmbH

"In order to continue ensuring this high standard in the future, we have again decided on a cooperation with ecotel. With ecotel, we have one central contact for all locations in Germany. All data, including that from the communication between the locations, remains in one network – time-intensive switching of carriers with diverse contact persons is a thing of the past for us. We also especially appreciate the reliable and flexible provision of the services; we can add new lines on-the-fly at any time or adapt existing bandwidths; we do not have to deal with line failures. Altogether a convincing package with a good price-performance ratio."

New positioning of nacamar as New TV Agency with focus on online video

Video users are in motion

Internet users spend more and more time with online videos. Video streaming is booming!

While ten years ago it was considered daring to stream TV content for free access on the Internet, today's user is disappointed if he misses a program and cannot find it online half an hour later. 54 % of German online users aged 14 – 29 watch videos on the Internet daily (source: ARD / ZDF online study 2015). »Video Everywhere« on mobile devices is also a central issue. Whether in Facebook, YouTube, directly in Google or on websites or apps – with high-performance end devices and fast Internet flat rates, 42 % of video consumption is mobile (source: BLM / LFK Web TV Monitor 2015).

Streaming & CDN
Play your videos live and on-demand, worldwide and highly performant on PC, mobile devices and connected TV.

Online video platform
Fast and easy uploading, management and publication of your videos to the cloud.

Web & app development
Your custom solution, from the idea through design, implementation and operation.

That is the reason for the realignment of nacamar in time for dmexco (16 – 17 September 2015), the worldwide leading fair for digital marketing; nacamar now does business as the New TV Agency. The new claim illustrates the priorities at nacamar for offering comprehensive solutions for the development of online video.

With the three pillars streaming, online video platform and agency service for web and app development, nacamar is well prepared to position itself in the turbulent market for video streaming in the coming years as well. Customers receive all important services for this »New TV« from a single source. The new nacamar website, which presents the company's strengths in a modern and user-friendly context, went online during dmexco.

Action and response

In addition to the general trend of watching more videos online, the market for technology and content providers is also constantly in motion, in order to set accents and create new and interesting offers. nacamar follows the latest trends and offers media companies solutions for fast, easy and inexpensive publishing of their content.

For major broadcasters, nacamar provides its HbbTV live streaming platform, which has already been used at many events.
During the broadcast of a TV program the viewers can press the red button on their SmartTV remote control to switch to the supplementary program from the Internet, allowing them to enjoy an alternative live program at the same time.

The new online video platform Amazon Fire and the completely revised AppleTV offer suitable hardware and apps to boost the market for online video and create high demand.

In the spring of 2015, for example, nacamar adapted the QVC app for Amazon Fire. The use of the new Internet standard HTML5 for the QVC app makes the shopping network available on this relatively new medium with minimum adaptation.
And the marketers are also constantly optimising the capabilities of enhancing videos with video ads, so the content providers can better monetise their range. This constantly places new challenges on player technologies. The medianac, nacamar's online video platform, is currently being converted to HTML5 so that it can offer all standard functions as well as maximum compatibility. Of course, the previous online video standard Flash will continue to be supported, as long as customers wish to use it. In the playout of advertising the new medianac player supports the latest standard, VAST 3.0, since monetisation of video content is an important aspect in the online business of many customers. In close coordination with the online advertising marketers of the large private TV broadcasting networks, nacamar ensures that the medianac player conforms to the current advertising standards.

For many years nacamar has had a unique selling proposition as an independent platform provider, delivering videos via the company's own server farm. Currently the company is in a phase of change and the first international customers are additionally served via worldwide cloud and content delivery infrastructures from CDN partners. The use of cloud services is meanwhile established in the market and the use of worldwide platforms is a requirement of many business customers. In this connection, in 2015 nacamar entered into a cooperation with Akamai, T-Systems / Edgecast and Microsoft, who market professional, high-performance cloud services and support nacamar with the scaling of the target business.

On the pulse of time
In order to not only keep up with the market, but also to maintain the position as innovation pioneer, nacamar seeks to develop new ideas and innovative technologies with respect to online video.

Demonstration of 360° streaming with prominent politicians at nacamar beach at the dmexco

At the exhibit booth at dmexco, for example, the company presented 360° live video streaming – a still quite complex, yet innovative type of event streaming. 360-degree cameras are used to create a signal that is delivered via nacamar's streaming platform, after which it can be played either via web players, mobile apps or 360° VR glasses (e.g. Oculus Rift or Samsung Gear).

Audio streaming growing with strategic partners
In addition to the new positioning, nacamar continues as a successful provider of online radio services, currently delivering nearly 100 radio programs online. Through a strategic key account partnership with Google AdExchange in 2015, nacamar was able to optimise marketing in the radio players and will continue to push radio streaming with all of its new capabilities.

nacamar
the NewTV Agency

The serial winner broadens its strategic base

easybell GmbH is the strong pillar of ecotel communication AG in online marketing. The Berlin-based subsidiary markets high-quality yet low-priced Internet and telephone services for private customers.

For this purpose easybell provides rate-adaptable ADSL2+ and VDSL services nationwide. Meanwhile easybell also markets FTTH connections in an increasing number of expansion regions.

The reasons for this are obvious: well-trained support employees ensure exceptionally high customer satisfaction. No other provider can match the transparent, low-priced products without a contract term. This results in a low tendency to switch providers; customers stay with easybell and recommend the products in Internet forums and in personal contacts.

Established in the German broadband market due to high customer satisfaction

As a result of its innovative and attractively priced products with fair contract conditions and excellent service, easybell is one of the most popular providers of broadband access lines. In a DSL customer survey by Computerbild.de, easybell was again received top ratings.

This consistent word-of-mouth marketing, together with intelligent price and marketing strategies, keeps the marketing costs per new customer low. At the same time, easybell's image is improving continuously.

Future-viable due to new technologies and a multi-carrier strategy

In 2015 easybell laid the foundation for long-term growth. By marketing FTTH connections in previously under-supplied expansion regions, easybell is gaining valuable experience with future-viable optical fibre products.

In addition to Telefonica, easybell has now also integrated QSC in the existing processes as an additional carrier for DSL products. This increases availability and decreases dependency on single carriers.

High innovation in voice segment and certified compatibility

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 at a low cost.

In 2015 the technology was further developed and became more secure, more reliable and more versatile through the integration of a modern session border controller. In addition, numerous certifications were conducted with renowned manufacturers of IP telephone systems, so that customers can now be certain that their hardware is compatible with easybell.

Exceptional growth in 2015

In 2015 easybell again experienced dynamic growth. The number of installed TAL full access lines increased by about 20 % in financial year 2014. 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 number of active customers in the VoIP segment likewise increased by about 20 %. This was possible due to the strong marketing successes of SIP trunking access for the SOHO (small office, home office) market.

The high growth was financed exclusively from the operative cash flow. This was enabled through consistent automation of all business processes so that easybell works with extremely competitive process costs.

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

Innovative and successful again in 2016

Since the recent redesign, the website is now even more professional and more user-friendly, with new colours and images, so that easybell can further diversify its product pallet and push ahead with the carrier structure in 2016. Through investments in the IT infrastructure, the ordering process and the customer portal, products can now be marketed more quickly and more successfully. In addition, easybell will increase the profit per customer with attractive added services.

easybell

For example, the SIP trunking solution will be expanded to include Cloud PBX functions, which will make it possible to continuously increase the functionality of the products.

The company is also planning to further increase the number of suppliers and therefore availability, not only in the DSL segment, so that even more customers can experience the advantages of easybell. As one of the most innovative and most active players, easybell will continue in the future to enrich the telecommunications sector in Germany.

The ecotel stock

The stock of ecotel communication ag (ecotel stock) has been listed since 2006 on the Frankfurt stock exchange and since 2007 in the Prime Standard. The capital stock as of 31 December 2015 amounts to 3,510,000 shares. The company holds no treasury shares.

In financial year 2015 a cash dividend of € 0.16 per qualified share was distributed for the first time.

Price trend 2015

Due to the continuing expansive monetary policy of the central banks and the continuing low interest rate, the stock markets once again remained in the focus of investors and attracted substantial liquidity. This development reached its peak in the spring of 2015 and subsequently diminished.

The DAX improved its position for the fourth year in a row: it gained about 10 % during the course of the year and finished trading with 10,743 points. It reached the peak on 10 April 2015 at 12,375 points. The lowest level was reached on 24 September 2015 at 9,428 points.

The TecDAX developed more positively in 2015. During the course of the year the TecDAX increased by 32 % from 1,382 points at the start to 1,831 points at the end of the year.

The ecotel stock experienced a very mercurial stock exchange year in 2015. It started the year at € 10.20 and reached its highest level in several years of € 12.10 in the spring of 2015. At the end of the quarter, however, the ecotel stock suffered substantial losses, which it was unable to make up by the end of the year. Its lowest level – € 7.70 – was reached in the third quarter. In the fourth quarter a jump to € 10.60 was achieved, after which the ecotel stock again lost value towards the end of the year, finishing the year at a price of € 8.40.

The average daily trading volume of the stock in 2015 was 8,400 shares per day, compared with 5,734 shares per day in the previous year, while the fourth quarter 2015 was significantly above the average with an average trading volume of more than 20 thousand shares per day. The ecotel stock finished the year 2015 with a closing price of € 8.40 and suffered an overall loss of 17 %. With 3,510,000 outstanding shares ecotel had a market capitalisation of € 29.5 million as of 31 December 2015 (previous year: € 34.6 million).

Investor relations

In 2015 an intensive dialogue also took place with investors, analysts and journalists to develop the trading volume of the ecotel stock and to boost the company's image. The development of the ecotel stock was again evaluated as in the past by analysts of the DZ Bank and WGZ Bank in research publications. In addition, ecotel was represented in 2015 at investor fairs, such as the Equity Forum in Frankfurt a.M. and the Munich Capital Market Conference. IR measures are again planned for 2016 to maintain contact to potential investors, including participation in the Munich Capital Market Conference.

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

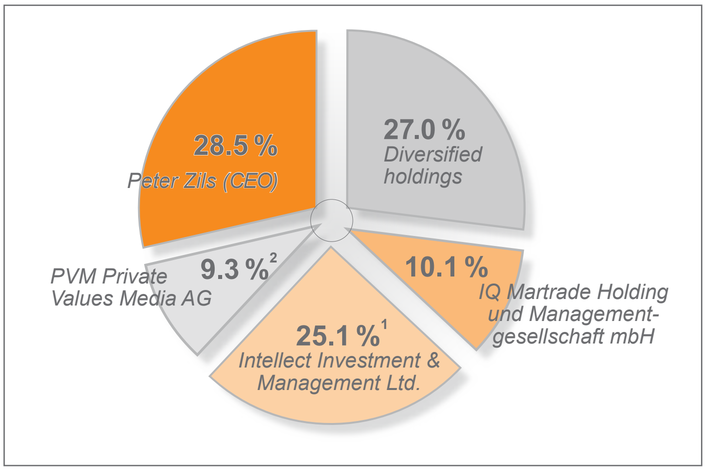
In 2015 there was no significant change in ecotel's shareholder structure. Peter Zils (CEO of ecotel) holds a share of 28.5 %, Intellect Investment & Management Ltd. a share of 25.1 %, IQ Martrade Holding und Managementgesellschaft mbH a share of 10.1 % and Private Value Media AG a share of 9.3 % of the company's stock.

Key figures Ø 2015

WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as of 31/12/2015	3,510,000
Symbol	E4C	Average daily trading volume 2015	8,400
Market segment since 08/08/2007	Prime Standard	*High share price 2015 (€)*	12.1
		Low share price 2015 (€)	7.7
Index affiliation	CDAX, Prime All Share Technology All Share	Market capitalisation as of 31/12/2015 (million €)*	29.5
Gattung	Non par value shares	Designated sponsor	Close Brothers Seydler Bank AG

** Based on the closing price of € 8.4 per share for 3,510,000 outstanding shares as of 31 December 2015*

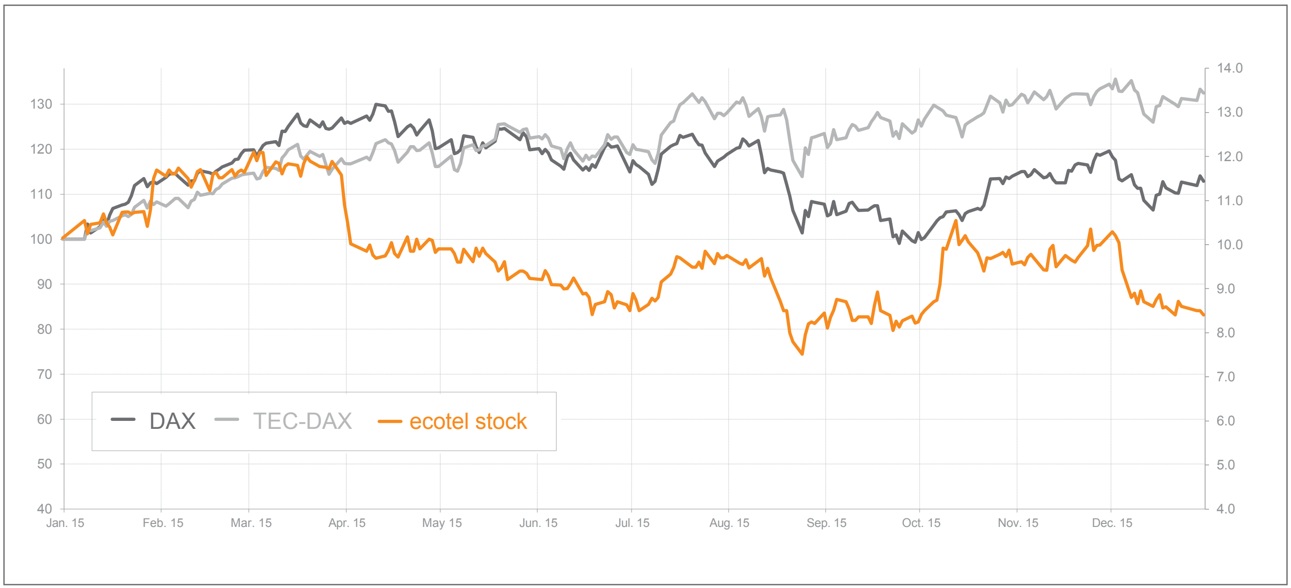
Shareholdings (31/12/2015) in percent



[1] *according to the last notice of 09/07/2009 prior to call-in of treasury shares in 2014 (basis: 3,900,000 shares)*

[2] *according to the last notice of 07/04/2011 prior to call-in of treasury shares in 2014 (basis: 3,900,000 shares)*

Price trend of the ecotel stock in 2015 in percent and absolute



We can look back on another successful business year. ecotel succeeded in growing and increasing profitability in all business segments. The forecast goals were met or exceeded.

On the basis of this development we have decided together with the Supervisory Board to increase the recommended dividend at the annual meeting to € 0.23 (previous year: € 0.16 / share) per qualified share.

Peter Zils CEO

Group
Management Report

I. Foundations of the group

1. ecotel overview

Group structure and business activities

The ecotel Group (hereinafter »ecotel«) is a group of companies operating throughout Germany since 1998 that specialises in the marketing of information and telecommunications solutions for different target groups. The parent company is ecotel communication ag (hereinafter »ecotel ag«).

ecotel markets its products and services in the following segments:
»Business Solutions (B2B)«, »Wholesale Solutions«, »Private Customer Solutions (B2C)« and ***»new media solutions«.***

ecotel divides the business units into the following segments for the segment reporting:
The ***Business Customers segment*** includes the business solutions (B2B) division of ecotel ag and 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*** comprises Private Customer Solutions (B2C) of the easybell Group and new media solutions of nacamar GmbH.

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

The four business units are described in more detail below:

Solutions for business customers are the core business

Business Solutions (B2B)

ecotel's core segment is represented by the business segment ***»Business Solutions (B2B)«.*** Here ecotel offers small and medium-sized enterprises and increasingly also key accounts throughout Germany an integrated product portfolio of voice and data services (IT / telecom solutions) from a single source.

ecotel has a complete portfolio of voice services that includes everything from telephone access (ISDN / VoIP) to value-added services. The broad portfolio of data services ranges from ADSL, SDSL and VDSL to Ethernet access and secure corporate networks via VPN, as well as housing of server farms and hosting of shared services.

The following overview shows the product portfolio in Business Solutions:

Product spectrum for voice and data

Voice	Bundled services	Full access (ISDN +DSL) / SIP Trunk with IP connection incl. QoS
	Telephone service	Business customer rates and NGN-based PMX
	Value-added services	National and international service numbers, phone and data conferences
Data	Internet services	via ADSL, SDSL, Ethernet or leased line
	Location networking	Secure corporate network via IP VPN
	Computer centre	Housing of server farms, hosting of shared services in our own computer centre, PBX hosting

Sales partners and well-aimed use of direct marketing are the basis for success

Depending on the target group, marketing of Business Solutions (B2B) is controlled via direct marketing (key accounts) or via partner marketing with more than 400 marketing partners. Thus ecotel has broad access to the target group of small and medium-sized business customers. In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 buying associations and buying and marketing groups. Nationwide – with annual revenue in this segment of > € 40 million – ecotel provides standardised and custom telecommunications solutions to more than 18,000 enterprises in different industries.

Modular product offer provides special benefits to the customer

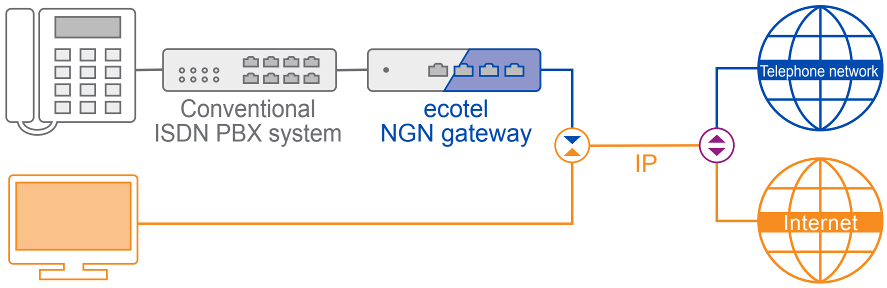
On the basis of a successfully implemented program of product diversification ecotel is well prepared for the upcoming technological change from circuit switching voice services (ISDN) to packet switching IP-based voice services (All-IP). As a basis for B2B capable IP-based voice services, customers need high-quality connections, for example with high-availability Ethernet access products, which ecotel has already successfully marketed for more than five years.

A special advantage of the modular products offered by ecotel is the option of optimal combination of different services: through dynamic prioritisation of ecotel voice services on an ecotel data line, for example, it can be used much more effectively and the bandwidth can be selected based on actual requirements. This significantly reduces the amount of unproductive buffer bandwidth. This special product design allows us to offer a much more suitable and economically more attractive range of services compared to many of our competitors.

ecotel has already successfully established the following IP-based voice and data products in the market:

Future-viable All-IP products: PMX VoIP ready

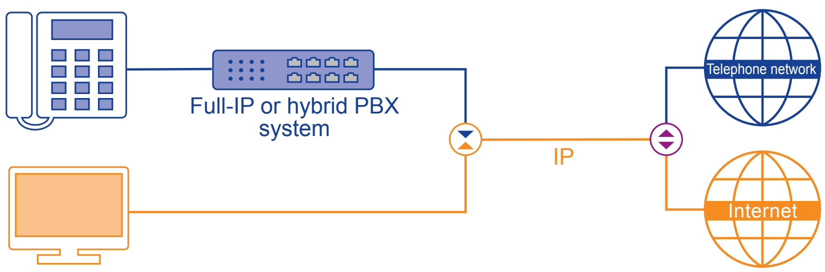
NGN-based PMX:
The product PMX VoIP allows ecotel customers throughout Germany to benefit from attractive rates and connection charges for PMX telephone access. For this purpose ecotel provides the customer with an additional network termination component. An NGN gateway converts the incoming and outgoing signals of the existing ISDN PBX systems into IP-based protocols, with no need for retrofitting or new equipment.



In addition to monetary savings on the base price and connection charges the customer also benefits from high flexibility, since he can use the data bandwidth dynamically for voice and data services. He can also continue using the existing ISDN PBX system.

sipTrunk

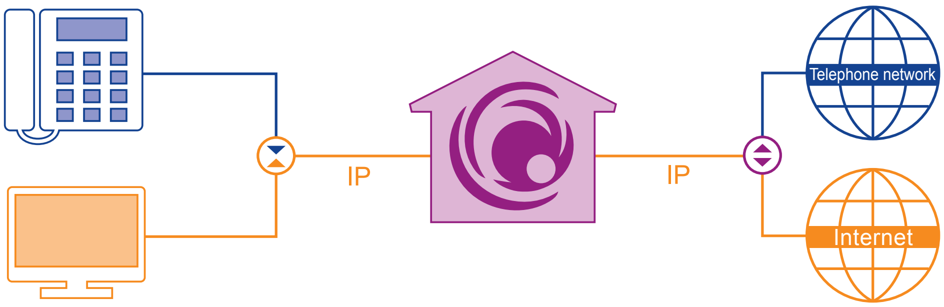
sipTrunk for customers with IP-capable PBX systems:
For ecotel customers who already have an IP-capable PBX system, the new IP-based voice product sipTrunk is used. The ecotel SIP trunk and a data line (ecotel or third-party) with sufficient capacity allows the use of between 2 and 300 voice channels, depending on customer requirements. The existing phone numbers can either be retained, or replace or expanded with the assignment of new numbers.



PBX hosting:

pbxHosting

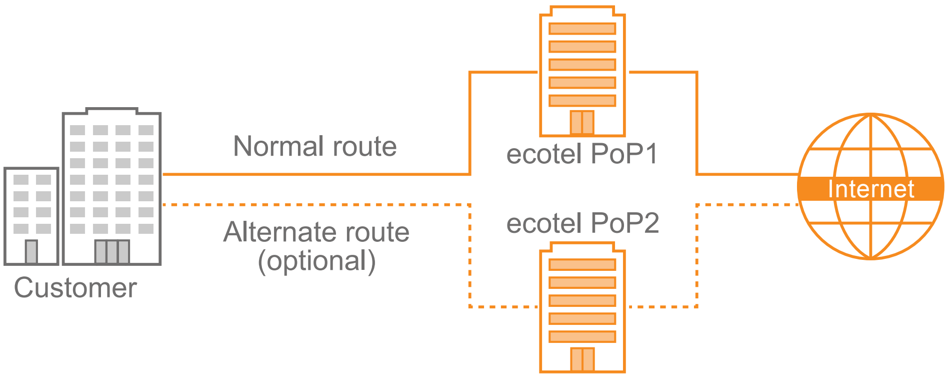
For the first time, ecotel offers pbxHosting as a standard product for hosting services on a virtual server. The product is initially intended for marketers of PBX systems from Unify (formerly SIEMENS). Instead of a physical PBX system that is installed at the end customer's premises, they choose a virtual system that is centrally hosted in the ecotel computer centre and market it to their customers – as in the past – through their respective business models. The goal is to sell additional products to Unify customers, in addition to the computer centre services. As soon as an ecotel data line and – for switching of external calls – an ecotel SIP trunk are used for access to the PBX system, partners and customers can benefit from the lower package prices.



Nationwide available data lines

ethernet access

Professional Internet access from ecotel creates optimal conditions for efficient communication and trouble-free data exchange. On the basis of high-performance Ethernet transmission technology, ecotel offers point-to-point connections with guaranteed bandwidths – due to the multi-carrier concept also at locations where DSL-based access is either not available or infeasible due to insufficient bandwidth. Multi-location networking is implemented by ecotel on the basis of this broadband access via MPLS-VPN with ISO-certified security »Made in Germany«.



Wholesale platform provides the technological basis for the local exchange network

Wholesale Solutions

In »Wholesale Solutions« ecotel integrates the services offered to 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 processes a portion of the national and international phone calls of its business customers via the wholesale platform and also uses this platform for the company's own local exchange network that was stared at the beginning of 2016. The mvneco GmbH holding, as a technical service provider and consultant for mobile communications and related managed services, is allocated to the wholesale segment.

easybell adapts to the needs of private customers

Private Customer Solutions (B2C)

The »Private Customer Solutions (B2C)« of ecotel include the services of the easybell Group. Private customers benefit from capabilities and services that previously were available only to business customers. Customers in this segment use the same technology and connections that are used for the business customers. Minimum contract terms are kept to a minimum and straightforward products are offered for private customers. Through the subsidiaries sparcall GmbH and Carrier-Services.de GmbH the easybell Group offers inexpensive Call-by-Call services for national and international phone calls, in addition to Internet-by-Call.

nacamar increasingly develops customer solutions

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 PCs and smart TVs).

Need for »bare« bandwidth is increasing

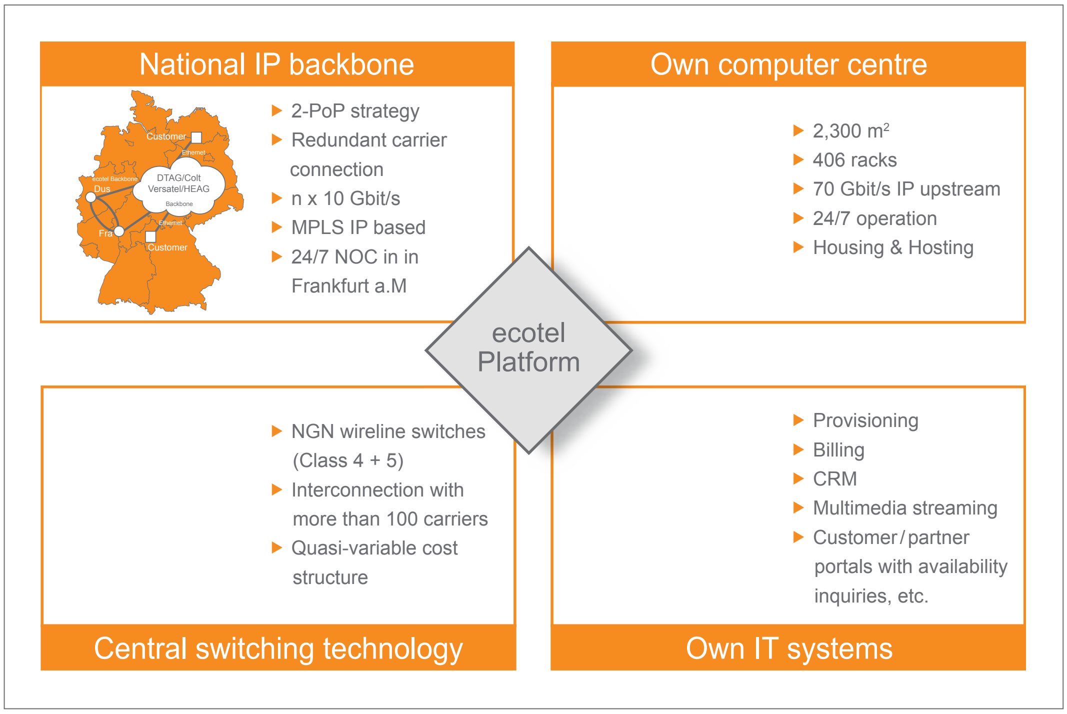
Infrastructure

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. Deutsche Telekom (DTAG), Vodafone, Versatel, Telefonica, Verizon, Versatel, QSC and Colt can be cited as typical upstream suppliers. The majority of the ecotel cost basis is variable due to customer-specific purchasing of the call origination service. Since the beginning of the year 2016 ecotel operates its own local exchange network on the basis of state-of-the-art NGN technology and is therefore capable of offering voice switching services, managing multiple number blocks and porting numbers to its own network. This means that the purchase of telecommunications supply services will increasingly be limited in the future to customer access.

ecotel operates its own ISO 27001 certified computer centre on the campus of Europe's largest Internet node in Frankfurt a.M. as well as additional computer centre space in Düsseldorf. The two Points of Presence (PoP) locations are networked via the company's own central voice and data backbone and are connected with numerous regional and global carriers through network interconnection.

Certified ISO 27001
Made in Germany.
Rechenzentrum+VPN

For the New Media business the Group maintains its own content delivery network (CDN). mvneco GmbH also operates a central mobile communication platform. On the IT side, ecotel develops and operates its own systems for order and router management, network monitoring and billing.

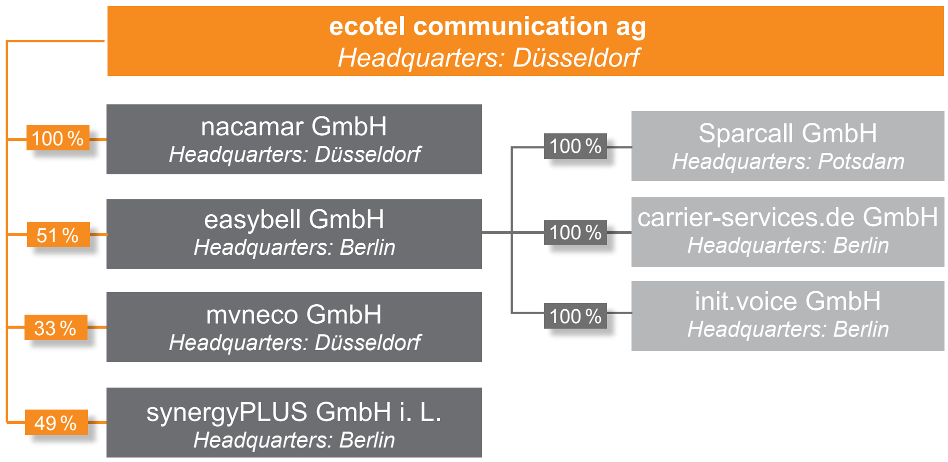


2. Structure of the group

ecotel Group in detail

ecotel communication ag

ecotel communication ag (ecotel ag) is a Germany-wide telecommunications company that specialises in the requirements of business customers. ecotel ag markets products and services for the segments »Business Solutions (B2B)« and »Wholesale Solutions«.



nacamar GmbH

nacamar GmbH trades as an autonomous service provider in the new media segment and offers companies in the media industry 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.

easybell GmbH

easybell GmbH offers a wide range of innovative and low-priced telecommunications products. Currently the Berlin-based company markets broadband Internet access (DSL & FTTH) and VoIP telephony for private customers, as well as SIP trunking services for smaller enterprises. The products are marketed primarily online on the company's website or via telecommunications price sites. In addition, the company holds 100 % of the shares in sparcall GmbH as well as 100 % of the shares in carrier-services.de GmbH. Both companies market Call-by-Call services. init.voice GmbH was founded for the development and provision of 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 for telecommunications companies. As a Mobile Virtual Network Enabler (MVNE) mvneco enables its customers to market simple or complex mobile communications services under their own brand name. In this type of cooperation mvneco both sets up and operates the technical IT platform. Integration of the platform in the network of the partner network operator chosen by the customer is likewise part of the service spectrum.

synergyPLUS GmbH i.L.

synergyPLUS GmbH i.L. functioned until the end of 2014 as ecotel's exclusive marketing partner. The company is winding up and no longer has any business operations.

3. Control of the group

The focus of controlling is on revenue, EBITDA and gross profit in the Business Customers segment

ecotel manages the 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 units, as well as the other Group companies flow. The focus of this planning is on the two controlling factors consolidated revenue and consolidated EBITDA. In addition, gross profit margin in the Business Customers segment is a significant profitability metric. For this purpose, the direct variable costs in this segment are allocated in the planning at the level of product types / categories based on the cost object method in order to determine the gross margins. Product-overlapping indirect costs (overhead), as well as personnel costs are planned essentially on the basis of cost centres. Reporting during the year for the Business Customers and Wholesale Solutions segments occurs monthly at the revenue and EBITDA level with detailed analysis of the deviations relative to planning and the previous year, as well as a regularly updated forecast for the end of the financial year. For detailed controlling of the core business – the Business Customers segment – specific cross-segment key figures (such as volume per minute, price per minute, purchasing margin, quantity structures) are monitored and visualised in a dashboard reporting system. The New Business segment is regularly monitored based on defined reporting criteria for the single legal units. Here the focus of analysis is likewise on the key figures for revenue and EBITDA. The controlling of liquidity, investment and working capital is a central process at ecotel communication ag. It also provides the essential financing for the Group, for example by providing credit lines or taking out long-term annuity loans.

4. Research and development

ecotel itself conducts no basic research or extensive technological product developments. ecotel focuses on the compatibility of existing line types, rate combinations and device configurations. The maximum price-performance ratio for the customer is always the top priority. In recent years the development expenses have therefore been limited to the technological expansion of the computer centre, the technical development of the company's own local exchange network and the in-house development of remote router management platforms for monitoring customer routers. In addition, a new partner portal for marketing partners was developed and put into operation in the concluded financial year. The capitalised development expenses in 2015 totalled € 300 thousand (previous year: € 287 thousand).

II. Economic report

1. Market and competitive environment

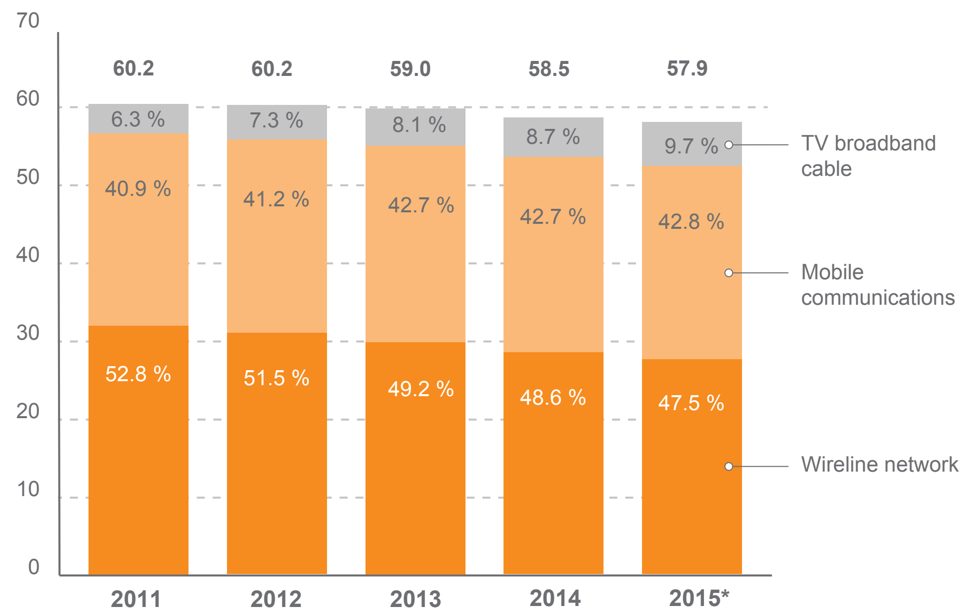
The economic situation in Germany was characterised in 2015 by solid and steady economic growth. According to initial calculations of the Federal Office of Statistics, the adjusted gross domestic product (GDP) for the year 2015 was an average of 1.7 % higher than in the previous year. In the previous year, the GDP increased on a similar scale (+ 1.6 %), and in 2013 only 0.3 %. An analysis over an extended period shows that economic growth in the year 2015 was above the average of the last ten years (1.3 %). For 2016 economists are assuming economic growth of 1.5 % to 2.1 % for the Germany economy.

Overall market is declining, but broadband business continues to grow

Telecommunications market volume continues to decline

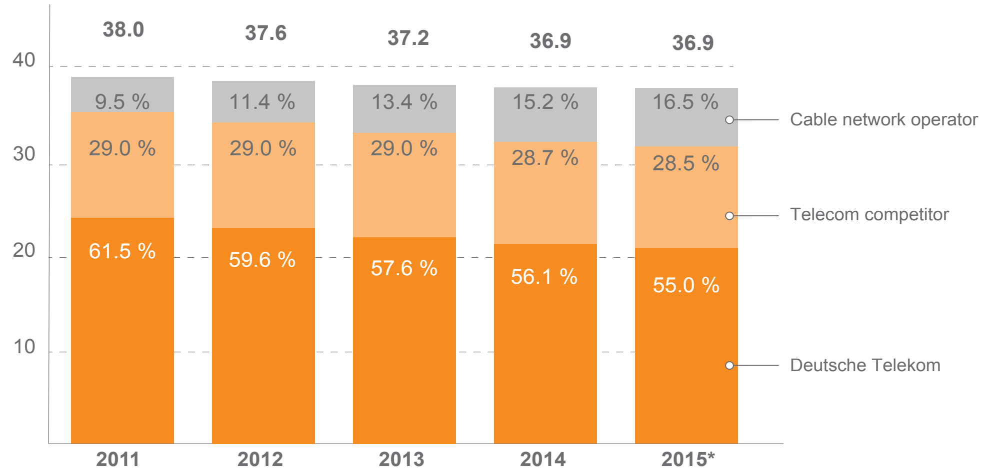
The telecommunications market volume declined slightly again in 2015. The wireline market, consisting of access, voice and data services with external sales of € 33.1 billion represented 57 % of the total market for telecommunication services. Mobile communications revenue decreased slightly from € 25 billion to € 24.8 billion despite increased data traffic. The number of activated SIM cards – 112.7 million – hardly changed compared to the previous year. Of this figure, 6 % were used for M2M (Machine to Machine) applications.

Total market for telecommunications in Germany *(in billion € and %)*



*Source: DIALOG CONSULT/VATM 17. Telecom market analysis Germany 2015 * Preliminary figures*

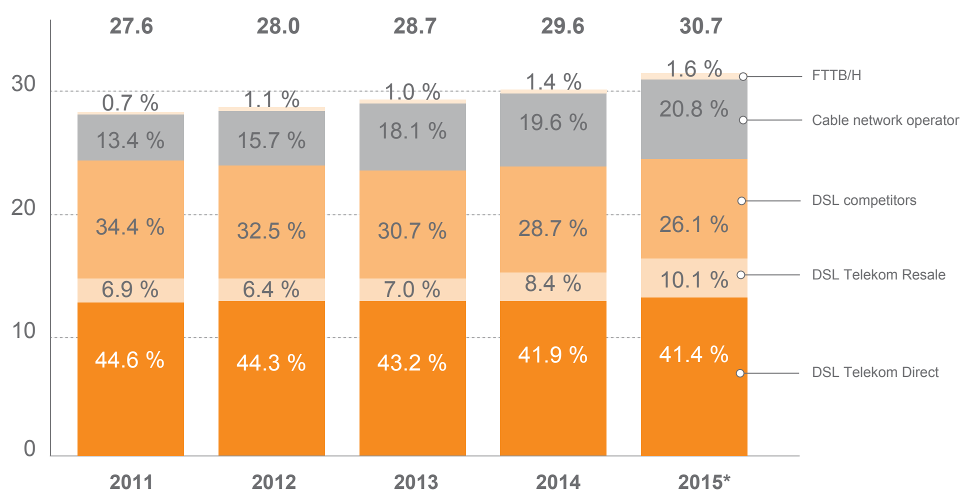
Wireline full access *(in million lines and %)*



*Source: DIALOG CONSULT/VATM 17. Telecom market analysis Germany 2015 * Preliminary figures*

The number of wireline voice connections provided by the alternative competitors totalled 16.6 million in 2015 (including voice access via cable TV networks), with a market share of 45 % for a total of 37 million telephone connections. While the number of classic full access connections from all providers totalled 20 million in 2014, this figure dropped to 16.3 million in 2015. The number of unbundled Voice-over-IP connections and full-access cable TV connections, on the other hand, increased from 11.3 million in 2014 to 14.5 million in 2015. The volume of voice connection minutes achieved by competitors of Telekom Deutschland increased slightly in 2015, with a total of 188 million minutes per day. Call-by-Call and Preselection still comprise 20 million minutes per day, which corresponded to a processed traffic volume of about 86 million minutes per month, approximately the same as the previous year's level. (Source: VATM market analysis 2015, p. 12 ff.)

Broadband access *(in million lines and %)*



*Source: DIALOG CONSULT/VATM 17. Telecom market analysis Germany 2015 * Preliminary figures*

Voice and data are increasingly converging

The number of broadband access lines in wireline networks again increased substantially in 2015. The 30 million threshold was exceeded for the first time. In this regard 8 million connections (26.1 %) were for unbundled subscriber access, 3.1 million (10.1 %) for resale DSL / wholesale DSL / IP bit stream, 12.7 million (41.4 %) for Deutsche Telekom in direct marketing to end customers and 6.4 million (20.8 %) for cable network operators. 0.5 million households (1.6 %) have now been connected via a broadband optical fibre access. The competitors of Deutsche Telekom continue to hold a market share of 57 % in the direct end customer relations.

Trends in the B2B market

The Business Customers (B2B) segment in Germany is characterised by continuing intense competition. The revenue in the Business Customers market decreased by about 4.4 % in 2015 compared to the previous year and totalled about € 21.5 billion, which corresponds to a total market share of 37.1 %. The change from ISDN to All-IP technology is driving the convergence of voice and data communication. In addition, the traditional voice technology is gradually but consistently being replaced by Voice-over-IP solutions. The demand for higher bandwidths also persists.

An important foundation of the Business Customers segment is the continued expansion of broadband Internet access both via wireline (fibre optics, vectoring) and mobile technology (LTE, WLAN). Future trends include the shifting of PBX systems into the network (Hosted PBX / IP Centrex) and the strong convergence of telecommunications and IT.

All-IP and cloud services are moving to the foreground

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 computer 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:

- Industry 4.0
- 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, bendable, 3D printing, eHealth / telemedicine
- Mobile payment / contactless payment
- Smart energy / intelligent power systems
- Regulatory trends

In order to remain competitive, B2B enterprises must be able to respond to the aforementioned trends and to offer business customers relevant bundled products nationwide and from a single source. As a production factor, telecommunications services for business customers are especially important in terms of macroeconomics. A suitable regulation framework must therefore ensure that competitors nationwide can fall back on all necessary and physically available preliminary services.

Regulatory decisions of the German Federal Network Agency (BNetzA) are very important in terms of macroeconomics

As a telecommunications company, ecotel is subject to oversight by the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and Railroad (BNetzA).

In the area of telecommunications and postal services the German Federal Network Agency ensures

- Equal opportunity and functioning competition, also area-wide
- Comprehensive supply of telecommunications and postal services (universal services) at competitive prices,
- Support of telecommunication services in public facilities,
- Efficient and trouble-free utilisation of frequencies, also in consideration of broadcasting requirements and
- Protection of the interests of public safety.

In addition to regulatory functions, the Federal Network Agency also performs other diverse tasks in the telecommunications and postal services market; it

- Grants licenses for postal services,
- Helps to find solutions relating to issues of standardisation,
- Manages frequencies and telephone numbers,
- Resolves radio interference,
- Combats the misuse of telephone numbers,
- Observes the market and
- Advises citizens about new regulations and their effects.

ecotel responds to the market trends in the form of customer preferences

ecotel attempts to discover trends early on through market analysis and observation in order to determine risks and potentials. In 2015 ecotel was actively involved in the working groups and in the committee of the Association of Telecommunications and Value-Added Service Providers (VATM) and discussed the following current issues:

- Improvement of the 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 access, 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 the packets)
- Modernisation of existing data protection regulations and of consumer protection
- Support and influence of the initiatives in the regulatory and political arena, with the goal of long-term procurement of adequate preliminary products and emphasis of the special national requirements in view of EU decisions, so that they will be taken into account

2. Earnings, financial and asset position

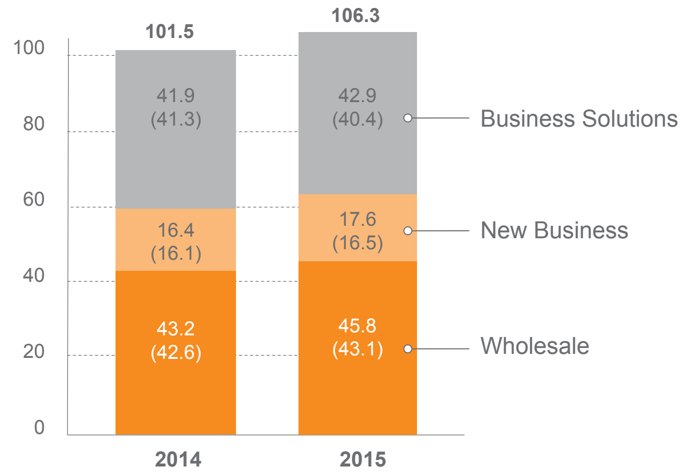
Earnings and performance

Revenue growth in all segments

With total revenue of € 106.3 million (previous year: € 101.5 million) in 2015 ecotel again exceeded the € 100 million revenue threshold, as well as the forecast corridor of € 90 – 100 million. Total revenue therefore increased by 4.7 %. Revenue in the high-margin Business Customers segment grew by € 1 million (2.5 %) to € 42.9 million. The New Business segment was able to increase revenue by 7.3 % to € 17.6 million. In the low-margin and difficult-to-forecast Wholesale Solutions segment revenue increased by 5.9 % to € 45.8 million.

The following diagram shows the revenue development and its breakdown among the reporting segments. The basic breakdown has not changed in comparison with the previous year, since the revenue growth is distributed throughout all segments, if not always in the same proportion.

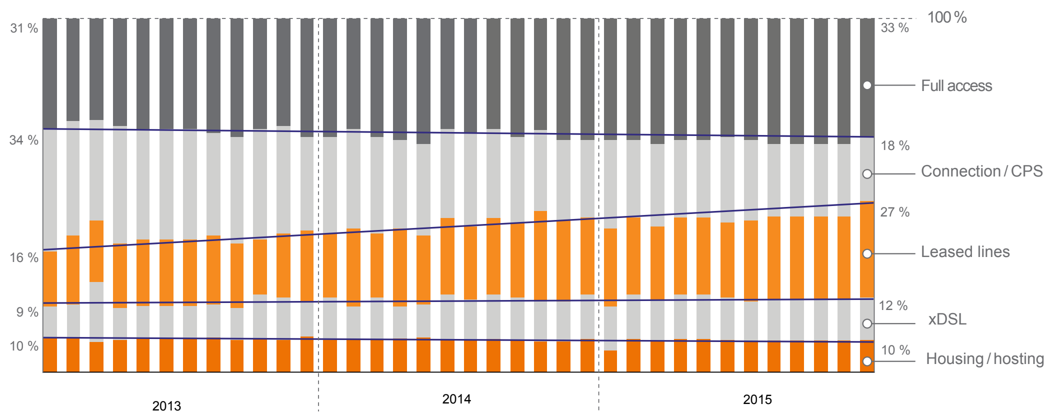
Revenue breakdown by segments *(in million € and %)*



Business Customers segment: revenue growth and increased gross profit
In the Business Solutions segment ecotel was able to achieve revenue of € 42.9 million (previous year: € 41.9 million). The segment's contribution to consolidated revenue remains virtually unchanged at 40 %. The trend of recent years therefore continues. Revenue from the product groups »Full Access« and »Leased Lines« increased by 7 % and 9 % respectively in compared to the previous year, while revenue from pure access / CPS marketing (carrier preselection) decreased as expected by 11 %. The following diagram shows this development over the last three financial years on the basis of the essential product groups. Other revenue in this segment, such as one-time remuneration for the router rollout in the Allianz Group or the virtually constant revenue from managed router services, were not included in this analysis.

Revenue increase for full access products and leased lines
Revenue from pure access / CPS marketing is decreasing as expected

Revenue development in B2B from 2013 to 2015



The revenue mix continues to shift from pure voice services to future-viable full access products and data services

Gross profit in the Business Customers (B2B) segment increased by € 0.3 million to € 20.9 million. The gross profit margin totalled 48.6 % (previous year: 49.1 %). In addition to the continuing decline in prices, this slight decrease in the margin is due to expenses for the successful implementation of several key contracts in the second half year 2015.

The major contract with Curanum, Germany's biggest service undertaking for senior residences and care centres, in which more than 130 company locations nationwide were networked by means of an IP-MPLS based virtual private network (VPN), was successfully implemented by the end of the year.

easybell and Private Customer Solutions (B2C) continue to grow

New Business segment: revenue growth and substantial increase in gross profit

The New Business segment likewise underwent a positive development as expected in financial year 2015. The segment's revenue increased by € 1.2 million. With revenue of € 17.6 million this segment contributes 17 % to the consolidated revenue. The gross profit increased by € 1.1 million to € 6.5 million and therefore the gross profit margin increased 4 percentage points to 37 %. In addition to the positive development in Private Customer Solutions (B2C), which comprises the business models of the easybell Group, the new media solutions segment also again developed much more positively.

Wholesale Solutions segment: recurring high revenue

Revenue in the Wholesale Solutions segment increased in comparison with the previous year by € 2.6 million to € 45.8 million, due to a higher trading volume in Wholesale Solutions. The gross profit from this segment, which is very low in our experience, decreased from € 0.6 million to € 0.4 million.

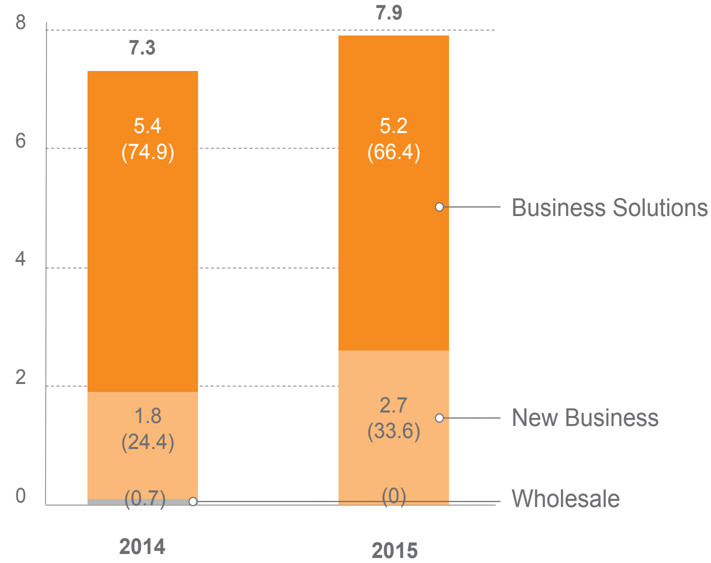
EBITDA growth to € 7.9 million

EBITDA development

Earnings Before Interest, Taxes, Depreciation and Amortisation *(EBITDA)* increased by € 0.6 million or 8 % to € 7.9 million. This means that ecotel was able to raise the EBITDA quota to 7.4 % (previous year: 7.1 %). Consolidated EBITDA therefore was within the forecast corridor of € 7.5 – 8.5 million. While EBITDA in the New Business segment increased in comparison with the previous year by € 0.9 million to € 2.7 million, EBITDA in the Business Customers segment, at € 5.2 million, remained slightly below the previous year's figure (€ 5.4 million). In the previous year, however, EBITDA in the Business Customers segment included one-time revenue of € 2.0 million, compared to € 1.1 million in the concluded financial year. Both one-time revenues are related to resolved legal disputes with suppliers.

The following diagram shows the EBITDA development and its breakdown among the reporting segments. Due to the significant increase of EBITDA in the New Business segment (> 50 % increase compared with 2014) this segment now generates about one-third of consolidated EBITDA. In addition to an increase of EBITDA by € 0.7 million to € 2.7 million in the Private Customer Solutions (B2C) segment, the new media solutions segment was able to increase EBITDA by € 0.3 million to € 0.0 million.

EBITDA breakdown by segments *(in million € and %)*



The share of the New Business segment in EBITDA rises to about one-third.

EBITDA and results for the year

EBIT growth of 22 %

ecotel was able to increase *EBIT* by € 0.6 million or 22 % to € 3.6 million. This increase was due substantially to the aforementioned revenue and gross profit developments and the effects from one-time revenue within the framework of the EBITDA development. Write-downs, at € 4.2 million (previous year: € 4.3 million) remained nearly unchanged. In financial year 2015, impairments of property, plant and equipment totalling € 0.2 million (Business Customers segment) were necessary (previous year: € 0.2 million).

Successful financial restructuring of mvneco GmbH leads to positive effects in financial result

The financial result developed from € – 0.2 million in the previous year to € – 0.1 million in this financial year. The improvement of € 0.1 million is the result of different, partially opposing effects: the interest expenses for long-term financial loans taken out remained constant at € 0.2 million. The interest income from non-current financial assets decreased by € 0.2 million. As a result the net interest income decreased by € 0.2 million to € – 0.2 million. Other financial expenses and revenue increased on the other hand by € 0.2 million. This increase resulted from the write-up of long-term financial assets totalling € 0.1 million. This was possible due to the continued successful financial restructuring of mvneco GmbH in financial year 2015, which was completed by the time this consolidated financial statement was prepared. A detailed explanation of the financial restructuring measures implemented in the concluded financial year and of the significant occurrences after the balance sheet date can be found in the consolidated notes and in the supplementary report to this Group management report.

EPS increase to € 0.46 / share

The surplus (consolidated profit) increased by € 0.7 million to € 2.4 million. After deducting the shares of other shareholders totalling € 0.8 million, the consolidated profit of ecotel totalled € 1.6 million (previous year: € 1.2 million). This corresponds to earnings per share of € 0.46 (previous year: € 0.33).

Comparison of the forecasts with the actual business trend

ecotel met or exceeded the forecast target corridors in 2016:

Forecast for 2015 met or exceeded

Forecast key figure	2015 ACTUAL (million €)	Target corridor (million €)	
Consolidated revenue	**106.3**	**90 to 100**	**exceeded**
share of Business Customers in above	42.9	42 to 45	met
thereof Gross profit margin from business customers	48.6 %	»stable«	met
share of New Business in above	17.6	17 to 19	met
share of Wholesale in above	45.8	30 to 45	exceeded
EBITDA	**7.9**	**7.5 to 8.5**	**met**

Financial position

Free cash flow € 1.53 per share

Net financial assets total € 2.6 million

ecotel's financial position improved significantly compared to the previous year. With ***free cash flow*** of € 5.4 million (previous year: € 1.5 million) and cash flow of € 2.8 million (previous year: € – 1.1 million) the Group was able to increase its cash and cash equivalents to € 7.7 million. On the other hand, liabilities from financial loans totalled € 5.1 million (previous year: € 6.5 million). The Group's ***net financial assets*** therefore increased to € 2.6 million (previous year: € – 1.5 million).

Operative cash flow increases to € 8.5 million

The ***cash flow from ongoing business*** increased by € 4.1 million to € 8.5 million. In addition to the positive effects from the operative cash flows of the increased EBITDA, the changes in the working capital had a significant effect on the improvement of the cash flow from ongoing business operations.

In the net balance, the Group working capital improved by € 1.4 million (change in the current receivables, assets and liabilities (without financial debts)). The significant increase in the trade receivables is due to the high revenue volume in the Wholesale Solutions segment toward the end of the year. This resulted in receivables not yet due on the balance sheet date totalling € 10.5 million and payables totalling € 10.6 million. They exist for most part with the same customers and suppliers and were offset at the beginning of the year 2016 with contractually agreed »nettings« with a total volume of € 8.1 million and payments of the remaining amounts.

In this financial year capital gains tax totalling € 0.2 million (previous year: € 0.7 million) on intra-group dividends was paid. This reduced the balance of taxes paid on earnings in financial year 2015 to € 0.6 million. This was likewise responsible for the significant increase in the cash flow from ongoing business operations.

At a total of € 3.0 million (previous year: € 3.2 million) the ***outflow of funds from financing activities*** increased slightly. The payments for investments (€ – 3.3 million) were € 0.3 million lower than in the previous year. The balance of cash flow with investments measured at equity (repayments of loans, repayments and deposits of capital reserves) totalled € 0.1 million in financial year 2015 and € 0.7 million in the previous year. For further explanation of the transactions with holdings and loans measured at equity we refer to the information in the consolidated notes.

Payments for investments totalled € 3.3 million

The ***outflow of funds from financing activities*** remained nearly constant at a total of € 2.6 million (previous year: € 2.7 million). For the first time, ecotel distributed a cash dividend totalling € 0.6 million (€ 0.16 per qualified share) in 2015. In the previous year, treasury shares with a total value of € 0.8 million were purchased. The payments for the repayment of financial loans increased by € 0.4 million to € 1.4 million, due to the unscheduled repayment of a loan of € 0.3 million in addition to the scheduled repayments.

For the first time ecotel distributed a cash dividend totalling € 0.16 / share in 2015.

As a result, the cash and cash equivalents increased to € 7.7 million (previous year: € 5.0 million). ecotel has a working capital credit line of € 5.0 million (thereof € 4.0 million bank overdraft and € 1.0 million to be used for sureties).

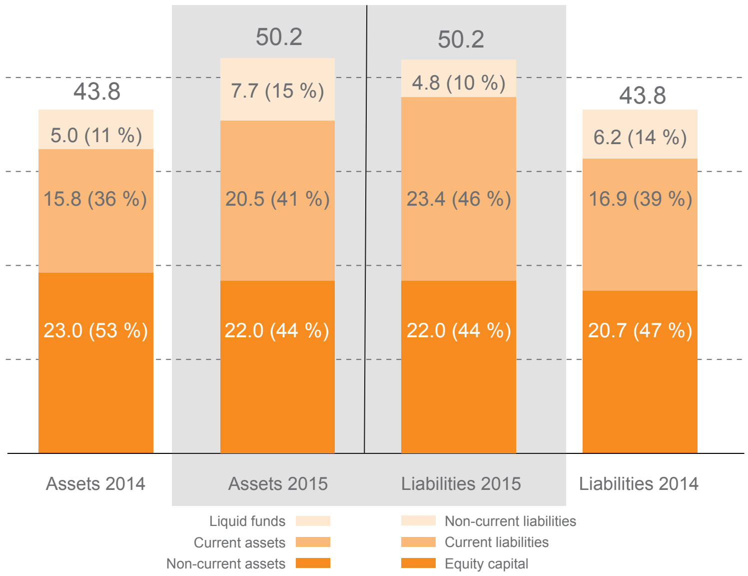
As in previous years ecotel was able to honour all payment obligations without restrictions and on schedule. Important financial management goals also include compliance with the financial covenants that exist with banks and minimising of credit and interest rate risks, insofar as they can have a significant effect on the financial situation. In this respect we refer to the information in the forecast, risk and opportunities report.

Net worth

The total assets of the Group totalled € 50.2 million as per 31 December 2015 (previous year: € 43.8 million). This is an increase of € 6.4 million or 15 %.

Significant increase in Wholesale Solutions segment toward end of year provides for sharp rise in year-end trade receivables

Assets and liabilities in million €



This significant increase is essentially the result of the effect explained below:
Revenue in the Wholesale Solutions segment increased significantly toward the end of the financial year. The wholesale business conducted there is characterised by trading with minutes between international carriers. In this case, both incoming and outgoing minutes are traded with a carrier. The resulting receivables and payables are settled on the due date (generally 30 days after billing) by means of contractually agreed »nettings« and only the remaining balances are paid. As of 31 December 2015 there existed trade receivables totalling € 10.5 million and trade payables totalling € 10.6 million, which were limited to transactions with only two carriers. After the »netting« of € 8.1 million at the beginning of the year 2016, there existed receivables of € 2.4 million and payables of € 2.5 million. The conditions for an offset disclosure in the balance sheet did not fully exist. The resulting »on-balance approach« resulted in this significant increase in the balance sheet total.

On the ***assets side the*** *non-current assets* decreased by € 1.0 million to € 22.0 million. Necessary investments in the infrastructure of the Group were implemented in the concluded financial year. Since the write-downs totalling € 4.2 million significantly exceeded these investments of € 3.3 million, this resulted in a decrease of the non-current assets. The essential investments in IT technology for the company's own local exchange network were already made in the previous years.

The substantial increase in *current assets* was essentially the result of the aforementioned effects from the Wholesale Solutions segment. Without these effects the current assets would have decreased in comparison with the previous year. Increased cash flow of € 2.8 million (previous year: € –1.1 million) caused an increase in the consolidated cash and cash equivalents to € 7.7 million.

Substantial increase of cash and cash equivalents to € 7.7 million

On the ***liabilities side*** *equity* increased by € 1.3 million to € 22.0 million. Due to the strong increase in the balance sheet total, the equity ratio on the other hand decreased to 44 % (previous year: 47 %). Without the aforementioned effect from the Wholesale Solutions segment the equity ratio would have increased to 52 % as of 31 December 2015. The Group equity ratio included the non-current assets. The equity development is explained in more detail in the consolidated notes.

Equity increases to € 22.0 million

The *non-current liabilities* decreased essentially due to repayments of long-term financial loans.

The substantial increase in *current liabilities* was essentially the result of the aforementioned effects from the Wholesale Solutions segment. Without this effect the current liabilities also would have decreased in comparison with the previous year.

ecotel's long-term financing is based on annuity loans. Details of stipulated repayments and other information on the balance sheet items can be found in the consolidated notes.

Statutes / capital structure

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; the Supervisory Board is authorised to make such changes. 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.

The capital stock of ecotel ag totals € 3,510,000. The capital is allocated to 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 Management Board of ecotel ag 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 equity development we refer to the presentation of the development of consolidated equity in the consolidated notes.

Capital stock unchanged at € 3,510,000

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 (approved capital). The number of shares must increase in the same ratio as the capital stock increases. In the reporting year the Management Board did not avail itself of this authorisation.

Conditional increase in capital

The Annual General Meeting of 27 July 2012 resolved a conditional increase of the capital stock by up to € 1,500,000 by 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 reporting 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 (authorisation to purchase treasury shares). This authorisation may not be used by ecotel ag for the purpose of trading with treasury shares. In combination with the other shares owned by ecotel ag or shares that are allotted to the company in accordance with § 71a ff. of the German Stock Corporation Act (AktG), at no point in time may the acquired shares amount to more than 10 % of the capital stock. The authorisation to acquire treasury shares is valid until 24 July 2019.

Shareholder structure unchanged

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 2015. It is based on the holdings made known to ecotel ag. Different voting rights relative to the shares do not exist.

Shareholder	Holding of shares (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.

3. General statement of the economic situation of the group

ecotel is in a stable economic position. The balance sheet figures (balance sheet total, equity and net financial assets) are solid and were able to be improved in the past financial year. The decrease in the equity ratio is reporting date related and is to be viewed differently in economic terms than as shown in the balance sheet. Future financing is ensured by annuity loans and credit lines. The earnings situation is characterised by contractually guaranteed recurring revenue in Business Solutions (B2B) and a secure and growing customer base in Private Customer Solutions (B2C). The Wholesale Solutions business is difficult to forecast, but involves no considerable profit risk. For the opportunities and risk situation as well as the forecast, we refer to the corresponding sections of this Group management report.

III. Supplementary report

After conclusion of the financial year and up until preparation of the consolidated financial statement on 21 March 2016, there were no noteworthy changes, with the exception of the occurrences described below. The economic environment did not change in a degree that would have affected the business activities of ecotel, nor has the industry situation changed since 31 December 2015. The occurrences after the balance sheet described below are already taken into account in the assumptions for the forecast for the year 2016.

Continued financial restructuring of mvneco GmbH

Financial restructuring of mvneco GmbH completed

On 12 February 2016 the shareholders of mvneco GmbH resolved to allocate the receivables from loans vis-a-vis mvneco GmbH existing as of 1 February 2016 (totalling € 1.9 million) to the capital reserve of mvneco GmbH. Of that amount, a total of € 0.9 million is allotted to ecotel. In addition, it was decided to return the amount of € 0.7 million from the capital reserve to the shareholders (€ 0.2 million of that amount to ecotel), so that mvneco GmbH shows a capital reserve of € 1.8 million after completion of this transaction.

ecotel overcomes the last obstacle for operation of its own local exchange network

ecotel has fulfilled the requirements for operation of its own local exchange network

After fulfilling all technological and official requirements for operation of its own local exchange network during the past months, the required interoperability tests with Deutsche Telekom have now also been successfully completed. Interoperability with Telekom Deutschland GmbH enables ecotel to provide customers with nationwide available IP-based voice services starting immediately. This is a major step for ecotel that enables the migration of customers who were previously served by conventional telephone networks to an efficient, innovative IP infrastructure. The new infrastructure not only continues to guarantee the same reliable service as in the past, but also makes it possible to generate innovative added value and enhanced long-term customer relations.

IV. Forecast, opportunities and risk report

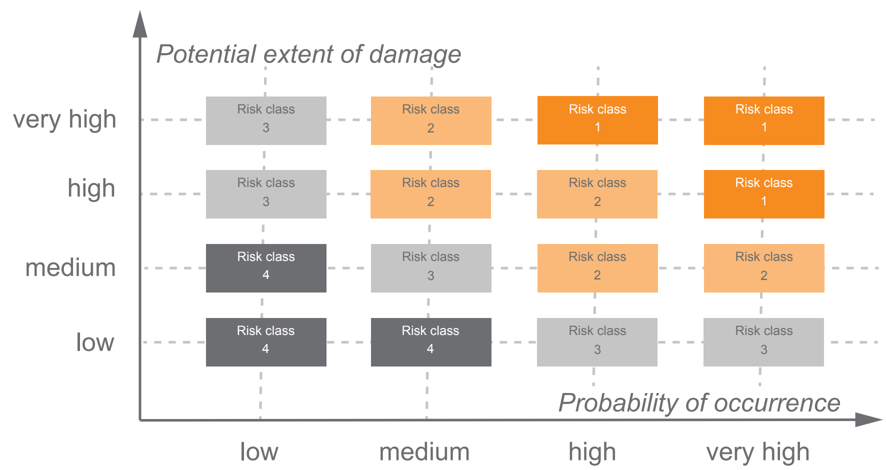
1. Control and risk management system

Early identification of risks by means of a risk management 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 in this regard. With the aid of a quarterly risk report the Management Board and the Supervisory Board track the identified risks with reference to 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 potential extent of damage. The probabilities of occurrence are classified as Low, Medium, High and Very high. The potential extent of damage (as net cash value) is likewise sub-divided into four damage classes according to the following table.

Financial damage class	Potential extent of damage
Very high	> € 1,000,000
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 introduced for each risk item and uses this for assessment of the net risk (1 to 4). The gross risk and net risk can therefore diverge due to the countermeasures.



Internal control system minimises potential for errors in financial reporting

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 the dual-control principle is used for all material business transactions and that a functional separation between the departments is maintained (creditors, debtors) in the bookkeeping. Recurring processes are extensively implemented with IT support (interfaces between operative and accounting systems for invoices, inpayments and outpayments, as well as credit balance processes). Account assignment guidelines are used for correct accounting. If necessary, external service providers are called upon to review complex accounting matters. The same applies for preparation of the tax returns. These preparation and consultation services are controlled and processed by internal plausibility checks and reconciliations. 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 together with an assessment of the gross risk and net risk (after the initiation of measures). The risk situation has not changed significantly in comparison with the previous year.

Operative risks

Operative risks consist essentially of infrastructure 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, commissions of sales partners, receivables management, as well as customer, supplier and partner support.

Assurance of the highest possible availability of the infrastructure through appropriate system redundancies both with respect to the switching technology and the lines, 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 3 / net risk 3).

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 exist for the power supply of the computer centre in Frankfurt am Main; these risks can possibly cause hindrances for future customer growth. The necessary expansion and renovation work is closely supervised by the Management Board and management staff and examined with respect to the possible 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. 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. Due to the implementation of ecotel's own local exchange carrier infrastructure at the beginning of 2016 the risk in the area of voice switching services, which were purchased in the past, was reduced, since they can now be provided by ecotel (gross risk 1 / net risk 2).

Recently there has been increasing competition with a price war in the area of Ethernet marketing. ecotel has developed a differentiation strategy by bundling the Ethernet products with IP-based voice services. In addition, ecotel's goal is to achieve diversification and minimise risks through interconnection with alternative optical fibre providers (gross risk 1 / net risk 2).

In the implementation of orders, ecotel is dependent on the performance of upstream suppliers and the stability of the systems and processes. In the event of a backlog there is the risk of the company losing its reputation with the sales partners, as well as customers and even orders. In order to identify problems and delays that arise and to develop suitable solutions, Management maintains contact to the different levels of upstream suppliers (gross risk 2 / net risk 2).

The local exchange network brings not only technological challenges, but also increased requirements with respect to data security and data protection (hacking, fraud, etc.). In this respect ecotel will take suitable measures to meet the requirements and to guarantee customers the best possible security (gross risk 3 / net risk 3).

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

Covenants in the loan contracts were complied with

A credit risk exists if transaction partners do not honour their payment obligations. The bad debt loss rate among 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 and are based on the relationship of specific financial key indicators. The IFRS consolidated financial statement prepared by ecotel serves as the basis for determination of the key performance indicators. A violation of the covenants could possibly result in cancellation and premature payback of the investment loans and revolving credit facilities and thus could entail a significant worsening of the liquidity position of ecotel, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. ecotel is well within all of the intervals specified by the relevant financial covenants (equity ratio, EBITDA / revenue and net debt / EBITDA). The enterprise assumes that compliance with all covenant threshold values is ensured again in 2016 (gross risk 4 / net risk 4).

At year end 2015 ecotel had liquid funds totalling € 7.7 million. The net financial assets at year-end totalled € 2.6 million. As an additional liquidity reserve ecotel has a revolving credit facility of € 5.0 million. Of this amount, € 0.8 million had been used as surety for payment at the end of 2015. Currently ecotel has no interest risks, since the outstanding loans have a fixed-interest rate.

Legal risks
ecotel is exposed to numerous legal risks. This can include risks related to guarantees, infringement of contract clauses, the law on competition and patent law, as well as tax law. The effects of pending or future legal proceedings 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 in a timely manner to prevent potential damage to the Group. At the end of financial year 2015 the Group does not expect any significant legal disputes.

Tax risks

Risks occur for the Group when tax laws and other regulations have not been observed to the full extent. In addition, they occur due to matters requiring interpretation, in the event that suitable action has not been taken with respect to taxes in the view of the fiscal authorities. Tax field audits can therefore result in payment of tax arrears, interest and penalties. By means of external tax consultation the Group continuously monitors tax risks that can arise for example due to tax laws, changed administrative interpretations or rulings on tax law. Based on the field audits conducted in the previous year for the periods of assessment up to 2011, the Group sees no substantial tax risks for the periods of assessment not yet audited. The next field tax audit is scheduled for the second half year 2016.

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 development of innovative NGN voice products could mean that ecotel will not achieve its profit goals for new products in 2016 or only with a delay (gross risk 2/ net risk 2).

ecotel purchases the majority of its lines from a small number of suppliers. Especially in view of the change from ISDN to All-IP technology currently being pushed primarily by Deutsche Telekom, access to fast and nationwide line networks will be important for ecotel. The purchasing contracts with the essential suppliers all have terms that extend beyond the year 2016. Currently, ecotel is negotiating with alternative suppliers in order to remain capable of offering competitive All-IP services in the future, without having to abandon the existing multi-supplier strategy (gross risk 2/net risk 2).

Access to nationwide broadband connections is a basic prerequisite for NGN products of the future

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 extend more strongly to the Business Solutions segment in the future. Deutsche Telekom already shows a market share of well over 50% in all business customer areas. In addition, there are now two additional strong players on the market, due to the acquisition of Kabel Deutschland by Vodafone and the merger of O2/E-Plus. If the strong consolidation of the telecommunications industry continues, 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 excluded that in this manner the ecotel products will become less competitive and thus less in demand. Consequently ecotel continuously monitors the market environment in order to react quickly and effectively to technology changes (gross risk 2/net risk 2).

The existing general regulatory conditions, which are materially influenced by decisions of the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and

Railroad (BNetzA), and through other consumer protection measures, could also change to the disadvantage of ecotel's business activities and bring about negative business-relevant changes. It is also remains to be seen which regulatory changes will result in a crystallisation of the European domestic telecommunications market (gross risk 2 / net risk 2).

The decisions of the regulatory authorities are very important for macroeconomic analysis, but also for technological progress in the telecommunications market

There are tendencies that the federal government could give in to demands by Deutsche Telekom for a reduction of market surveillance and / or regulation. As a result of this, Deutsche Telekom could make it more difficult for alternative telecommunications providers to access its network and the competition could decrease 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 2016 as well.

3. Opportunities of future development

In addition to the risks there are a number of opportunities that can sustainably affect the business development of the ecotel Group. The opportunities situation has not changed significantly in comparison with the previous year.

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

ecotel has competitive products that supplement technological change

Two important trends in telecommunications are the replacement of ISDN technology with Voice over IP (VoIP) and the shift of PBX telephone systems to 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 ISDN technology will be replaced by VoIP technology in the coming years (2017/2018). For many business customers that means necessary investments in existing telephone / communications systems. To this end, ecotel has introduced new, innovative products, with which customers can avoid these investments for the time being. On the one hand they include SIP access for business customers for the connection of classic ISDN (PMX VoIP ready) as well as IP-capable telephone systems (ecotel SIP Trunk). On the other hand, there is a new marketing cooperation with Unify and its marketing partners for marketing of individual customer telephone systems (OpenScape business) on a virtualised server in the ecotel computer centre (ecotel PBX Hosting) including connection of the customer location and an ecotel SIP Trunk solution as a »Private Cloud Solution – Made in Germany«.

Sustainable marketing activities in the data segment

Data revenue including hosting currently constitutes more than 45 % of revenue from Business Customers. The past financial year showed that this quota could grow even more than allowed for by the current planning, for example due to expansion of the existing Ethernet and SHDSL product spectrum to include new functions through combination with new VoIP voice products (see above).

The company's own local exchange network will enable extensive opportunities for ecotel

Revenue growth and improved gross profit margin in Business Customers segment due to company's own local exchange network

As a local exchange carrier, ecotel will benefit for the first time from the collection of termination fees, also from incoming connections to the customer access points operated by the company. In addition to this earnings position, a special opportunity for ecotel exists in the prospect of developing a product and rate portfolio that is largely independent of the upstream suppliers. Ideally, this will enable not only higher added value, but also a more specific customer focus: conceivable models, for example, would be special bundled offers for cooperations and particular industries. In the past, ecotel has primarily processed preliminary products; now it is possible to directly incorporate the experience that has been gained in the basic product design – with the result of lower production costs and higher attractiveness for marketing partners and customers.

Acquisition of further key accounts

Successful implementation of the Allianz project with the connectivity solution for secure corporate networking gives ecotel optimal opportunities to implement similar projects for other major customers with decentralised structures as well. These include in particular individually configurable remote router management service, connectivity solutions within an MPLS-VPN, as well as security services. In financial year 2015 ecotel achieved successes in this area and sees further potential for growth.

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 the ecotel 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.

Further revenue and earnings growth at easybell

The coming years will provide a major opportunity for further growth at easybell. Due to the broadband initiative of the federal government, many regional enterprises will install an optical fibre infrastructure in previously under-supplied regions. However, these enterprises often lack the necessary marketing competence. easybell has established a good reputation in this sector through cooperations with Vitroconnect and Vattenfall, for example. The investments in the IT infrastructure are also bearing fruits in this respect, since additional carriers / suppliers can be integrated in the existing processes. As a growing, yet still agile enterprise easybell will therefore continue to shape the telecommunications industry in Germany.

Consolidation at nacamar

It was not possible for nacamar to compensate the recent loss of a major customer for the delivery of web content for streaming and http caching. Strategic realignment, internal restructuring and the acquisition of new customers allowed nacamar to achieve better positioning in 2015.

Profitable growth of mvneco GmbH

After the successful financial restructuring of mvneco GmbH, mvneco is showing signs of being able to achieve further growth through the acquisition of profitable orders.

4. 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 occurrences. 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 to 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 significantly affect the cost and revenue development are changes in interest rates, regulatory requirements and supervisory developments. 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 attained and – 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.

Expectation for 2016: consolidated revenue of € 95 to 105 million and EBITDA of € 7.0 to 8.5 million

Forecast for 2016

In view of the macroeconomic conditions of the market situation presented in this Group management report, in addition to the assessment of the risks and opportunities of the ecotel Group, the Management Board makes the following forecast:

For 2016, the Management Board expects consolidated revenue of € 95 – 105 million and EBITDA in the corridor of € 7.0 – 8.5 million.

The Management Board expects that revenue in the core segment Business Customers will be in a corridor between € 43 million and € 46 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 this segment in our experience is subject to large fluctuations. ecotel forecasts revenue in this segment of € 35 million to € 40 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«.

Medium-term planning

Management pursues the goal of sustainable operation of the ecotel Group while simultaneously increasing the revenue and profitability metrics, without drawing on the Group's capital. This includes well-aimed investments in the expansion of business fields, new products, technology, IT and security, in addition to investments in employees and optimisation of organisational structures. The remaining free cash flow is to be used to pay back borrowed capital and for remuneration of the shareholders (e.g. dividend payments).

Due to the currently uncertain market environment (regulation decisions, fast technological change), which ecotel cannot directly influence, but instead aligns the company's business accordingly, the Management Board does not deem it possible to make a quantitative statement on medium-term planning.

V. Remuneration of Management and the Supervisory Board

1. Remuneration system for board members

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. According to § 6, Paragraph 1 of the statutes, ecotel ag is legally represented by two Management Board members or by one Management Board member together with one authorised signatory. The current members of the ecotel ag Management Board are Peter Zils (Chairman / CEO), Johannes Borgmann (Vice Chairman / COO / CFO) and Achim Theis (Marketing and Sales / CSO). Mr. Wilfried Kallenberg (CTO) has overall power of representation.

Remuneration of board members (Management Board)

The members of the Management Board of ecotel ag are remunerated on the basis of § 87 of the German Stock Corporation Act (AktG) and the Management Board Remuneration Act (VorstAG), as well as the regulations of the German Corporate Governance Code; remuneration includes a fixed annual base compensation, as well as a variable component. The target requirements (e.g. order acquisition, revenue, EBITDA) for the variable component are defined annually by the Supervisory Board. Payment of the variable portion is coupled with sustainable development of the company over three years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. ecotel has 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 exist no share option programs for the board members nor were loans granted to the board members. Furthermore, no regulations exist for the early resignation or retirement of board members.

2. Remuneration system for the Supervisory Board

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 an attendance fee for each meeting of the Supervisory Board attended in person (but not of a committee of the Supervisory Board). ecotel ag reimburses each Supervisory Board member for expenses incurred during the performance of his duties. Members of the Supervisory Board whose membership in the Supervisory Board was limited to only part of the financial year receive proportionate remuneration for each started month of their activity in the Supervisory Board. ecotel ag provides the members of the Supervisory Board with insurance for the performance of their duties on the Supervisory Board.

The following persons were appointed as members of the Supervisory Board in financial year 2015:

- Dr. Norbert Bensel, Independent Business Consultant, Berlin (Chairman)
- 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 following table shows the remuneration of the Supervisory Board:

Supervisory Board	Remuneration in thousand € 2015	Remuneration in thousand € 2014
Dr. Norbert Bensel	25	22
Mirko Mach	20	20
Dr. Thorsten Reinhard	15	15
Dr. Barbara Bludau	15	7
Brigitte Holzer	14	15
Sascha Magsamen	14	14
Johannes Borgmann	-	9
Total	**103**	**102**

3. Information in accordance with the German Corporate Governance Code

The following table shows the benefits granted to each member of the Management Board in financial year 2015, including fringe benefits, in the case of variable remuneration also with the maximum and minimum achievable remuneration (according to model table 1 relating to section 4.2.5, paragraph 3 (1st bullet point) of the German Corporate Governance Code).

Issued in thousand €	Peter Zils *CEO*			
	2015 (target value)	2014 (target value)	2015 (min.)	2015 (max.)
Fixed remuneration	325	300	325	325
Additional services	23	23	23	23
Total	348	323	348	348
One-year var. remuneration	37	20	0	66
Multi-year var. remuneration	4	4	0	34

Issued in thousand €	Peter Zils *CEO*			
Thereof Sustainability 2016	2	2	0	17
Thereof Sustainability 2017	2	2	0	17
Total	**389**	**347**	**348**	**448**
Pension expenses	0	0	0	0
Total remuneration	**389**	**347**	**348**	**448**

Issued in thousand €	Achim Theis *CSO*			
	2015 (target value)	2014 (target value)	2015 (min.)	2015 (max.)
Fixed remuneration	220	220	220	220
Additional services	17	17	17	17
Total	237	237	237	237
One-year var. remuneration	34	13	0	62
Multi-year var. remuneration	17	0	0	30
Thereof Sustainability 2016	8	0	0	15
Thereof Sustainability 2017	9	0	0	15
Total	**288**	**251**	**237**	**328**
Pension expenses	0	0	0	0
Total remuneration	**288**	**251**	**237**	**328**

Issued in thousand €	Johannes Borgmann *CFO/COO*			
	2015 (target value)	2014 (target value)	2015 (min.)	2015 (max.)
Fixed remuneration	220	147	220	220
Additional services	27	12	27	27
Total	247	159	247	247
One-year var. remuneration	37	11	0	66
Multi-year var. remuneration	4	0	0	34
Thereof Sustainability 2016	2	0	0	17
Thereof Sustainability 2017	2	0	0	17
Total	**288**	**170**	**247**	**347**
Pension expenses	0	0	0	0
Total remuneration	**288**	**170**	**247**	**347**

The following table shows the allowances for each member of the Management Board in or for financial year 2015 consisting of fixed remuneration, short-term variable, long-term remuneration and other remuneration with differentiation by benefit years (according to model table 2 relating to section 4.2.5, paragraph 3 (2nd bullet point) of the German Corporate Governance Code).

Issued in thousand €	Peter Zils *CEO*		Johannes Borgmann *CFO*		Achim Theis *CSO*		Bernhard Seidl
	2015	2014	2015	2014	2015	2014	2014
Fixed remuneration	325	300	220	147	220	220	147
Additional services	23	23	27	12	17	17	8
Total	348	323	247	159	237	237	155
One-year var. remuneration	49	17	15	11	44	14	30
Multi-year var. remuneration	8	0	6	0	7	0	0
thereof Sustainability 2014	8	0	6	0	7	0	0
Other variable remuneration	0	40	0	0	0	25	40
Total remuneration	**405**	**380**	**268**	**170**	**288**	**275**	**225**

No pension expenses were paid for the Management Board in the years 2015 and 2014.

In financial year 2015 the members of the Supervisory Board were also members of the following boards or exercised the following full-time occupations:

Supervisory Board member	Function	Companies
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
	Managing Director	PPRO Payment Services Ltd, London / Great Britain
	Managing Director	WKV prepaid GmbH, Maria Enzersdorf (Austria)
	Managing Director	Pay Plus Services GmbH, Munich
	Managing Director	PPRO Holding GmbH, Munich
Sascha Magsamen	Member of the Supervisory Board	ICM Media AG, Frankfurt am Main
	Chairman of the Supervisory Board	MediNavi AG, Starnberg
	Deputy Chairman of the Supervisory Board	Tyros AG, Hamburg
	Deputy Chairman of the Supervisory Board	Ecolutions GmbH & Co. KGaA, 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
Dr. Thorsten Reinhard	Partner (Member)	Noerr LLP, London / Great Britain
	Chairman of the Supervisory Board	ISS Facility Service Holding GmbH, Düsseldorf
	Member of the Supervisory Board	ISS VSG GmbH, Lübbenau
	Member of the Supervisory Board	Wacker Holding SE, Munich
Dr. Barbara Bludau	Attorney Of Counsel	P+P Pöllath + Partners, Munich

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

VI. Information relevant to take-over

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 board members in the Group there exist no agreements on provisions for damages in the event of a takeover.

Through 31 August 2018 there is no agreement between ecotel and a legal entity that is bound to a change in control.

As of 1 September 2018, in the event of a change in control of ecotel ag, the co-partner of easybell GmbH, Consultis GmbH, has the right to purchase such a partial share in easybell GmbH from ecotel ag, so that it achieves at least a 51 % stake in easybell GmbH. The purchase prices must correspond to the market value of the partial investment.

VII. 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=6600&companyName=ecotel&language=German).

Düsseldorf, 21 March 2016

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, 21 March 2016

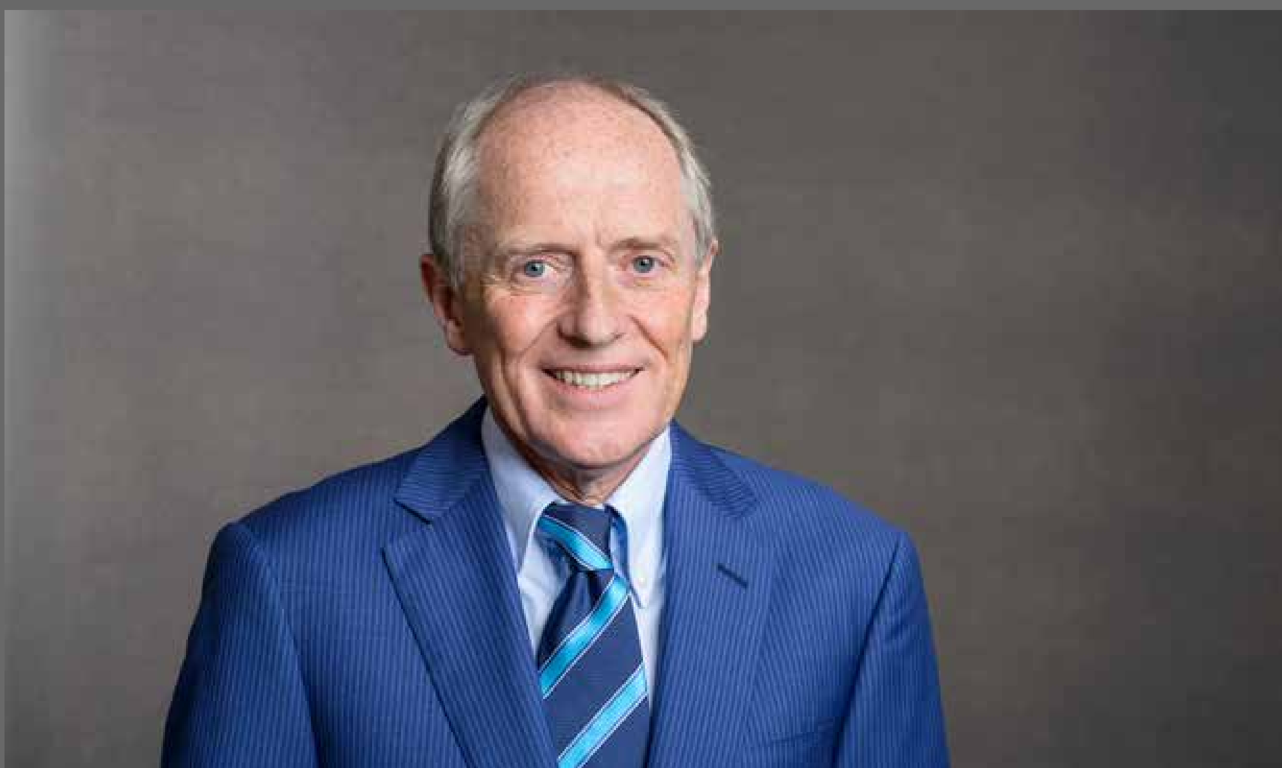
ecotel communication ag
The Management Board

Peter Zils *Johannes Borgmann* *Achim Theis*

ecotel is in a stable economic position.
The balance sheet figures are solid and further improved in the concluded financial year. Future financing is ensured by a strong free cash flow, long-term annuity loans and credit lines.

The earnings situation is characterised by contractually guaranteed recurring revenue with business customers and a stable and growing customer base in the private customer segment.

Johannes Borgmann CFO / COO



Consolidated Financial Statement

Consolidated balance sheet as of 31 December 2015

€	Notes	31/12/2014	31/12/2015
Assets			
A. Non-current assets			
I. Intangible assets	(1)	13,091,835.54	12,721,593.12
II. Fixed assets	(2)	9,126,589.45	8,509,599.41
III. Financial assets measured at equity	(3)	678,119.42	91,894.28
IV. Other financial assets	(3)	0.00	679,112.59
V. Deferred income tax claims	(5)	80,646.01	26,882.00
Total non-current assets		**22,977,190.42**	**22,029,081.40**
B. Current assets			
I. Inventories		108,037.04	0.00
II. Trade receivables	(4)	13,285,480.70	17,716,539.91
III. Other financial assets	(4)	555,933.27	1,707,447.99
IV. Other non-financial assets	(4)	1,153,449.08	822,220.02
V. Actual income tax claims	(5)	758,682.68	219,505.35
VI. Cash and cash equivalents	(6)	4,987,505.15	7,745,070.99
Total current assets		**20,849,087.92**	**28,210,784.26**
Total assets		**43,826,278.34**	**50,239,865.66**

€	Notes	31/12/2014	31/12/2015
Liabilities			
A. Equity capital	**(7)**		
I. Subscribed capital		3,510,000.00	3,510,000.00
II. Capital reserves		1,833,254.38	1,833,254.38
III. Other reserves		13,188,036.40	14,249,014.04
Shares of the owners of the parent company		**18,531,290.78**	**19,592,268.42**
IV. Shares of other shareholders		2,119,209.82	2,424,947.24
Total equity capital		**20,650,500.60**	**22,017,215.66**
B. Non-current liabilities			
I. Latent income tax	(8)	851,949.84	875,554.03
II. Non-current loans	(9)	5,383,750.00	3,963,541.00
Total non-current liabilities		**6,235,699.84**	**4,839,095.03**
C. Current liabilities			
I. Actual income tax	(8)	535,287.63	507,738.99
II. Current loans	(9)	1,105,000.00	1,170,834.00
III. Accounts payable	(9)	12,017,265.73	19,449,137.48
IV. Provisions	(9)	0.00	22,500.00
V. Other financial liabilities	(9)	1,597,214.10	1,125,609.86
VI. Other non-financial liabilities	(9)	1,685,310.44	1,107,734.64
Total current liabilities		**16,940,077.90**	**23,383,554.97**
Total liabilities		**43,826,278.34**	**50,239,865.66**

Consolidated profit statement for financial year 2015

€		Notes	1/1–31/12/2014	1/1–31/12/2015
1.	Sales revenue	(12)	101,498,584.67	106,313,504.28
2.	Other revenues or gains	(13)	2,928,925.94	2,132,940.90
3.	Other company-manufactured items capitalized		0.00	172,918.71
4.	**Total operating performance**		**104,427,510.61**	**108,619,363.89**
5.	Cost of materials			
	Expenses for services purchased	(14)	–74,887,919.38	–78,550,186.69
6.	Personnel costs	(15)		
6.1	Wages and salaries		–10,293,889.48	–10,314,577.97
6.2	Social contributions and expenses for pensions and benefits		–1,597,981.90	–1,620,678.22
7.	Scheduled depreciations	(16)	–4,023,868.11	–4,011,430.14
8.	Unscheduled depreciations	(16)		
8.1.	Non-current assets		–243,520.29	–215,634.88
8.2.	Current assets		–4,434.26	0.00
9.	Other operating expenses	(17)	–10,395,403.02	–10,267,765.28
10.	**Operating result (EBIT)**		**2,980,494.17**	**3,639,090.71**
11.	Financial income		226,691.25	193,042.68
12.	Financial expenses		–531,020.43	–322,784.12
13.	Earnings from financial assets measured at equity		102,946.63	–5,569.22
14.	**Financial result**	**(18)**	**–201,382.55**	**–135,310.66**
15.	**Earnings from normal business activities before income tax**		**2,779,111.62**	**3,503,780.05**
16.	Taxes from income and revenue	(19)	–1,025,112.70	–1,085,464.99
17.	**Surplus (= total consolidated profit)**		**1,753,998.92**	**2,418,315.06**
18.	Allocation of the surplus to the			
18.1	**Owners of the parent company (consolidated surplus)**		**1,151,233.90**	**1,622,577.64**
18.2	Shares of other shareholders	(20)	602,765.02	795,737.42

€	Notes	1/1–31/12/2014	1/1–31/12/2015
Undiluted earnings per share	(21)	0.33	0.46
Diluted earnings per share	(21)	0.33	0.46

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

Consolidated capital flow statement for financial year 2015 (see Notes, marginal no. 22)

€	2014	2015
Earnings from normal business activities before income tax	2,779,111.62	3,503,780.05
Net interest income	3,883.76	155,109.96
Depreciations on non-current and current assets	4,459,040.07	4,227,065.02
Earnings from financial assets measured at equity	–102,946.63	–5,569.22
Other expenses (+)/income (–) not affecting the balance sheet	0.00	–144,332.39
Profit (–)/loss (+) from disposal of intangible assets and items of property, plant, and equipment	7,613.12	28,417.62
Increase (–)/decrease (+) in the trade receivables	–3,291.67	–4,431,059.21
Increase (–)/decrease (+) in receivables and other assets	–184,556.94	–658,484.61
Increase (+)/decrease (–) in the accounts payable	–855,349.34	7,431,871.75
Increase (+)/decrease (–) in liabilities (without financial debts)	5,531.78	–1,003,568.36
Paid (–)/received (+) income tax	–1,660,886.95	–559,481.15
Inflow of funds from ongoing business activities	**4,448,148.82**	**8,543,749.46**
Payments received from disposal of intangible assets and items of property, plant, and equipment	8,767.73	0.00
Payments made for investments in intangible assets and property, plant, and equipment	–3,615,497.35	–3,270,624.38
Repayment of loans to financial investments measured at equity	695,122.79	182,000.00
Deposit from repayment of equity from financial investments measured at equity	0.00	99,800.00
Payment from the deposit of equity to financial investments measured at equity	0.00	–200,000.00
Interest paid in	2,900.26	12,436.01
Outflow of funds from investment activities	**–2,908,706.57**	**–3,176,388.37**
Buyback of shares	–783,458.80	0.00
Dividend payments	0.00	–561,600.00
Payments to non-controlling shareholders	–698,022.11	–490,000.00
Payments for repayment of financing loans	–942,500.00	–1,354,375.00
Interest paid out	–230,575.01	–203,820.25
Inflow/outflow of funds from financing activities	**–2,654,555.92**	**–2,609,795.25**
Change in funds balance affecting the balance sheet	**–1,115,113.67**	**2,757,565.84**
Funds balance at start of period	6,102,618.82	4,987,505.15
Funds balance at end of period	**4,987,505.15**	**7,745,070.99**

Development of the consolidated equity capital

			Retained
Thousand € Notes (7)	**Subscribed capital**	**Capital reserves**	**Other retained earnings**
As per 1 January 2014	**3,600**	**1,443**	**11,686**
Buyback of treasury shares	–90	0	–694
Allocation of capital reserves from call-in of treasury shares	0	390	–390
Distributions	0	0	0
Reposting of previous year’s earnings	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 per 31 December 2014	**3,510**	**1,833**	**12,037**
As per 1 January 2015	**3,510**	**1,833**	**12,037**
Distributions	0	0	–562
Reposting of previous year’s earnings	0	0	1,151
Changes in equity capital not affecting the earnings	**0**	**0**	**589**
Consolidated net income 2015	0	0	0
Changes in equity capital affecting the earnings	**0**	**0**	**0**
As per 31 December 2015	**3,510**	**1,833**	**12,626**

Differences in the totals can occur due to commercial rounding.

Earnings			
Consolidated profit	Shares of the owners of the parent company	Shares of other shareholders	Total
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**

1,151	**18,531**	**2,119**	**20,650**
0	–562	–490	–1,052
–1,151	0	0	0
–1,151	**–562**	**–490**	**–1,052**
1,623	1,623	796	2,419
1,623	**1,623**	**796**	**2,419**
1,623	**19,592**	**2,425**	**22,017**

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 operating throughout Germany since 1998 that 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 and 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** comprises the business divisions Private Customer Solutions (B2C) of the easybell Group and 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 trade register of the District Court of Düsseldorf (HRB 39453) on 1 September 2000.

The shares of ecotel communication ag are traded in Frankfurt am Main and other German stock exchanges.

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 22 March 2016, through submission by the Management Board to the Supervisory Board of ecotel communication ag.

Principles of financial accounting

The consolidated financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU), and the additional requirements that must be observed in accordance with § 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, the consolidated statement of comprehensive income, the consolidated capital flow statement and the consolidated statement of changes in equity each contain comparative figures 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 structured according to the total cost method. Expenses in the profit or loss are summarised by type and not distributed by their relation to single functional areas of the enterprise.

Because ecotel did not have the appropriate circumstances in the previous year, nor in financial year 2015, 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 statements in compliance with the accounting and valuation 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 IFRS Interpretations Committee (IFRS IC) were also complied with.

New or changed pronouncements of the IASB to be applied for the first time in the consolidated financial statement as per 31 December 2015

At the time the consolidated financial statement was drawn up, as of 31 December 2015 the following new and changed standards and interpretations were endorsed by EU legislation.

New or changed pronouncements of the IASB to be applied for the first time as per 31 December 2015

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
IFRIC 21 »Levies«	1 January 2014	17 June 2014
Annual improvement project cycle 2011 – 2013	1 July 2014	1 January 2015

The first-time application of this standard had no significant effects on the asset, finance and earnings situation of the ecotel Group.

New or changed pronouncements of the IASB not yet to be applied in the consolidated financial statement as per 31 December 2015

At the time the consolidated financial statement was drawn up, as of 31 December 2015 the following new interpretations were endorsed by EU legislation. However, they will go into force at a later time and have not been prematurely applied in this consolidated financial statement (see table on following page).

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Changes to IAS 27 »Separate Financial Statements«: Equity method in the separate financial statement	1 January 2016	1 January 2016
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
Changes to IAS 16 »Property, Plant and Equipment« and IAS 38 »Intangible Assets«: Clarification of acceptable methods of depreciation and amortisation	1 January 2016	1 January 2016
Changes to IAS 1 »Presentation of Financial Statements«	1 January 2016	1 January 2016
Annual improvement project cycle 2012 – 2014	1 January 2016	1 January 2016
Changes to IAS 16 »Property, Plant and Equipment« and IAS 41 »Agriculture: Bearer Plants«	1 January 2016	1 January 2016
Changes to IFRS 11 »Joint Arrangements«: Recognition of acquisition of shares in joint operations	1 January 2016	1 January 2016

The first-time application of this standard is expected to have no significant effects on the asset, finance and earnings situation of the ecotel Group.

At the time the consolidated financial statement was drawn up, as of 31 December 2015 the following new and changed standards and interpretations were adopted, however without having been endorsed by EU legislation. 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
IFRS 16 »Leases«	1 January 2019	Unknown as of yet
Changes to IAS 28 »Investments in Associates and Joint Ventures« and IFRS 10 »Consolidated Financial Statements«: Sale or contribution of assets between an investor and its associate or joint venture	Unknown as of yet	Unknown as of yet
IFRS 9 »Financial Instruments«	1 January 2018	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 2018	Unknown as of yet
Changes to IAS 12 »Recognition of Deferred Tax Assets for Unrealised Losses«	1 January 2017	Unknown as of yet
Changes to 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
Changes to IAS 7 »Disclosure Initiative«	1 January 2017	Unknown as of yet

With the exception of the following standards, the application of these changes is expected to have no significant effects on the asset, finance and earnings situation of the ecotel Group.

IFRS 9 »Financial Instruments« contains regulations for the recognition, accounting and derecognition of financial assets and debts, as well as for the accounting of hedging relationships. The IASB published the final version of the standard on 24 July 2014 as a result of completion of the different phases of its extensive project on financial instruments. This means that the previous method for accounting of financial instruments in accordance with IAS 39 »Financial Instruments: Recognition and Measurement« 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:

- Compared with the previous IAS 39 standard the requirements of IFRS 9 for the area of application as well as recognition and derecognition are unchanged for the most part.
- However, the provisions of IFRS 9 provide for a new classification model for financial assets that differs from IAS 39.
- The subsequent measurement of financial assets in the future will be based on three categories with different standards of value and a different recognition of changes in value. This categorisation is based both on the contractual cash flows of the instrument and on the business model in which the instrument is held. In principal, it is therefore a matter of obligatory categories. In addition, enterprises also have individual options at their disposal.
- For financial liabilities, on the other hand, the existing provisions have been retained in IFRS 9 for the most part. The only significant change relates to financial liabilities in the fair value option. For these, due to changes in the credit risk, fair value fluctuations are to be recognised in the other comprehensive income.
- IFRS 9 provides for three levels that will define the amount of losses and interest received to be recognised in the future. Accordingly, expected losses amounting to the cash value of an expected 12-month loss are to be recognised at the time of inflow (level 1). In the event of a significant increase in the credit risk, the provision for risks is to be increased to the amount of the expected losses for the entire remaining term (level 2). Upon the occurrence of an objective indication of loss of value the interest income is to be recognised on the basis of the net carrying value (carrying value minus provision for risk) (level 3). A simplified model is to be applied for certain financial assets (such as trade receivables).
- In addition to extensive transitional provisions, IFRS 9 is also connected with extensive disclosure requirements both during the transition and in ongoing application. Changes in comparison to IFRS 7 »Financial Instruments: Notes« relate primarily to the provisions for impairments.

The final ***IFRS 9*** is obligatory for financial years starting on or after 1 January 2018; earlier application is permissible. A detailed analysis of the effects on the asset, financial and earnings situation of the ecotel Group does not yet exist. The relevant categories for ecotel are essentially trade receivables and lendings. The business model currently provides for carrying of the receivables, so that no significant effects are expected. ecotel does not use a fair value option in the classification of financial liabilities, so that no significant effects are to be expected here either. However, the new regulations tend to result in earlier recognition of impairments and credit risks. A reliable assessment of the effects will only be possible after conducting a detailed analysis.

In May 2014 the IASB published the new standard ***IFRS 15*** »Revenue from Contracts with Customers«. The goal of the new standard for revenue recognition is to combine the provisions previously contained in diverse standards and interpretations in one standard. In addition, standardised principles are defined that can be applied to all industries and all types of sales transactions. Questions about the amount and time frame for recognising revenue are answered by the 5-level model. The standard also contains numerous additional provisions with detailed explanations and an expansion of the information required in the notes. The new standard must be applied for financial years that start on or after 1 January 2018. The first-time application must be retrospective, however diverse simplification options are granted; earlier application is permissible.

With its business model, the Group is affected by the changes in IFRS 15. A detailed analysis has not yet been conducted. The business model of the Group provides for furnishing the customer with pre-configured hardware components (primarily routers, servers in the computer centre, programming services) as part of the contractual obligation. However, these components remain the property of the Group and the customer generally cannot alter the configuration himself. Currently the Group prepares the essential business models and analyses them with a view to identifying special performance obligations, on the basis of which revenue recognition can occur at divergent points in time. In addition, contractual assets or debts can also possible arise in the future in some areas.

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. Control assumes that the Group has the power of disposition over the subsidiary, in that the Group has substantive rights to control the essential 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. Earnings and expenses of a subsidiary are included in the consolidated financial statement from the date of acquisition. Earnings and expenses of a subsidiary remain included in the consolidated financial statement until control through the parent company ends. As part of the deconsolidation, the residual carrying amounts of the goodwill are considered in the calculation of the result of the disposal.

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

The shares in associated companies are measured at equity. According to the equity method the shares in an associated company are shown in the balance sheet at acquisition cost plus post-acquisition changes in the Group's equity holdings. The goodwill related to the associated company is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income includes the Group's participation in the success of the associated company. Changes shown directly in the equity of the associated company are recognised proportionally and presented accordingly in the statement of changes in equity. The financial statements of the associated companies are prepared on the same balance sheet date as the financial statement of the parent company. To the extent required adjustments are made the Group's uniform accounting and valuation methods. The entire net investment (at-equity value including financial assets vis-a-vis these enterprises for which no adequate securities exist) will be subjected to an impairment test in accordance with IAS 28 in combination with IAS 36 in the event of indications of a possible impairment.

Consolidated group

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

Information is provided on the basis of IFRS	Share of capital in % [2]	Equity in thousand € [2]	Earnings in thousand € [2]	Revenue in thousand € [2]	Employees [1)] (average) [2]
easybell GmbH, Berlin (consolidated)	50.98	2,037	1,246	10,735	20
	(50.98)	(1,792)	(2,414)	(8,444)	(19)
carrier-services.de GmbH [3] Berlin (consolidated)	100.0	1,541	546	2,564	5
	(100.0)	(995)	(372)	(3,369)	(4)
sparcall GmbH [3] Bad Belzig (consolidated)	100.0	1,282	583	1,816	0
	(100.0)	(1,449)	(449)	(2,075)	(0)
init.voice GmbH [3] Berlin (consolidated)	100.0	143	–1	186	1
	(100.0)	(144)	(–6)	(215)	(1)
nacamar GmbH, Düsseldorf (consolidated)	100.0	1,628	–37	2,471	17
	(100.0)	(1,666)	(–281)	(2,514)	(19)
mvneco GmbH, Düsseldorf (associated company)	33.33	146	513	4,140	24
	(48.65)	(–239)	(818)	(3,833)	(22)
synergyPlus GmbH (i.L.), Berlin (associated company)	49.9	87	–10	1	0
	(49.9)	(298)	(738)	(68)	(2)

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

During the financial year ecotel communication ag sold 15.32 % of the shares in mvneco GmbH to sirius B GmbH. For additional information we refer to the explanations in marginal no. 3. With the entry dated 16 October 2015 in the commercial register, synergyPlus GmbH (i.L.) initiated liquidation proceedings.

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.

Accounting and valuation methods

The essential accounting and measurement methods that are relevant for the consolidated financial statement are explained in the following.

Assets are capitalised if the Group is entitled to all essential opportunities and risks associated with their use. The measurement is carried out based on the acquisition or manufacturing costs.

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 always depreciated at the cost of acquisition using the straight line method, unless in exceptional cases a different depreciation method better corresponds to the course of the useful life.

Self-generated intangible assets, from which most likely a future benefit will flow to the Group and that can be measured reliably are measured at their cost of manufacture. Entry on the asset side assumes that completion is technologically ensured. This assumes that completion of the intangible asset is intended. Generally, self-generated intangible assets are self-created software, applications and programs that are not sold, but ather intended for in-house 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 is intended either for the company's own use or for 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 write-downs, 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. Tangible fixed assets (other equipment plant and office equipment) is written off regularly 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.

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 as well as prepayments to suppliers for future temporally defined services are shown as ***other non-financial 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.

O***ther financial instruments*** of the ecotel Group relate to the category »Loans and receivables«. At the time of their initial recognition in the balance sheet these are valued at their fair value including directly allocatable transaction costs. They are subsequently carried at historical cost of acquisition with application of the effective interest method.

Recognition of ***sales revenues*** and ***other operating income*** always occurs when the service is provided or the assets have been delivered and thus the transfer of risk has taken place.

In the **Business Customers (B2B) segment** the sales revenue is recognised essentially as follows:

Sales revenue from voice connections is realised when the contractually agreed services have been provided. Any shares calculated in advance and invoiced to the customer as agreed by contract (such as monthly basic fees calculated in advance) that have not yet been furnished or provided are reported in the sales revenue for the respective period.

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

Revenue from the provision of hardware and computer centre services is recognised depending on the contractual agreement either upon provision or in the form of monthly fees. Generally, ecotel installs pre-configured hardware (e.g. routers) at the customer's location; this hardware remains the property of ecotel and is recognised as a network component (with the end point at the customer's location).

In the ***Wholesale Solutions segment*** revenue is recognised at the point when the contractual services are provided. This relates essentially to trading with voice minutes for different national and international telecommunications providers. The services are documented in a statistics portal. They are regularly reconciled with the supplier and customer and invoiced monthly.

In the **New Business segment,** revenue is recognised essentially as follows:

In the ***Private Customer Solutions (B2C) segment*** revenue is recognised upon provision of the service. In general, contracts on the basis of flat rates are concluded, which are reported proportionally over the term of the service contract, and for all other service contracts sales revenues are reported on the basis of the service provided or based on use. Generally the customer is provided with pre-configured hardware (a router), which remains the property of ecotel and is invoiced in the form of a user fee.

In the ***new media solutions segment*** revenue is generally recognised when the contractually agreed service is provided. Any shares calculated in advance and invoiced to the customer as agreed by contract (such as monthly basic fees calculated in advance) that have not yet been furnished or provided are reported in the sales revenue for the respective period. Sales revenues from contracts for services billed according to time and material expense are recognised with provision of the work hours and the incurring of direct costs at the contractually specified hourly rate.

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

Interest income and expenses 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, earnings 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 in 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 1.125 that could be inherent in the assumptions and estimates were not identified at the time the consolidated financial statement was prepared. With respect to additional information on significant estimates, we refer to the explanations of the impairment test (disclosure 1) and on accounting of financial assets / other financial assets measured at equity (disclosure 3).

Explanations for the consolidated balance sheet

(1) INTANGIBLE ASSETS

The intangible assets developed in financial year 2015 as follows:

Thousand €	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Self-generated intangible assets	Customer base	Prepayments / developments	Total
Acquisition costs and manufacturing costs as of 01/01/2015	**14,427**	**8,525**	**4,410**	**9,769**	**0**	**37,131**
Additions	–	463	300	–	80	843
Disposals	–	3,953	1,634	–	–	5,587
As per 31/12/2015	**14,427**	**5,035**	**3,076**	**9,769**	**80**	**32,387**
Write-downs as of 01/01/2015	**5,553**	**7,347**	**3,210**	**7,929**	**0**	**24,039**
Scheduled additions	–	487	335	383	–	1,205
Disposals	–	3,948	1,631	–	–	5,579
As per 31/12/2015	**5,553**	**3,886**	**1,914**	**8,312**	**0**	**19,665**
Carrying amounts as of 31/12/2015	**8,874**	**1,149**	**1,162**	**1,457**	**80**	**12,722**

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	Self-generated intangible assets	Customer base	Total
Acquisition costs and manufacturing costs as of 01/01/2014	**14,427**	**8,260**	**4,123**	**9,424**	**36,234**
Additions	–	282	287	345	914
Disposals	–	17	–	–	17
As per 31/12/2014	**14,427**	**8,525**	**4,410**	**9,769**	**37,131**
Write-downs as of 01/01/2014	**5,553**	**6,585**	**2,867**	**7,450**	**22,455**
Scheduled additions	–	777	343	479	1,599
Disposals	–	15	–	–	15
As per 31/12/2014	**5,553**	**7,347**	**3,210**	**7,929**	**24,039**
Carrying amounts as of 31/12/2014	**8,874**	**1,178**	**1,200**	**1,840**	**13,092**

The reported goodwill is composed as follows:

Cash-Generating Unit (CGU)	Carrying amount 31/12/2014	Carrying amount 31/12/2015
	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 from the respective company planning was used as a basis for this (forecast period: 5 years) and the value in use was determined. In financial year 2015, as in the previous year, there was no requirement for depreciation.

The following assumptions served as the basis for implementation of the impairment tests of the CGU Business Customers:

- Capitalisation interest rate (WACC) after taxes: 5.6 % (previous year: 5.9 %), before taxes 7.8 % (previous year: 8.3 %)
- Growth rate (perpetual annuity): 0.5 % (previous year: 0.5 %)

In the preparation of the impairment test of the CGU Business Customers the following important assumptions were made based on the experience of the management and supported by external information on expected market developments, which were included accordingly in the 5-year analysis for the cash flow forecast:

- Stable gross profit margin of the CGU between 48.0 % and 49.5 % (previous year: 48.0 % and 49.5 %)
- Annual conservative revenue growth of the CGU between 2 % and 5 % (previous year: 1 % and 5 %)
- The future annual investment volume covers the annual depreciations

(2) Fixed assets

Property, plant, and equipment developed in financial year 2015 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 01/01/2015	**6,519**	**119**	**16,557**	**731**	**23,926**
Additions	132	50	2,089	158	2,429
Transfers	2	–	495	–497	0
Disposals	349	–	2,247	–	2,596
As per 31/12/2015	**6,304**	**169**	**16,894**	**392**	**23,759**
Write-downs as of 01/01/2015	**4,003**	**77**	**10,719**	**–**	**14,799**
Scheduled additions	671	26	2,108	–	2,805
Unscheduled additions	–	–	–	216	216
Disposals	337	–	2,234	–	2,571
As per 31/12/2015	**4,337**	**103**	**10,593**	**216**	**15,249**
Carrying amounts as of 31/12/2015	**1,967**	**66**	**6,301**	**176**	**8,510**

In financial year 2014 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 01/01/2014	**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 per 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 per 31/12/2014	**4,003**	**77**	**10,719**	**0**	**14,799**
Carrying amounts as of 31/12/2014	**2,516**	**42**	**5,838**	**731**	**9,127**

For write-downs in financial year 2015 we refer to the information in marginal no. 17.

Future lease payments

As of the closing 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 31/12/2015
Operating and office equipment (leasing)	245	282	0	527
Other rental contracts	975	2,649	1,584	5,208
	1,220	**2,931**	**1,584**	**5,735**

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 2014 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 31/12/2014
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 payments from leases recognised as expenses in the reporting period are stated in text number 18.

(3) Financial assets / other long-term financial investments measured at equity

The financial assets measured at equity are comprised as follows:

Thousand €	Carrying value (previous year)	Capital share (previous year)
synergyPlus GmbH	43 (149)	49.0 % (49.0 %)
mvneco GmbH	49 (529)	33.3 % (48.65 %)

In the previous year the shares in mvneco GmbH measured at equity including a long-term loan as well as the shares in synergyPLUS GmbH measured at equity were shown in the balance sheet as € 678 thousand in one sum as financial assets measured at equity. Recognition of the financial assets of mvneco GmbH measured at equity as of 31 December 2014 comprised a carrying value of the holding of € 0 thousand and a loan totalling € 529 thousand. As per 31 December 2015 the financial assets measured at equity comprise the carrying values of the two holdings (€ 92 thousand). The loan of € 679 thousand is shown in the other non-current financial assets.

mvneco GmbH

mvneco GmbH functions as a technical service provider and consultant for mobile services and related managed services.

The following table presents the key data for mvneco GmbH (associated company):

Thousand €	31/12/2014	31/12/2015
Short-term assets	1,844	2,443
Long-term assets	133	103
Debts	2,944	2,400
	2014	2015
Sales revenue	3,833	4,140
Earnings	1,189	513

In the concluded financial year ecotel sold about 15 % of the shares in mvneco GmbH to the majority shareholder sirius B at a purchase price of € 1 and waiving a call option existing on the part of sirius B to take over the rights from the shares in mvneco GmbH as well as from the granted loan at a specified purchase price. The capital ownership percentage is therefore one-third of the shares. Furthermore, the shareholders of mvneco GmbH made an additional payment totalling € 600 thousand (thereof € 200 thousand from ecotel) into the capital reserve in the concluded financial year. At year-end mvneco GmbH therefore shows positive equity capital totalling € 146 thousand (IFRS). As opposed to previous years, this results in a positive equity value totalling € 49 allotted to ecotel. In the previous year, a negative equity capital of € 239 thousand resulted in an equity value of € 116 thousand, which in accordance with IAS 28.38 was set off with the lending to mvneco GmbH. The equity value is recognised in the balance sheet as € 49 thousand (previous year: € 0 thousand).

In addition to the share measured at equity of € 49 thousand (previous year: € 0 thousand), the Group reports a lending to mvneco GmbH totalling € 679 thousand (previous year: € 529 thousand). This lending comprises a loan, which after waivers and partial repayments totals € 938 thousand (previous year: € 1,243 thousand). The interest on the loan is 3 % p.a. (previous year: 3 % p.a.) and there is a provision for qualified postponement. Taking into account the write-downs that had become necessary in previous years and the reversals carried out in this financial year, the resulting carrying amount is € 679 thousand. As per 31 December 2014, taking into account write-downs that had become necessary in previous years and partial waivers, the resulting carrying value is € 529 thousand.

Thousand €	2014	2015
Outstanding receivables incl. interest 1/1	**1,719**	**1,243**
Repayment	0	–182
Interest	50	35
Waiver	–526	–158
Outstanding receivables incl. interest 31/12	**1,243**	**938**
Decrease in value 1/1	**–1,053**	**–714**
Waiver	526	158
Depreciation	–187	0
Reversal	0	146
Appreciation not affecting net income	0	151
Decrease in value 31/12	**–714**	**–259**
Carrying value 31/12	**529**	**679**

In accordance with IAS 36 in combination with IAS 28, the recoverable amount for the entire net investment of mvneco (equity value including other non-current financial assets) fro 2015 was determined based on the discounted cash flow method. The data from the company planning was used as a basis for this (forecast period: 5 years) and the value in use was determined. This resulted in a recoverable amount of € 728 thousand for the net investment.

The following assumptions served as the basis for determining the recoverable amount:

- Capitalisation interest rate (WACC) after taxes: 6.52 %, before taxes: 8.55 %
- Growth rate (perpetual annuity): 0.0 %

In the preparation of the measurement the following important assumptions were made based on the experience of the management and supported by external information on expected market developments, which were included accordingly in the 5-year analysis for the cash flow forecast:

- Annual conservative revenue growth between 1.5 % and 2.5 %
- Stable, non-increasing gross profit margin
- The future annual investment volume covers the annual depreciations

In the previous year the recoverable amount of the net investment of € 529 thousand was determined based on the expected economic development and the declaration of intent of one shareholder to exercise the call option in the restructuring agreement that existed in the previous year for the rights from the shares in mvneco GmbH and from the granted loan at a purchase price of € 528 thousand (level 3).

The reversal of € 146 thousand (previous year: impairment of € 187 thousand) allotted to the Wholesale Solutions segment is due to an overall improved business perspective.

synergyPlus GmbH

Until mid-2014 synergyPlus GmbH functioned as a sales partner for the Group. synergyPLUS GmbH currently no longer has any business operations; with the entry dated 16 October 2015 in the commercial register the company initiated liquidation proceedings. It shows a profit or loss of € –6 thousand (previous year: € 361 thousand) from continuing operations, which is allotted to ecotel. In the concluded financial year the capital reserve of synergyPLUS GmbH decreased by € 200 thousand. Of that amount, € 100 thousand was allotted to ecotel.

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

Thousand €	Remaining term more than 1 year	Total 31/12/2014	Remaining term more than 1 year	Total 31/12/2015
Trade receivables	0	13,286	0	17,717
Remaining other receivables and current assets	0	556	0	1,707
Other non-financial assets	0	1,153	298	822

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.

As of 31 December 2015 trade receivables exist for which the settlement balances agreements with customers and suppliers exist. The business activity of the Wholesale Solutions segment consists of the wholesale trading of telephone minutes with international carriers. The revenue in this segment increased toward the end of the financial year, so that the trade receivables increased substantially in comparison with the previous year's balance sheet date. The offset as a »reduced« payment is customary in the trade and contractually agreed. The conditions (IAS 32, 42) for an offset disclosure in the balance sheet did not fully exist. Up until the time at which the balance sheet was prepared, these receivables were fully settled.

Thousand €	Gross (recognised)	Netting	Net (cash flow)
Trade receivables	10,463	8,098	2,365
Accounts payable	10,575	8,098	2,477

As per 31 December 2014, there existed receivables totalling € 3.6 million and liabilities totalling € 3.8 million, which were set off for a total amount of € 1.5 million.

(5) Current and deferred taxes on earnings

Thousand €	31/12/2014	31/12/2015
Deferred income tax claims	81	27
Actual income tax claims	759	220
	840	**247**
Deferred tax claims with a remaining term of more than one year	27	**0**

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 capital gains tax.

(6) Funds

Thousand €	31/12/2014	31/12/2015
Deposits in banks	4,985	7,740
Cash on hand and checks	3	5
	4,988	**7,745**

(7) 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 2015 was 3,510,000 (previous year: 3,510,000). The shares are issued as no-par value bearer shares with a prorated amount of the capital stock of € 1.00. In 2014, 90,000 shares were bought back and 390,000 shares were called in with a face value of € 390 thousand.

The **shares of non-controlling shareholders** relate to the direct minority shares in the equity capital (unchanged at 49.02 %) of the easybell Group. These comprise easybell GmbH (€ 631 thousand, previous year: € 878 thousand) and the indirect minority shares in the equity of sparcall GmbH (€ 984 thousand, previous year: € 698 thousand), carrier-services.de GmbH (€ 751 thousand, previous year: € 484 thousand) and init.voice GmbH (€ 59 thousand, previous year: € 59 thousand).

Aggregate key data of the easybell Group:

	31/12/2014	31/12/2015
	Million €	Million €
Total assets	7.3	7.5
Cash and cash equivalents	3.9	5.4
Other current assets	2.7	1.2
Non-current assets	0.7	0.9
Total debts	3.1	2.7
Short-term debts	3.1	2.7
Long-term debts	0.0	0.0
Equity capital	4.2	4.8
	2014	**2015**
Sales revenue	13.9	15.1
Profit	1.2	1.7
Cash flow	0.0	1.5

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 2015.

	%
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 %
Subtotal:	73.0 %
Diversified holdings	27.0 %

The notifications in connection with § 20 para. 1 or para. 4 Corporation Law (AktG) or in connection with § 21 para. 1 or para. 1a German Securities Trading Law (WpHG) resulted in disclosures according to § 160 para. 1 no. 8 of the Corporation Law. The underlying notifications are itemised 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 current covenants, ecotel was clearly within the prescribed intervals in financial year 2015 and as of the balance sheet date.

(8) Liabilities from actual and deferred taxes

Thousand €	Opening balance 1/1/2015	Consumption	Reversal	Allocation	Ending balance 31/12/2015
Actual income tax	535	535	–	508	508
Deferred taxes on earnings	852	33	–	57	876
	1,387				**1,384**
Deferred taxes with a term of more than one year	678				730

Thousand €	Opening balance 01/01/2014	Consumption	Reversal	Allocation	Ending balance 31/12/2014
Actual income tax	566	329	16	314	535
Deferred taxes on earnings	626	37	0	263	852
	1,192	**366**	**16**	**577**	**1,387**
Deferred taxes with a term of more than one year	466				678

OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

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

Thousand €	Remaining term up to 1 year	Total 31/12/2014	Remaining term up to 1 year	Total 31/12/2015
Loans	**1,105**	**6,489**	**1,171**	**5,134**
Accounts payable	**12,017**	**12,017**	**19,449**	**19,449**
thereof Liabilities vis-a-vis affiliated companies	0	0	24	24
Provisions	**0**	**0**	23	23
Other financial liabilities	**1,597**	**1,597**	**1,126**	**1,126**
thereof Liabilities related to social security	16	16	0	0
thereof Liabilities for wages and salaries	462	462	46	46
thereof Other personnel-related liabilities	295	295	307	307
thereof Liabilities for audit / supervisory board	188	188	227	227
Other non-financial liabilities	**1,036**	**1,685**	**718**	**1,108**

As of 31 December 2015, as in the previous year, there existed no derivative financial debts. The credit liabilities relate to long-term loans with fixed interest rates and contractually agreed repayments. Current borrowings essentially comprise the repayment of loans due in 2016.

The reserves essentially comprise potential liabilities from guarantees.

(10) 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 risks: 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 after expiration of the secured contracted transactions in previous years, 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 loan no interest rate risks exist as of the closing date, which also means that no security transactions were concluded.

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

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

Adjustments for receivables 2015 (thousand €)	Trade receivables	Total 31/12/2015
As per 01/01/2015	95	95
Adjustments in the reporting period	112	112
Disposals	16	16
	191	**191**

Adjustments for receivables 2014 (thousand €)	Trade receivables	Total 31/12/2014
As per 01/01/2014	164	164
Adjustments in the reporting period	0	0
Disposals	69	69
	95	**95**

The valuation allowances apply only to the valuation category »Loans and receivables« and relate only to current assets.

As of 31 December 2015, past-due unadjusted receivables existed in the following amount:

Past-due unadjusted receivables (thousand €)	Gross value 31/12/2015	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	17,908	191	772	1,693	82	14	55
Other financial assets	2,529	0	0	0	0	0	0
	20,437	**191**	**772**	**1,693**	**82**	**14**	**55**

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 € 55 thousand (previous year: € 203 thousand) are relevant for receivables, the recovery of which is yet expected.

As of 31 December 2014 the following situation existed:

Past-due unadjusted receivables (thousand €)	Gross value 31/12/2014	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	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**

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).

With the exception of long-term financial assets and long-term loans vis-a-vis credit institutes, the carrying values of financial assets and liabilities stated in the following tables that are not recognised at fair value represent a good approximation for their fair value primarily due to their short-term character. The fair values listed in the following tables were measured using the input data for the respective asset or liability that is not based on observable market data (level 3). The market value of the long-term loans is calculated over the term based on current market interest rates, interest structure curves and in consideration of the company's own credit risk.

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

Financial assets as of 31/12/2015 (thousand €)	Fair value	Carrying amounts		
		Cash and cash equivalents	Loans and receivables	Carrying amounts
Liquid funds	n/a	7,745	–	7,745
Trade receivables	n/a	–	17,717	17,717
Other current financial assets	n/a	–	1,707	1,707
Non-current financial assets	679	–	–	679
	679	**7,745**	**19,424**	**27,848**

Financial liabilities as of 31/12/2015 (thousand €)	Fair value	Carrying amounts	
		Other current liabilities	Carrying amounts
Current loans	n/a	1,171	1,171
Accounts payable	n/a	19,449	19,449
Other financial liabilities	n/a	1,126	1,126
Non-current loans	3,943	–	3,964
	3,943	**21,746**	**25,710**

As of 31 December 2014 the following breakdown existed:

Financial assets as of 31/12/2014 (thousand €)	Fair value	Carrying amounts		
		Cash and cash equivalents	Loans and receivables	Carrying amounts
Liquid funds	n/a	4,988	–	4,988
Trade receivables	n/a	–	13,285	13,285
Other financial assets	n/a	–	556	556
	n/a	**4,988**	**13,841**	**18,829**

Financial liabilities as of 31/12/2014 (thousand €)	Fair value	Carrying amounts	
		Other current liabilities	Carrying amounts
Current loans	n/a	1,105	1,105
Accounts payable	n/a	12,017	12,017
Other liabilities current	n/a	1,597	1,597
Non-current loans	5,384	5,384	5,384
	5,384	**20,103**	**20,103**

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 2016 repayments are due with a nominal value of € 1.2 million. To cover the liquidity requirement, cash and cash equivalents of € 7.7 million (previous year: € 5.0 million) are available. In addition, ecotel communication ag has access to a contractually agreed revolving credit facility totalling € 5.0 million, which can be used up to a value of € 1.0 million for surety obligations. As of 31 December 2015 revolving credit facilities of € 4.0 million (previous year: € 4.0 million) therefore exist. Financial covenants exist for the bank loans taken out by ecotel communication ag (residual value: € 5.1 million; previous year: € 6.5 million) and the available line of credit. A violation of the covenants could possibly result in notice of cancellation and premature repayment of investment loans and 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 liabilities are due within one year.

Repayments / interest payments for financial liabilities (thousand €)	Carrying amounts	Repayments			Interest payments		
	31/12/2015	2016	2017 to 2020	from 2021	2016	2017 to 2020	from 2021
Liabilities to banks	5,134	1,171	3,963	0	172	210	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		
	31/12/2014	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

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 2015. Likewise there were no primary financial instruments with fixed interest rates (financial debts) and reporting at fair value on 31 December 2015 or on the previous year's closing date, since all financial instruments are shown in the balance sheet at historical cost of acquisition. On 31 December 2015 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 also was the case neither in the previous year, nor on 31 December 2015, so that no sensitivity analysis was conducted for the exchange rate risk.

(11) Contingent receivables and liabilities and other financial obligations

As of 31 December 2015 contingent liabilities due to guarantees and other commitments totalled € 588 thousand (previous year: € 793 thousand) for surety obligations.

The carrying value of financial assets provided as security totalled € 13 thousand (previous year: € 14 thousand) as of 31 December 2015.

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

Notes to the consolidated statement of comprehensive income

(12) Sales revenue

Thousand €	2014	2015
Distribution of revenue by segment		
Business Solutions	41,881	42,923
Wholesale	43,232	45,804
New Business	16,386	17,586
Private Customer Solutions (B2C)	13,871	15,115
new media solutions	2,515	2,471
	101,499	**106,314**
Domestic	75,366	73,669
Foreign	26,133	32,645
	101,499	**106,314**

Sales revenue is earned exclusively through the provision of services. The revenue breaks down into domestic and foreign, based on the customer location.

(13) Other revenues or gains

Other operating income consists of the following:

Thousand €	2014	2015
Revenue from damages	2,002	1,257
Payments in kind for motor vehicle use	255	258
Revenue from dissolution of liabilities	50	108
Revenue from collection fees	148	111
Recharging of fees and expenses	57	16
Rent received	46	0
Reversal of provisions for losses on receivables	32	16
Other	339	367
	2,929	**2,133**

The revenue from damages in 2015 and 2014 resulted from settlement payments connected with the resolution of legal disputes and was allocated to the Business Customers segment.

(14) Cost of materials

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

(15) Personnel costs

Thousand €	2014	2015
Wages and salary	10,294	10,315
Social security contributions	1,598	1,621
– of which expenses for pensions and support	757	764
	11,892	**11,936**

For all employees of the consolidated companies in Germany there exists a contribution-oriented pension plan within the framework of the German pension insurance, into which the employer must pay the amount of a currently applicable contribution rate of 9.45 % (employer's contribution) of the remuneration subject to the pension insurance up until 31 December 2014 and 9.35 % starting 1 January 2015. No other pension plans exist.

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

Staff	2014	2015
Full-time employees	214	210

(16) Scheduled depreciations and impairments

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

In financial year 2015 and in the previous year, after execution of the impairment tests there were no unscheduled depreciations on goodwill of the cash generating units. In the concluded financial year, a write-down of tangible fixed assets in the Business Customers segment totalling € 216 thousand (to a value in use of € 137 thousand) was necessary, because a customer notified us that he no longer uses router products that were in the ecotel inventory. In the previous year, there was an impairment of a software / customer platform no longer in use totalling € 244 thousand, which was allocated to the Business Customers segment and therefore the value was fully adjusted.

(17) Other operating expenses

Thousand €	2014	2015
Partner and dealer commissions, marketing expenses and advertising costs	4,086	4,367
Legal, auditing and consultancy fees	1,436	1,064
Other administrative costs	1,487	1,183
Data processing costs	1,084	1,349
Rents, leases, premises expenditure	692	649
Motor vehicle costs (without leasing payment)	202	167
Repairs and maintenance	187	171
Change in provisions for losses on receivables / losses on receivables	274	338
Leasing payment for motor vehicles	202	203
Other	745	777
	10,395	**10,268**

(18) Financial result

Thousand €	2014	2015
Interest income		
Other interest income and similar earnings	3	14
Interest income from non-current financial assets	224	35
	227	**49**
Interest expense		
Interest expense on credit liabilities	–230	–200
Other interest and similar expenses	–1	–4
	–231	**–204**
Net interest income	**–4**	**–155**
Other financial expenses and income		
Capital market support costs	–113	–118
Revenue from write-ups of non-current financial assets	0	144
Impairment of financial assets measured at equity	–187	0
Result of companies measured at equity	103	–6
	–197	**20**
Financial result	**–201**	**–135**

(19) Taxes from income and revenue

Thousand €	2014	2015
Actual income tax	–880	–1,008
Deferred taxes on earnings	–145	–77
	–1,025	**–1,085**

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 comprises a tax rate of 15 % (previous year: 15 %) for corporation tax plus 5.5 % (previous year: 5.5 %) for the solidarity surcharge and 15 % (previous year: 15 %) for trade tax. The expected tax expense is compared with the actual tax expense.

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

Thousand €	2014	2015
Earnings before taxes	2,779	3,504
Group tax rate	**31.0 %**	**31.0 %**
Expected tax expense	–861	–1,086
Differences due to tax rates differing from the Group tax rate	53	49
Tax effects due to tax-free revenue / expenses in the case of profit distributions	–59	–27
Tax increases due to expenditures that are not tax-deductible	–199	–32
Previous year's taxes	–83	–15
Income from equity holdings and long-term lendings	140	60
Other tax effects	–16	–34
Tax expense according to the P/L statement (expense – / income +)	–1,025	–1,085
Effective tax rate in %	**36.9 %**	**30.9 %**

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.

The deferred taxes must be allocated to the following items:

Thousand €	2014 Assets	2014 Liabilities	2015 Assets	2015 Liabilities
Property, plant, and equipment / intangible assets	617	1,322	493	1,316
Trade receivables	2	69	0	26
Offset – assets / liabilities	–539	–539	–466	–466
	80	**852**	**27**	**876**

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 2015, 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.

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

The share of the surplus of € 796 thousand (previous year: € 603 thousand) allocated to the non-controlling shareholders relates to the proportionate results for the year of easybell GmbH (€ 243 thousand; previous year: € 203 thousand), sparcall GmbH (€ 286 thousand; previous year: € 220 thousand), carrier-services.de GmbH (€ 267 thousand; previous year: € 183 thousand) and init.voice GmbH (€ 0 thousand; previous year: € –3 thousand).

(21) 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 2015, as in the previous year, there were no respective diluting financial instruments, so that the undiluted and diluted earnings per share are identical.

	2014	2015
Accrued consolidated profit for the year (in €)	1,151,233.90	1,622,577.64
Weighted average number of shares	3,541,534.25	3,510,000.00
Undiluted earnings per share (in €)	0.33	0.46
Diluted earnings per share (in €)	0.33	0.46

Notes to the cash flow statement

(22) Cash flow statement

The cash flow statement is prepared in accordance with the provisions 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

(23) Disposition of profits

For the disposition of profits of the ecotel Group, pursuant to § 58, paragraph 2 of the German Stock Corporation Law (AktG) the annual financial statement of ecotel communication ag, which is prepared in accordance with commercial law, is decisive. The annual financial statement of ecotel communication ag shows a balance sheet profit of € 4,272 thousand (previous year: € 3,848 thousand). Due to the self-generated intangible assets of € 7 thousand (previous year: € 26 thousand) capitalised in the individual financial statement of ecotel communication ag in accordance with commercial law, there additionally exists a payout block totalling this amount in accordance with § 268, para. 8 of the German Commercial Code. In financial year 2015 ecotel communication ag planned a distribution of € 0.16 per qualified share for financial year 2014. A total amount of € 562 thousand was distributed to the shareholders.

(24) Related party disclosures

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

Thousand €	Volume of services provided by ecotel		Volume of the services utilised by ecotel	
	2014	2015	2014	2015
synergyPlus GmbH (i.L.)				
– from goods and services	0	0	64	0
mvneco GmbH				
– from goods and services	61	20	37	20

The ecotel Group maintained service relationships with the following related parties (or their enterprises) in 2015:

Thousand €	Volume of services provided by ecotel		Volume of the services utilised by ecotel	
	2014	2015	2014	2015
MPC Services GmbH				
– from goods and services	4	4	427	345

Agreement with MPC Services GmbH

A business representation contract exists between MPC Services GmbH and ecotel. Under this contract MPC Services GmbH receives a closing commission for the monthly order acquisition, as well as a product-dependent commission on the monthly revenue of all customers supplied by MPC Services GmbH. Supervisory Board member Mirko Mach is managing director and shareholder of MPC Services GmbH. As of the balance sheet date receivables totalling € 0 thousand (previous year: € 0 thousand) and liabilities totalling € 35 thousand (previous year: € 35 thousand) existed vis-a-vis MPC Services GmbH.

In 2015 Ms. Sandra Zils, the spouse of the CEO, received remuneration as an employee of ecotel communication ag totalling € 10 thousand (previous year: € 12 thousand) for her work in the ecotel Group.

(25) Segment reporting

The internal organisational 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 segment comprises the private customer business (B2C) of easybell GmbH and the New Media business of nacamar GmbH.

Annual earnings before interest, taxes, depreciations and amortisations (EBITDA) are presented as a segment result, which the Management Board uses for corporate control and monitoring. The segment reporting is prepared according to the accounting and measurement methods of the Group. Therefore, there are no valuation adjustments.

The business conducted in the Wholesale segment is characterised by the trading with minutes with international carriers. In this case, both incoming and outgoing minutes are traded with a carrier. The volumes are very difficult to predict. In financial year 2015 the segment achieved revenue with two international carriers totalling more than 10 % of the consolidated revenue (€ 16.7 million / € 11.2 million) (previous year: € 7.3 million / € 14.9 million).

Thousand €	Business Solutions		Wholesale		New Business		Consolidation, cross-segment		Group	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
External revenue	41,881	42,923	43,232	45,804	16,385	17,586	–	–	101,499	106,314
Inter-segment revenue	–	–	945	987	232	187	–1,177	–1,174	0	0
Gross earnings	20,565	20,862	596	394	5,450	6,508	–	–	26,611	27,763
EBITDA	5,430	5,225	54	–52	1,769	2,693	–	–	7,252	7,866
Scheduled depreciations	–3,316	–3,620	–2	–	–706	–392	–	–	–4,024	–4,011
Unscheduled depreciation	–248	–216	–	–	–	–	–	–	–248	–216
EBIT	1,866	1,389	52	–52	1,063	2,301	–	–	2,980	3,639

Inter-segment transactions were executed at market prices. The Group's revenue originated essentially in Germany. The revenue was allocated to the categories domestic and foreign based on the customer location. For additional explanations, we refer to the information on revenue. Segment assets and segment investments are allotted completely to Germany.

(26) Statement on corporate governance in accordance with § 289a of the German Commercial Code (HGB) including the statement in accordance with § 161 of the German Stock Corporation Law (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).

(27) Remuneration of the Management Board and Supervisory Board (disclosure in accordance with § 314 HGB and IAS 24)

Total remuneration in thousand €	Peter Zils CEO		Johannes Borgmann CFO		Achim Theis CSO		Bernhard Seidl
	2014	2015	2014	2015	2014	2015	2014
Fixed remuneration	300	325	147	220	220	220	147
Additional services	23	23	12	27	17	17	8
One-year var. remuneration	57	49	11	15	38	44	70
Multi-year var. remuneration	0	8	0	6	0	7	0
Total remuneration	**380**	**405**	**170**	**268**	**275**	**288**	**225**

Mr. Bernhard Seidl was CEO of ecotel until 31 August 2014. In addition to the remuneration shown in the table, Mr. Seidl received other one-time remuneration of € 30 thousand for consultation services in 2014.

The success-related variable remunerations are linked to a sustainable corporate development over a period of three years. For financial year 2015 the Management Board is entitled to well-earned variable remuneration in the amount of € 129 thousand (previous year: € 176 thousand), in addition to the fixed salaries and fringe benefits. After deducting already paid remuneration shares, corresponding obligations were formed. The remunerations are solely for short-term due services. The remuneration for financial year 2015 therefore totalled € 961 thousand (previous year: € 1,050 thousand).

The following table shows the remuneration of the Supervisory Board:

Supervisory Board	Remuneration in thousand € 2015	Remuneration in thousand € 2014
Dr. Norbert Bensel	25	22
Mirko Mach	20	20
Dr. Thorsten Reinhard	15	15
Dr. Barbara Bludau	15	7
Brigitte Holzer	14	15
Sascha Magsamen	14	14
Johannes Borgmann	–	9
Total	**103**	**102**

The total remuneration according to IAS 24 for the entire key management is € 1,064 thousand (previous year: € 1,151 thousand). For additional information on the remuneration of the Management Board and Supervisory Board we refer to the Group management report. As opposed to the previous year's presentation the tables required by the Corporate Governance Code on the remuneration of the Management Board, pursuant to the provisions of DRS 20, are no longer included in the consolidated notes, but instead in the Group management report.

(28) Audit expenses

In financial year 2015 the fee entered as expense for the auditors of the consolidated financial statement of ecotel ag for audit services for the consolidated financial statement and the individual financial statements of the parent company and consolidated subsidiaries totalled € 85 thousand (previous year: € 70 thousand). As in the previous year, no other expenses were reported for the auditor for other confirmation services, tax consulting services, or other services.

(29) Events after the reporting period

On 12 February 2016 the shareholders of mvneco GmbH resolved to allocate the receivables from loans vis-a-vis mvneco GmbH existing as of 1 February 2016 (totalling € 1.9 million) to the capital reserve of mvneco GmbH. Of that amount, a total of € 0.9 million is allotted to ecotel. In addition, it was decided to return the amount of € 0.7 million from the capital reserve to the shareholders (€ 0.2 million of that amount to ecotel), so that mvneco GmbH shows a capital reserve of € 1.8 million after completion of this transaction.

(30) 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, 21 March 2016
The Management Board

Peter Zils *Johannes Borgmann* *Achim Theis*

Auditor's opinion

We have audited the consolidated financial statement of ecotel communication ag – comprising the balance sheet, cash flow statement, statement of comprehensive income, statement of changes in equity and the notes to the consolidated statement – and its Group management report for the financial year from January 1 to 31 December 2015. Preparation of the consolidated financial statement and the Group management report in accordance with 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 German auditing standards defined by the IDW Institute of Public Auditors in Germany. 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 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, 21 March 2016
PricewaterhouseCoopers
Aktiengesellschaft
Auditors

Verena Heineke	ppa. Reza Bigdeli
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 2015, 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 Supervisory Board and Management Board of ecotel convened for a total of five sessions in the reporting year, on 3 February 2015, 24 March 2015, 9 June 2015, 24 July 2015 and 4 November 2015. In addition, the Supervisory Board convened three times via telephone. Furthermore, three resolutions by circulation were made. In the meetings the ecotel Management Board regularly reported to the Supervisory Board on fundamental issues of corporate planning, profitability of the company, the course of the business and the position of the company and consulted together with the Supervisory Board concerning these issues. Moreover, the Supervisory Board was involved in 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 2015, the Supervisory Board received detailed reports on the development in particular of the Business Customers segment, on projects of strategic importance and on current legal disputes. The project management of a large-scale contract was on the agenda of each Supervisory Board meeting. Strategic supplier contracts were also discussed regularly.

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 in mvneco GmbH and discussed the strategic development of these companies with the Management Board. In the case of nacamar GmbH and mvneco GmbH, several meetings focused on restructuring concepts and their implementation (including capital and other structure measures); in the case of easybell GmbH the investment agreement with the minority shareholder was modified.

Projects requiring approval were discussed in detail between the Supervisory Board and Management Board. Among other issues the Supervisory Board approved various proposed resolutions in connection with the subsidiaries and holdings, as well as a proposal by the Management Board to conclude a settlement agreement in a decisive legal dispute for the company.

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.

Other important resolutions of the Supervisory Board in the reporting year concerned the recommendation to the general meeting for disposition of profits by distributing a dividend of € 0.16 per share.

The Supervisory Board furthermore discussed the definition of a target for the proportion of female members in the Management Board and Supervisory Board. The Supervisory Board refrained from defining a specific target for the proportion of female members in the Management Board until 30 June 2017, since no changes in personnel are expected within this time frame. The target for the proportion of female members is defined as one-third (33.3 %). This target is currently met.

The supervisory board meeting held on 24 March 2015 focused on the auditing and approval of the 2014 annual and consolidated financial statements. In addition, in the meeting of 24 March 2015, as a precaution the Supervisory Board approved various contracts between ecotel and companies in which members of the Supervisory Board hold shares.

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 take part in the discussion and withheld his vote in the passing of the respective 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. 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 24 July 2015, PricewaterhouseCoopers Aktiengesellschaft of Frankfurt, 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 conducted the audit in accordance with § 317, par. 4 of the Commercial Code and determined that the Management Board has established a monitoring system, that the statutory requirements for early detection of existential threats for the company are fulfilled and that the Management Board has taken suitable measures for the early detection of developments and the prevention of risks.

The auditor submitted to the Supervisory Board the statement of independence required by the Corporate Governance Code and disclosed to the Supervisory Board the auditing and consultation fees that accrued in the respective reporting year.

The financial statement documents and reports of the auditor were submitted to all members of the Supervisory Board for review. Representatives of PricewaterhouseCoopers Aktiengesellschaft 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 reports submitted by the Management Board, including the annual financial statement, the consolidated financial statement, the management report and the Group management report as well as the recommendation for utilisation of the net profit for the year, 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 2015, but rather approved the Annual Financial Statement and the Consolidated Financial Statement with the resolution of 22 March 2016. The Annual Financial Statement of ecotel for financial year 2015 is thereby adopted.

4. Corporate governance

No member of the Supervisory Board participated in less than half of the Supervisory Board meetings.

In reporting year 2015, the Management Board and Supervisory Board issued a joint compliance statement on 3 February 2015 in accordance with § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code. The statement was made permanently available through publication on the company's website.

5. Changes in the Supervisory Board in the reporting period

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

6. Changes in the Management Board in the reporting period

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

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 and the 2015 annual financial statement and consolidated financial statement. Furthermore, the audit committee discussed the internal control system. The audit committee has not changed and is comprised of Ms Brigitte Holzer (Chairwoman) and Mr. Mirko Mach and Mr Sascha Magsamen.

7. Committees

The Supervisory Board also formed a three-member nominating committee, which prepares recommendations for nominees to the annual meeting of shareholders and also performs the duties of the personnel committee. The nominating and personnel committee is unchanged and is comprised of Dr. Thorsten Reinhard (Chairman), Dr. Barbara Bludau and Dr. Bensel. This committee convened three times in fiscal year 2015.

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 financial year 2015.

Düsseldorf, 22 March 2016
For the Supervisory Board:

Dr. Norbert Bensel
Chairman of the Supervisory Board

Glossary

All-IP
All-IP refers to the standardised switch-over from previous transmission technologies in telecommunication networks to technology based on the Internet Protocol (IP). Services such as telephony, television and mobile wireless access are consequently no longer provided via conventional circuit switching, but instead via packet switching using the network protocol commonly used 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.

Fraud
Fraud (lat. fraus, fraudis: deceit) is a generic term for various types of commercial offences in general and corporate offences in particular.

FTTH
FTTH (Fibre To The Home or Fibre all the way To The Home) refers to the installation of optical fibre cables from computer centres directly to the residence of the subscriber.

IP
The Internet Protocol (IP) is a widespread network protocol in computer networks and constitutes the basis of the Internet. It is the implementation of the Internet layer of the TCP/IP model or the network layer of the OSI model. IP is a connectionless protocol, which means that no prior arrangement between the communication partners is necessary.

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

LEC
A Local Exchange Carrier (LEC) is an operator of local telephony networks that connects subscribers to his network, therefore providing network access.

LTE
Long Term Evolution (LTE) is a wireless standard of the fourth generation (3.9G standard) that can achieve substantially higher download rates of up to 300 megabits per second. The basic structure of UMTS is retained in LTE. This enables fast and low-cost retrofitting of infrastructures based on 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 controlstation, 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.

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.

OWG

Optical waveguides (OWG) or fibre optic cables (FOC) are cables consisting of optical conductors and connectors that are used for the transmission of light. The light is guided in fibres made of quartz glass or plastic (polymer optical fibres). They are also often referred to as glass fibre cables, in which several optical waveguides are typically bundled, with additional mechanical reinforcement for protection and stabilisation of the single fibres.

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.

QoS

Quality of Service (QoS) gives priority to voice traffic in situations where other types of data, such as computer data, are transmitted simultaneously on the same data line.

Server farm

A server farm is a group of networked server hosts of the same type that are connected to create a logical system (also: data centre). It optimises the internal processes by distributing the load among the single servers and speeds up computer processes by utilising the computing capacity of several servers.

Session Border Controller

A Session Border Controller (SBC) is a network component for the secure connection of different computer networks or of computer networks with different security requirements. SBCs are used primarily in IP telephone networks (VoIP) in order to connect external (non-secure) data networks with internal (secure) IT structures and to implement sessions.

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.

Vectoring

VDSL2 vectoring is an extension of VDSL2, which reduces unwanted crosstalking between neighbouring subscriber lines. This can significantly increase the transmission rate, especially in unshielded cable bundles of standard telephone networks with a large number of VDSL subscribers. The ITU-T designation for this technology is G.993.5.

VoIP

Voice over IP – voice services based on the Internet protocol (VoIP services) which 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

13 May 2016	Publication of quarterly report (Q1)
22 July 2016	Annual General Meeting
11 August 2016	Publication of mid-year financial report
10 November 2016	Publication of quarterly report (Q3)

Imprint

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Notes

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