ANNUAL REPORT
2019

ecotel®

all around communication

ecotel®
all around communication

205
employees

300
partners

26.000
data lines

>50.000
voice channels

Awards and certifications:

Certified ISO 27001 Rechenzentrum + VPN Made in Germany.

IT-BESTENLISTE BEST OF 2019 initiative mittelstand BEST OF

100%
equity interest

nacamar

10
employees

YBRID®

Add+Radio

2,05
billion listener hours

1,44
billion sessions

51%
equity interest

easybell

48
employees

60.000
voice lines

sparcall

ROUTER MIETE.DE

init voice

CARRIER-SERVICES.de

33%
equity interest

mvneco
The MVNE Company

27
employees

+

23
employees
(in network)

Company profile

The ecotel Group (referred to hereinafter as “ecotel“) has been operating throughout Germany since 1998 and specialises in marketing information and telecommunication solutions in the respective target group. Its parent company is ecotel communication ag, headquartered in Düsseldorf (referred to hereinafter as “ecotel ag“).

ecotel currently manages more than 50,000 data lines and over 100,000 voice channels throughout Germany.

The “ecotel Business Customers“ segment represents ecotel‘s core area. Here, ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions). The focus is on companies with more than 50 employees.

In the “ecotel Wholesale“ segment, ecotel groups together offers for other telecommunication companies and maintains network interconnections with more than 100 international carriers.

The “easybell“ segment comprises all business of the easybell Group, consisting of four companies. Here, easybell markets broadband internet connections and VoIP telephony for private customers and SIP trunking offers for smaller companies.

In the “nacamar“ segment, nacamar GmbH offers streaming services for media companies on the basis of its own content delivery network (CDN). nacamar is the market leader in Germany with its AddRadio product.

The Group is headquartered in Düsseldorf and has around 300 employees including those at its subsidiaries and affiliated companies.

Contents

Foreword by the Management Board

Dear shareholders,
2019 was a challenging year for all of us, and especially for the ecotel Business Customers segment. The changeover to ISDN and thus the volumes that had to be handled were a considerable burden and also led to temporary increases in expenses (resources, provision fees, IT optimisation). However, the higher value added of the new NGN products almost compensated for these additional costs. With our chosen approach of moving as many customers as possible over to the new all-IP product world by way of new contracts and contract renewals, we also secured the advantage of a “fresh customer base” and thus established the basis for future growth in the business customer sector.

The Group generated total sales of € 82.8 million (previous year: € 98.9 million), a 5 % increase in gross profit to € 33.6 million and a 17 % increase in EBITDA to € 8.8 million.

We further reduced the business volume in the low-margin ecotel Wholesale segment. In this way, we are laying the foundations to be able to grow in the high-margin segments without breaching the € 100 million threshold stipulated in section 35 (5a) of the German Telecommunications Act (TKG) and are thus protecting ourselves from potential negative retroactive regulatory decisions.

The result of operations was influenced by the initial application of IFRS 16 (Leases): EBITDA increased by € 1.4 million, while depreciation and amortisation rose by € 1.3 million and interest expense was up € 0.3 million. All in all, this change in accounting had a negative impact of € 0.1 million on consolidated net income.

In the ecotel Business Customers segment, the transformation from traditional ISDN-based Deutsche Telekom connections to forward-looking, higher-margin all-IP products with new contract terms was successfully completed in 2019. This significantly increased the intrinsic value of the customer base. Sales in this segment reached € 46.9 million (previous year: € 48.1 million). In view of the fact that almost the entire customer base of Telekom-based upstream products (connection and/or carrier preselection) had to be handled technically, commercially and in terms of sales in 2019, we are very satisfied with this result.

Thanks to the higher value added of the new all-IP products, gross profit in this segment was increased slightly to € 23.8 million (previous year: € 23.6 million). The gross profit margin in this segment rose to 50.7 % (previous year: 49.1 %).

The easybell segment continued the successful development of the past years, generating a 17 % increase in sales to € 18.6 million (previous year: € 15.9 million). The increased focus on scalable SIP products and cloud telephone systems for small business customers and the router rental business continued to have a positive impact. Gross profit climbed by 20 % to € 8.3 million (previous year: € 6.9 million).

Sales in the nacamar segment were stable year-on-year at € 1.9 million, while gross profit increased slightly to € 1.1 million (previous year: € 1.0 million). The positive development of the past few years is continuing here, particularly in radio streaming. Above all, innovations relating to the “Ybrid” product family are driving this positive development still.

Overall, we increased EBITDA by € 1.3 million to € 8.8 million. Primarily due to the new accounting standard, total assets increased by € 9.6 million, causing the equity ratio to fall by almost 10 percentage points.

Depreciation and amortisation amounted to € 7.2 million (previous year: € 5.3 million). This included an increase of € 1.4 million resulting from the change in accounting from IFRS 16. After deducting taxes and minority interests, ecotel generated a consolidated net loss of € 0.2 million in 2019 (previous year: consolidated net profit of € 0.5 million). This corresponds to negative earnings per share of € 0.05 (previous year: positive EPS of € 0.13). IFRS 16 had a negative impact of € 0.1 million or € 0.03 per share here.

By contrast, free cash flow increased to € 3.6 million in 2019 (previous year: € 0.9 million). Net financial assets also increased by € 0.6 million to € 1.0 million in 2019.

In 2020, the migration of the last ISDN connections of alternative upstream suppliers and the changeover of Telekom-based ethernet lines are to take place. The Management Board therefore anticipates sales in a range of € 46 million to € 49 million in the core ecotel Business Customers segment, along with a continued slight increase in gross profit margins. Sales of between € 20 million and € 21 million are anticipated in the easybell segment, and sales of € 1.5 million to € 2.5 million in the nacamar segment. EBITDA is expected to be within a range of € 8.5 million to € 10.5 million.

The 2019 financial year brought major challenges for us. For this reason, our special thanks this year go to our committed and highly skilled employees, who successfully overcame these particular challenges with us over the course of this year. We would also like to thank our customers and business partners as well as you, our shareholders, for the trust you have placed in us.

We are very confident for the future and look forward to tackling the coming challenges together with you.

Peter Zils
Chairman of the Management Board

Achim Theis
Management Board member

Management Board

Peter Zils (born in 1963) is the founder and Chairman of the Management Board of ecotel communication ag and is responsible for the areas of strategy, technology, wholesale, finance, investor relations and HR. He already started working as an independent entrepreneur while studying telecommunications engineering at Bochum University of Applied Sciences. In January 1998, Peter Zils founded ecotel communication, headquartered in Düsseldorf, which has since developed into a corporate group with various subsidiaries and equity investments. Peter Zils has been a member of the executive committee of the VATM, the main German telecommunications industry association, since February 2015. In this role, he campaigns intensively in the regulatory and political environment for better market and competitive conditions for the telecommunications industry and its customers.

Achim Theis (born in 1964) has been working at the company since 1 January 1999, initially as the managing director of ecotel communication GmbH and since 1 June 2001 as a member of the Management Board. Since 1 September 2016, he has been responsible for the areas of marketing, sales, product development and operations in his role as Chief Commercial Officer (CCO). After studying business economics, he initially worked in various management positions in sales and marketing in different sectors. Achim Theis has more than 20 years of experience and therefore has an extensive network and expertise in the telecommunications market.

Authorised signatories

Wilfried Kallenberg (born in 1960) has been working for ecotel communication ag since 2008. As Chief Technical Officer (CTO) and an authorised signatory, he is responsible within the company for the areas of IT; network operation; product, system and network engineering; and process and project management. Since 2014, he has played a key role in the successful realignment of the wholly-owned subsidiary nacamar GmbH in his role as managing director. After completing his vocational training at SEL AG and earning other qualifications, he initially worked as a professional service engineer. Back in 1994, when the liberalisation of the telecommunications market was in the offing, Wilfried Kallenberg moved from a system supplier to the telecommunications network operator WorldCom (now Verizon). The network and IT expert subsequently worked in technical and operational management roles for other carriers and service providers.

Holger Hommes (born in 1977) has been working for ecotel communication ag since 2014, initially as a commercial manager and since September 2016 as Chief Financial Officer (CFO) and authorised signatory. In addition to group management and reporting, he is responsible for the financial accounting, controlling, billing and revenue assurance. After completing his studies in business administration in 2000, he started his professional career in auditing at Arthur Andersen and Ernst & Young, before moving to the Deutsche Telekom Group in 2006. Here he was responsible in various positions for the preparation of the consolidated financial statements and for group reporting and most recently held a senior management role for the preparation of subsidiaries' financial statements for three years.

Dr Norbert Bensel (Chairman) (born in 1947) has been a member of the Supervisory Board of ecotel communication ag since July 2010 and took on the role of Chairman with effect from 1 May 2014. Dr Norbert Bensel is an independent business consultant. After completing his doctorate in chemistry, Dr Bensel worked in various roles in HR development and executive support at major German corporations and later became a member of the management board of debis AG. He then moved to Deutsche Bahn AG as Chief Human Resources Officer and most recently worked as a Management Board member at DB Mobility Logistics AG (DB Schenker) with responsibility for the areas of transport and logistics.

Mirko Mach (born in 1976) has been a member of the Supervisory Board of ecotel communication ag since July 2007 and took on the tasks of Deputy Chairman on 18 December 2007. In 1995, Mirko Mach founded the company MPC Service GmbH together with Ferdinand Ruppert, taking on the establishment of this telecommunications consultancy during his mechanical engineering studies already. As a managing partner, Mr Mach is currently responsible for project management in the landline segment and for the company's strategic development.

Tim Schulte Havermann (born in 1969) has been a member of the Supervisory Board of ecotel communication ag since July 2016. Mr Schulte Havermann is a businessman and works as an entrepreneur in various different business areas.

After studying pharmacy, he was initially self-employed as a pharmacist while also getting involved in other sectors both entrepreneurially and with financial investments. Tim Schulte Havermann is a former CFO of ecotel communication ag (from 2002 to 2006) and has since worked as a managing director and supervisory board member at a number of investment companies in various areas, particularly property trading and project development.

Brigitte Holzer (born in 1961) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Since 2012, Ms Holzer has held the role of Chief Financial Officer for PPRO Financial Ltd. After studying business administration, Ms Holzer worked in finance at various companies, including as Director of Finance at Cybernet AG for its German business and the holding company, as Director of Finance at VOICE. TRUST AG and as FP&A Manager for Emerging Markets at Adobe Systems GmbH.

Sascha Magsamen (born in 1974) has been a member of the Supervisory Board of ecotel communication ag since July 2011. Since 1 January 2010, Sascha Magsamen's main profession has been as a Management Board member of Impera Total Return AG, an investment company based in Frankfurt. He is also a Management Board member of PVM Private Values Media AG, a Magsamen family company headquartered in Frankfurt. Prior to this, he had worked in proprietary trading at Dresdner Bank in Frankfurt since 2004, where he was responsible for the segment of small and mid caps in the DACH region with a separate portfolio. Before working in investment banking at Dresdner Bank, Sascha Magsamen was the business editor for "Die Börsen-Zeitung" (WM Group) and "Die Telebörse" (Handelsblatt publishing group). In 1999, he completed his studies in public administration at the University of Applied Sciences for Public Administration in Mayen. He has founded more than a dozen SMEs in the media and financial services sectors. Sascha Magsamen works on the supervisory boards of various listed companies such as Wige Media AG, Cologne.

Dr Thorsten Reinhard (born in 1970) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Dr Reinhard has been a lawyer at Noerr LLP (formerly Nörr Stiefenhofer Lutz) since 2005, initially in Berlin and then since 2009 in Frankfurt am Main. He has been a partner there since 2007. After studying law and then earning a doctorate, Dr Reinhard qualified as a lawyer in 1999. Before moving to Noerr, Dr Reinhard worked for another international corporate law firm in Düsseldorf and London.

Report of the Supervisory Board

The Supervisory Board of ecotel communication ag ("ecotel" or "the company") regularly monitored the Management Board's work and supported it with advice in the 2019 financial year. This was based on detailed written and verbal reports by the Management Board. In addition, the Chairman of the Supervisory Board regularly exchanged information and ideas with the Chairman of the Management Board.

The Supervisory Board and the Management Board of ecotel met four times in total in the year under review, on 12 March 2019, on 9 May 2019, on 12 July 2019 and on 3 December 2019. In addition, four resolutions were adopted by way of circulation.

At the meetings, the Management Board of ecotel regularly informed the Supervisory Board about fundamental issues relating to corporate planning, the company's profitability, the course of business and the company's position and discussed these issues together with the Supervisory Board. The Supervisory Board was also involved in important decisions and particularly examined and approved measures by the Management Board that required its approval in accordance with the rules of procedure for the Management Board.

1. Focus of Supervisory Board discussions

At all of its meetings in 2019, the Supervisory Board was informed in detail about the course of business and the company's position. Focus areas included the development of the Business Customers segment, major supplier agreements and customer projects and the development of the market situation and its regulatory conditions. In addition, the Supervisory Board supported the Management Board with strategic issues arising from changes in the telecommunications market, for example with regard to cable network operators and the ever-growing importance of fibre-optic infrastructure. The possibility of the company investing in an upstream supplier was also discussed. The Supervisory Board was also continuously informed about the subsidiaries easybell GmbH and nacamar GmbH and the equity investment in mvneco GmbH and discussed their strategic development with the Management Board. With regard to nacamar GmbH, the discussions mainly focussed on the prospects of the "YBRID" product.

The Supervisory Board also dealt with various personnel matters. In this context, it also addressed the topic of the its own efficiency.

The Supervisory Board discussed ecotel's financial strategy with the Management Board. In February 2019, the Supervisory Board approved financing of investments in property, plant and equipment as part of a long-term contractual project. Half a year later, the Supervisory Board approved a change in the Group's financial structure that included taking out new loans in order to finance additional investments. Another forward-looking resolution related to approval for a renewal of the lease for the company headquarters in Düsseldorf.

In the year under review, the Supervisory Board paid particular attention to risk management issues. The Supervisory Board discussed the Management Board's regular risk reports and made its own suggestions with regard to risk management. The Supervisory Board satisfied itself that the Management Board gives the necessary attention to risk monitoring, comprehensibly prioritises the risks it identifies and endeavours to reduce them using appropriate measures. At the Supervisory Board meeting on 12 March 2019, the Supervisory Board was informed about the findings of the audit in accordance with the standard IDW PS 951, which was conducted only for products from the areas of colocation services and VPN services for all customers owing to the requirements of customers from the banking sector and was completed with a "Type 1 certificate" in November 2018. The Type 2 certificate for the 2018 financial year was issued on 31 October 2019.

At the Supervisory Board meeting on 12 March 2019, the focus was on the review and approval of the annual and consolidated financial statements for 2018. It also approved the proposal for the appropriation of net profit that was put forward to the Annual General Meeting by the Management Board, which provided for the distribution of a dividend of € 0.13 per share. In addition, the Supervisory Board approved various contracts between ecotel and companies in which members of the Supervisory Board hold interests.

At the Supervisory Board meeting on 9 May 2019, the Supervisory Board prepared for the company's Annual General Meeting together with the Management Board.

2. Handling of conflicts of interest in the Supervisory Board

All members of the Supervisory Board are committed to the principle of basing their decisions solely on the business interests of ecotel. Any conflicts of interest or concerns regarding conflicts of interest that arose in Supervisory Board discussions or resolutions were handled in the Supervisory Board. In each case, the Supervisory Board member in question did not take part in the discussion and abstained from voting on the resolution. By questioning the Management Board, the other Supervisory Board members also ascertained with sufficient certainty that its actions were not influenced by the (potential) conflict of interest of the Supervisory Board member in question. During the financial year, the above principles took effect only in relation to the Supervisory Board resolution on the approval of contracts between ecotel and companies in which members of the Supervisory Board are involved. This related to Mr Mirko Mach and Dr Thorsten Reinhard.

3. Annual and consolidated financial statements

The Management Board prepared the annual financial statements and management report of ecotel in accordance with the German Commercial Code and prepared the consolidated financial statements and group management report in accordance with IFRS principles. The auditor for ecotel as elected by the Annual General Meeting of ecotel on 12 July 2019, the Düsseldorf branch of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, headquartered in Stuttgart, audited the annual financial statements, the consolidated financial statements, the management report and the group management report. It issued an unqualified audit opinion for the annual financial statements and the consolidated financial statements.

As part of its audit, the auditor was required to carry out a review in accordance with section 317 (4) of the German Commercial Code (HGB) to assess whether the Management Board has set up an effective monitoring system that is capable of detecting developments that pose a risk to the company's continued existence at an early stage. The auditor confirmed that this was the case.

The auditor submitted the statement of independence required by the German Corporate Governance Code to the Supervisory Board and disclosed the auditing and consulting fees incurred in the respective financial year to the Supervisory Board.

The financial statement documents and the auditor's reports were available to all members of the Supervisory Board for review. Representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft took part in the Supervisory Board's deliberations on these documents and reported on the main findings of their audit.

The Supervisory Board and the Audit Committee formed from among its members thoroughly examined the annual financial statements, consolidated financial statements, management report, group management report and the proposal for the appropriation of net profit submitted by the Management Board and discussed these with the auditor. The Supervisory Board acknowledged and approved the auditor's report on the findings of its audit.

Based on the final results of its review, the Supervisory Board did not raise any objections to the annual financial statements or the consolidated financial statements prepared by the Management Board for the 2019 financial year, but instead approved the annual financial statements and the consolidated financial statements by way of a resolution adopted on 9 March 2020. The annual financial statements of ecotel for the 2019 financial year were thus approved.

4. Corporate governance

No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

In the year under review, the Management Board and the Supervisory Board issued a joint declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 26 February 2019. The most recent joint declaration of compliance by the Management Board and the Supervisory Board was made on 19 February 2020. The declarations were each made permanently available to the public on the company‘s website.

5. Changes in the Supervisory Board in the year under review

There were no changes in the Supervisory Board in the year under review.

6. Changes in the Management Board in the year under review

There were no changes in the Management Board in the year under review.

7. Committees

The Supervisory Board has formed a three-person Audit Committee that particularly deals with accounting, risk management and compliance issues. In the year under review, the Audit Committee held four meetings at which it particularly discussed the intra-year financial reports and the annual and consolidated financial statements for 2019. The Audit Committee also discussed the internal control system. As before, the Audit Committee consists of Ms Brigitte Holzer (Chairwoman), Mr Mirko Mach and Mr Sascha Magsamen.

The Supervisory Board has also formed a three-person Nomination Committee that prepares nominations for the Annual General Meeting and also takes on the tasks of a Personnel Committee. This committee held two meetings in the 2019 financial year. As before, the Nomination and Personnel Committee consists of Dr Thorsten Reinhard (Chairman), Dr Bensel and Mr Tim Schulte Havermann.

The Supervisory Board would like to thank the members of the Management Board of ecotel and all employees of ecotel Group companies for their great commitment on behalf of the company and for their hard work in 2019.

Düsseldorf, 9 March 2020
For the Supervisory Board:

Dr Norbert Bensel
Chairman of the Supervisory Board

INVESTOR-RELATIONS

Key figures

Income statement (IFRS)		2017	2018	2019
Sales	in € million	**120.6**	**98.9**	**82.8**
ecotel Business Customers	in € million	47.6	48.1	46.9
ecotel Wholesale	in € million	55.8	32.9	15.4
easybell	in € million	15.2	15.9	18.6
nacamar	in € million	2.0	1.9	1.9
Gross profit	in € million	**29.9**	**31.9**	**33.6**
ecotel Business Customers	in € million	22.7	23.6	23.8
ecotel Wholesale	in € million	0.4	0.4	0.4
easybell	in € million	5.9	6.9	8.3
nacamar	in € million	0.9	1.0	1.1
EBITDA [1,2]	in € million	**7.0**	**7.5**	**8.8**
Operating result (EBIT)	in € million	2.2	2.2	1.5
Consolidated net income [3]	in € million	0.5	0.5	-0.2
Consolidated net income (not including effect from IFRS 16)	in € million	0.5	0.5	-0.1
Earnings per share [4]	in €	0.13	0.13	-0.05

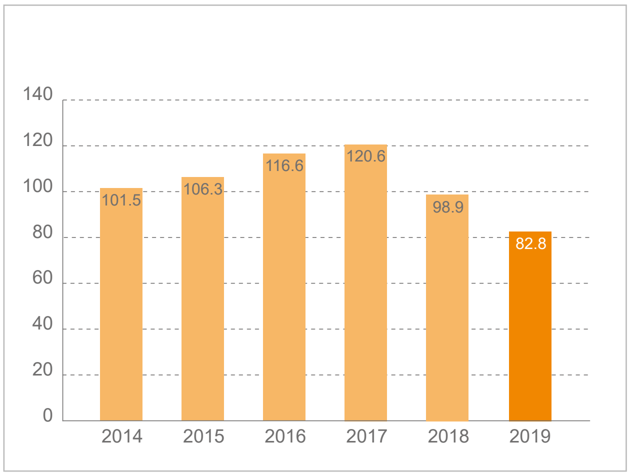
Cash flow		2017	2018	2019
Cash and cash equivalents at beginning of period	in € million	7.5	6.4	6.1
Cash flow from operating activities	in € million	4.2	6.7	10.0
Cash flow from investing activities	in € million	-5.0	-5.8	-6.4
Cash flow from financing activities	in € million	-0.3	-1.2	-1.5
Cash and cash equivalents as at 31 December	in € million	6.4	6.1	8.3
Free cash flow [5]	in € million	**-0.8**	**0.9**	**3.6**
Free cash flow (not including effect from IFRS 16)	in € million	**-0.8**	**0.9**	**2.1**

Statement of financial position (IFRS)		2017	2018	2019
Total assets	in € million	41.8	43.7	56.8
Equity	in € million	22.5	22.7	22.2
in % of total assets		53.9 %	52.0 %	39.0 %
Net financial assets [6]	in € million	**1.2**	**0.4**	**1.0**

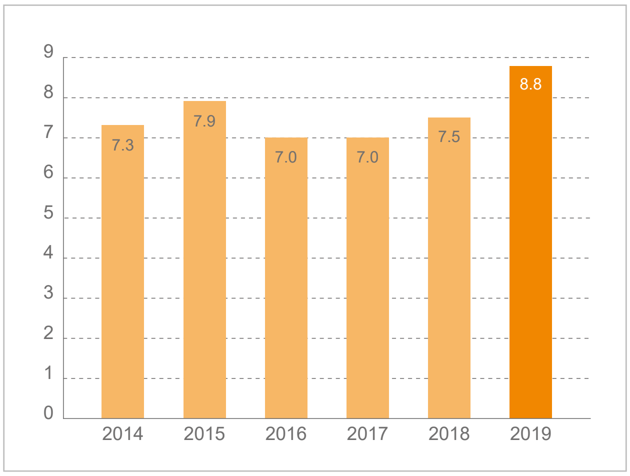
Other ratios		2017	2018	2019
Number of shares as at 31 December (outstanding)	Number	3,510,000	3,510,000	3,510,000
Employees as at 31 December	Number	239	264	261
Staff costs	in € million	13.7	14.4	15.6

1 Earnings before depreciation, amortisation and impairment losses, net finance costs and income taxes
2 In 2017 before expenses from pro-rata settlement (€ 0.1 million) of damages from manipulated contracts to the detriment of ecotel and other carriers
3 Corresponds to consolidated net income after deducting minority interests
4 Both basic and diluted
5 Free cash flow = cash flow from operating activities + cash flow from investing activities
6 Loans payables less cash and cash equivalents
7 Not including minority-owned companies (mvneco GmbH)

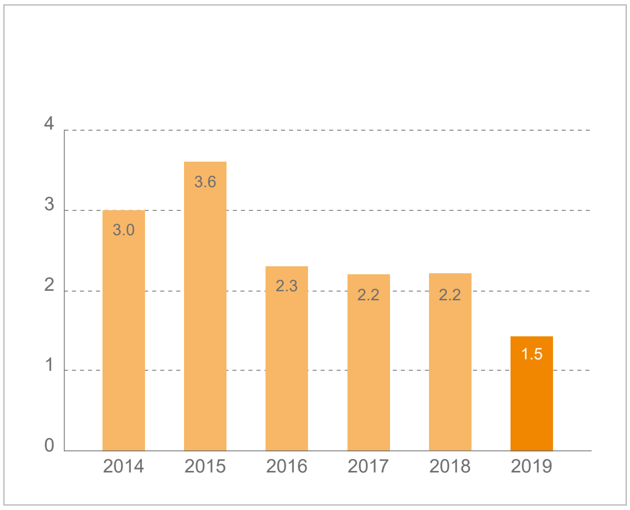
Sales in € million



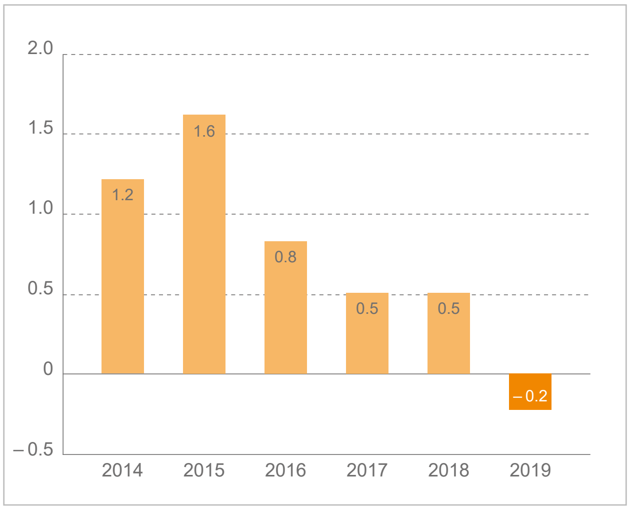
EBITDA in € million



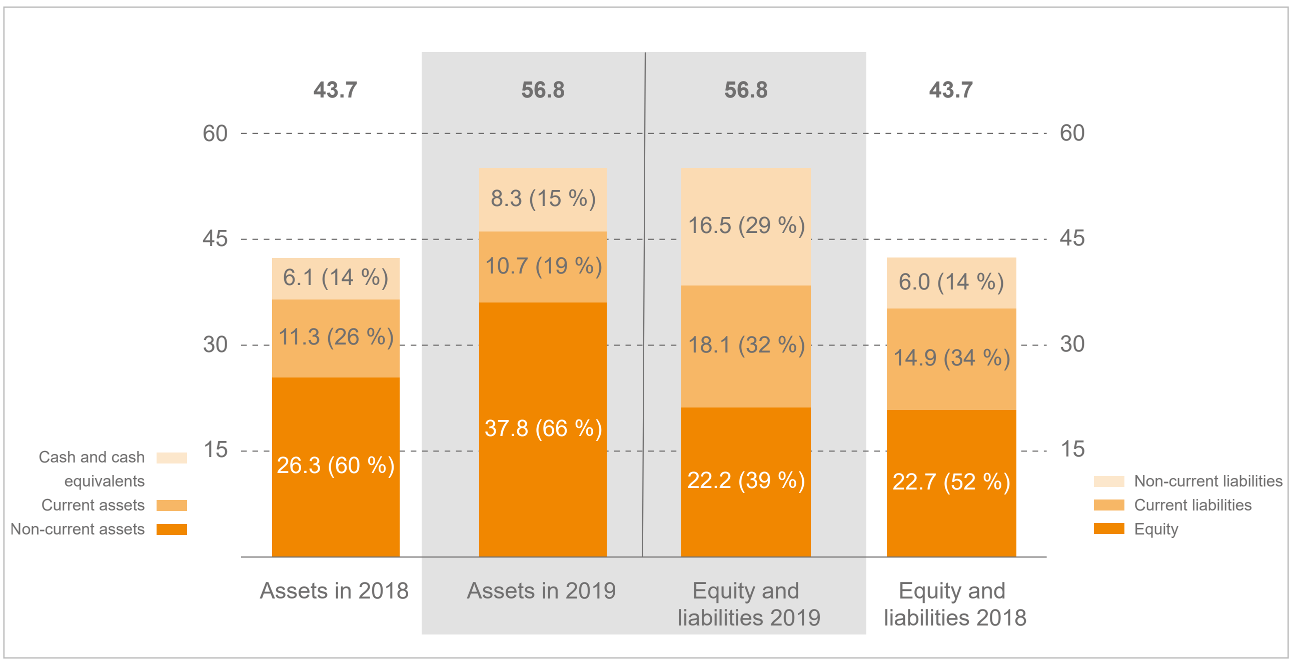
EBIT in € million



Net income in € million



Assets and equity/liabilities in € million



The ecotel share

The ecotel communication ag share (ecotel share) has been listed on the Frankfurt Stock Exchange since 2006 and in the Prime Standard since 2007. As at 31 December 2019, the share capital still amounted to 3,510,000 shares. The company does not hold any treasury shares.

From 2015 to 2019, ecotel distributed a cash dividend each year. Last year‘s cash dividend amounted to € 0.13 per share.

Share price performance in 2019

After a rather weak year on the global stock markets in 2018, stock exchanges posted significant gains in 2019 and remained unfazed by the discussions regarding rising interest rates at the start of the year, weaker growth prospects and continuing discussions about growing protectionism in world trade.

The most important German stock market barometer, the DAX, climbed by around 25 % over the course of the year. The TecDAX developed almost identically, rising by around 22 % over the course of the year.

The ecotel share started 2019 with significant price gains. However, in the second half of the year in particular it then fell significantly, both in absolute terms and in comparison to the two indices. At the end of the year, the share price came to € 6.60 and was thus considerably lower than the opening price of € 7.25.

As at 31 December 2019, market capitalisation amounted to € 23.2 million (previous year: € 25.4 million). The average daily trading volume of the share in 2019 came to 1,220 shares per day compared to 1,617 shares per day in the previous year.

Investor relations

There was an intensive dialogue with investors, analysts and journalists again in 2019. This particularly focused on the company‘s development, the opportunities and risks of the ISDN transformation and the effects of the new financial reporting standards on the key figures.

In addition to regular reporting, the Annual General Meeting and reports in selected specialist media, a teleconference was also held in December 2019.

Current information on the company, such as quarterly reports, press releases and the financial calendar, can be viewed by investors and interested parties in the Investor Relations section of the company‘s website immediately after publication.

Shareholder structure

The following changes in the shareholder structure took place in 2019:

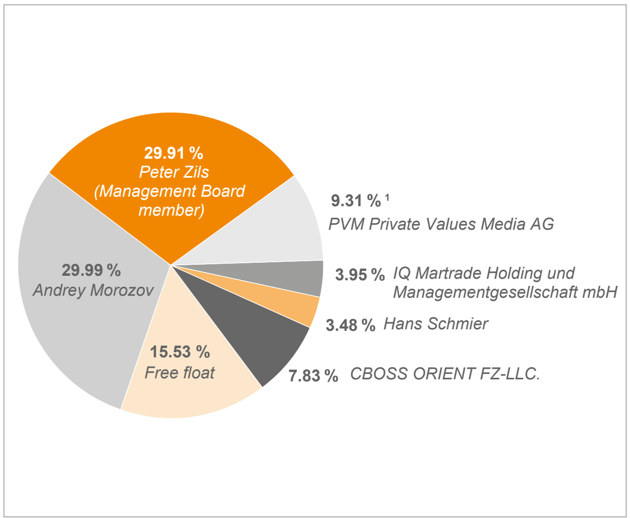
Mr Peter Zils (Chairman of the Management Board) and Mr Andrey Morozov now each hold just under 30 % of the shares. In 2019, Mr Hans Schmier notified the company that he held a total of 3.48 % of the share capital. Free float has therefore decreased to around 16 % of the share capital.

Key figures Ø 2016

WKN	585434	Date of first listing	29 March 2006
ISIN	DE0005854343	Number of shares as at 31 December 2019	3,510,000
Symbol	E4C	Average daily volume in 2019	1,220
Market segment since 8 August 2007	Prime Standard	Highest price in 2019 (€) Lowest price in 2019 (€)	9.00 6.20
Index membership	CDAX, Prime All Share Technology All Share	Market capitalisation as at 31 December 2019 (€ million)*	23.2
Category	No-par-value shares	Designated sponsor	Lang & Schwarz Broker GmbH

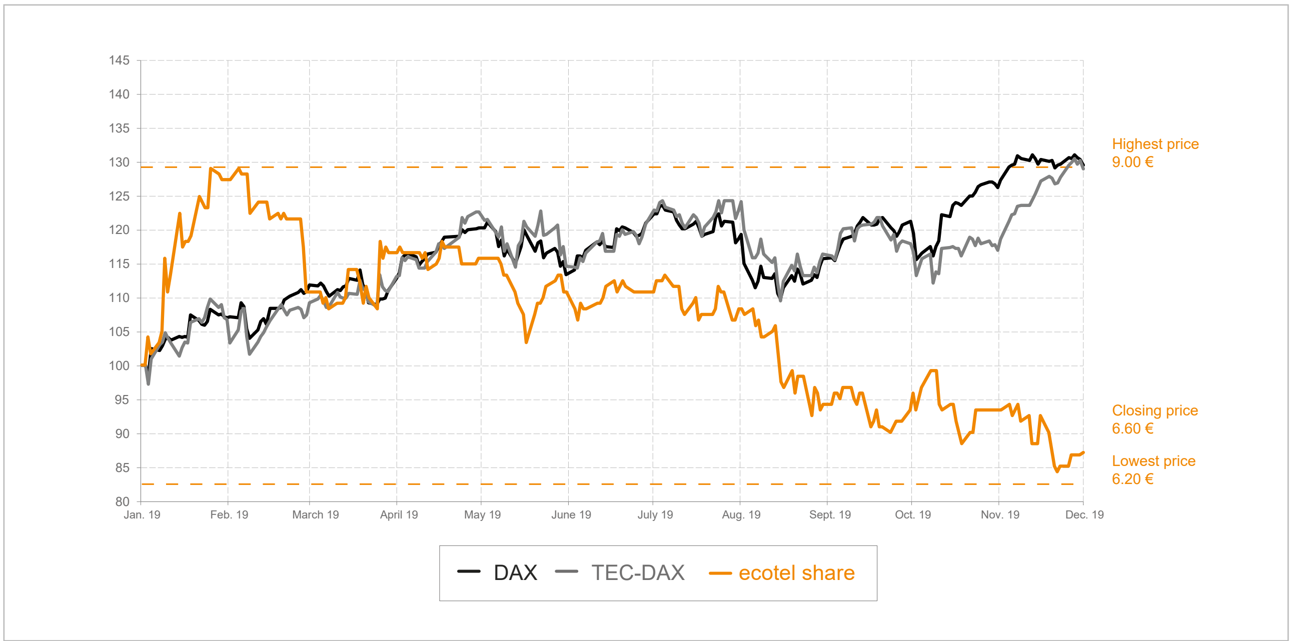
** Based on the closing price on 31 December 2019 of € 6.60 per share with 3,510,000 shares outstanding*

Share ownership (31 Dec. 2019) in Prozent



1 According to last notification, dated 7 April 2011, before withdrawal of treasury shares in 2014 (basis: 3,9000,000 shares)

Price performance of the ecotel share in 2019 in percent



GROUP MANAGEMENT REPORT

1.0

1.1 Basic information on the Group

1. ecotel at a glance

The ecotel Group (referred to hereinafter as “ecotel”) has been operating throughout Germany since 1998 and specialises in marketing information and telecommunication solutions for the respective target group. Its parent company is ecotel communication ag, headquartered in Düsseldorf (referred to hereinafter as “ecotel ag”).

As at the end of 2019, the ecotel Group managed more than 50,000 data lines and over 100,000 voice channels throughout Germany.

ecotel markets its products and services in the following segments:
“ecotel Business Customers”, “ecotel Wholesale”, “easybell” and “nacamar”.

Segments	ecotel Business Customers	ecotel Wholesale	easybell	nacamar
Brands	ecotel all around communication	ecotel all around communication	easybell	nacamar

The four segments are described in more detail below:

all around communication “ecotel Business Customers” segment
The “ecotel Business Customers” segment represents ecotel‘s core area. It provides 15,000 business customers throughout Germany with an integrated product portfolio of voice and data services (ICT solutions) from a single source. The focus in this segment is on business customers with more than 50 employees. These may be customers with just one location or with several locations or large chains from the retail, insurance or banking sectors. ecotel has suitable ICT solutions for all of these customer groups. In this segment, ecotel also provides products as a supplier for other ICT companies (e.g. resellers).

In the area of voice services, this segment has an extensive IP-based portfolio ranging from telephony connection (ISDN/VoIP) to value-added services. The extensive portfolio of data services encompasses everything from ADSL and VDSL connections to ethernet access and fibre optic cables to secure VPN networks for businesses and managed services.

Depending on the target group, sales activities in this segment are performed either via direct sales (for major customers) or via partner sales with more than 300 sales partners. With this network, ecotel has broad access to mid-market customers.

In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 purchasing cooperatives and associations.

mvneco GmbH acts as a technical service provider, system developer and advisor for telecommunications solutions and related managed services. This affiliated company is included in the consolidated financial statements using the equity method.

“ecotel Wholesale” segment

The “ecotel Wholesale” segment comprises cross-network trading in telephone minutes (wholesale) for national and international carriers. For this purpose, ecotel maintains network interconnections with more than 100 international carriers. ecotel processes a significant portion of its business customers‘ national and international telephone calls via the wholesale platform and uses this platform for its growing local exchange carrier operations.

“easybell” segment

The “easybell” segment comprises all business of the easybell Group, consisting of four companies. Here, easybell markets broadband internet connections and VoIP telephony for private customers and SIP trunking offers for smaller companies. Sales activities primarily take place online via its own website or via telecommunications price portals and individual partners. In addition, the easybell Group operates a router rental model (www.routermiete.de) and offers affordable call-by-call for domestic and international phone calls.

“nacamar” segment

In the “nacamar” segment, nacamar GmbH offers streaming services for media companies on the basis of its own content delivery network (CDN), which is hosted in the ecotel data centre. Specially developed add-ons for audio and video, and also for data in future, close the gap between raw materials and application, completely in line with a “software as a service” concept. nacamar has the entire portfolio of tools needed to produce and operate such components. nacamar is the market leader in Germany with its AddRadio product.

Infrastructure

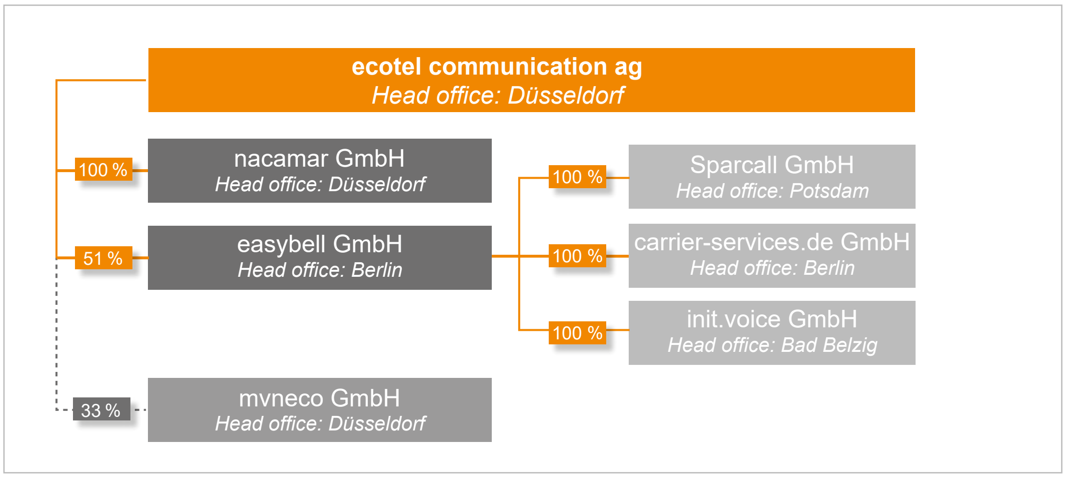
ecotel does not operate its own access network, but instead procures telecom supply services from various upstream suppliers and can therefore choose the operator offering the best value for money in each case. Typical upstream suppliers include Deutsche Telekom, Vodafone, Verizon, Versatel, EWE, QSC, Mnet and Colt. The number of upstream suppliers is still rising, as demand among our business customers for broadband fibre optic cables is constantly growing and a wide range of infrastructure providers and cable network operators are increasingly opening up their state-of-the-art networks for this target group. Due to the customer-related purchasing of supply lines, a large part of ecotel's cost base is variable. Based on state-of-the-art NGN technology, ecotel's local exchange carrier (LEC) operations enable it to offer voice transmission services independently, administer phone number blocks and port phone numbers into its own network. Procurement of telecom supply services is therefore increasingly limited just to access to the customer.

ecotel operates its own ISO-27001-certified data centre on the campus of Europe's biggest internet hub in Frankfurt am Main, as well as additional data centre space in Düsseldorf. The two points of presence (PoP) are connected via the company's own central voice and data backbone and linked with many regional and global carriers by means of network interconnections.

The Group maintains its own content delivery network (CDN) for its nacamar business. With regard to IT, ecotel develops and operates its own systems for order and router management, network monitoring and billing.

2. Structure of the Group

ecotel ag is the largest operating unit and also the parent company of the Group.



3. Management of the Group

Group management

The statutory executive and representative body of ecotel ag is the Management Board. In accordance with Article 5 of ecotel ag's articles of association, the Management Board must consist of at least two people. Other than this, the number of Management Board members is determined by the Supervisory Board. The Supervisory Board may appoint a Chairman and a Deputy Chairman of the Management Board. Deputy members of the Management Board may also be appointed. The Supervisory Board appoints Management Board members for a term of no more than five years. A renewed appointment or an extension of their term of office is permitted for a maximum of five years in each case. The Supervisory Board may revoke the appointment of a Management Board member or the designation as Chairman of the Management Board if there is a good reason for doing so. In accordance with ecotel ag's articles of association, the Supervisory Board issues rules of procedure for the Management Board. Pursuant to Article 6 (1) of the articles of association, ecotel ag is legally represented by two Management Board members or by one Management Board member together with an authorised signatory. The Management Board of ecotel ag consists of Mr Peter Zils (Chairman/CEO), responsible for the areas of strategy, technology, wholesale, finance, investor relations and human resources, and Mr Achim Theis (CCO), who is in charge of marketing, sales, product development and operations. Together, the Management Board and the authorised signatories Mr Holger Hommes as Chief Financial Officer (CFO) and Mr Wilfried Kallenberg as Chief Technical Officer (CTO) form the Governing Board of ecotel.

Sustainable corporate management

The Governing Board of ecotel has the aim of managing the Group sustainably and therefore focusing on the medium and long-term effects when making decisions. The interests of all stakeholder groups are taken into account in business decisions. This firstly includes the interests of the **shareholders** and **capital backers** and secondly those of the **employees, customers, sales partners** and of ecotel itself.

The **shareholders** expect transparent reporting, reliable forecasts and predictable, attractive shareholder remuneration. The **capital backers** expect a sound balance sheet structure, compliance with the agreed covenants and on-schedule debt servicing (interest and principal). For **employees, customers and sales partners,** the focus is on securing jobs, developing innovative and attractive products, and enhancing services and processes in order to improve customer and partner satisfaction. **ecotel** as a legal entity requires sustainability and investments in new growth areas (all-IP transformation, fibre optic strategy), investments in efficient customer routers, further expansion of its own LEC operations and provision of the necessary funds to finance further major projects. ecotel thereby ensures a balance between the different expectations of these stakeholder groups.

Based on this sustainable company management, ecotel has published a sustainable financial strategy that was fleshed out again in 2019 and continues to be followed:

Sustainable financial strategy

- The available funds are used to serve all stakeholder groups.
- This must be done without posing a risk to financial stability.

ecotel	Employees/customers/ sales partners	Capital backers	Shareholders
Sustainable and profitable growth in the B2B area	Attractive and competitive products	Stable balance sheet ratios	Transparent capital market reporting
Increase in gross profit margin in the B2B area: > 50 %	Development of modern, forward-looking IT systems	Net financial assets	Realistic forecasts
Growth-dependent investments in 2018/2019: At least € 8 million	Attractive remuneration for sales partners and employees	EBITDA/sales > 5 %	Ability to pay dividends
Liquidity reserve including credit facility At least € 5 million	Securing jobs	Equity ratio > 45 %	Increase in EBITDA
	Sustainable HR policy and training measures	Debt servicing (interest and principal) in 2018/2019 approx. € 3.0 million	FCF* target from 2019 on: > € 1 per share
			Dividend policy for 2018/2019: At least 50 % of EPS

** Cash flow from operating activities + cash flow from investing activities before investments and customer equipment for future projects with major customers*

ecotel manages the segments in line with the Group‘s overall strategic alignment. There is an overall budget plan that incorporates the annual budgets of the business divisions and of the other Group companies. At the level of the ecotel Group‘s Governing Board, the focus is placed on the key performance indicators of sales and gross profit/the gross profit margin in the **core Business Customers segment** and consolidated EBITDA. In this segment, direct variable costs are allocated to sales in line with the partial cost method and gross margins are calculated at the level of product types/categories in the planning. Indirect cross-product costs (overheads) and staff costs are mostly planned and monitored in cost centres. Intra-year reporting for the **ecotel Business Customers** and **ecotel Wholesale segments** takes place on a monthly basis at segment sales, gross profit and EBITDA level with a detailed analysis of deviations from the planning and the previous year and a regularly updated outlook for the end of the financial year. For detailed management of the core segment – the ecotel Business Customers segment – specific key ratios relating to the business areas (e.g. minutes volume, price per minute, gross profit margin, quantity structures) are also monitored and are mapped in a reporting system.

The **easybell** and **nacamar** segments are regularly monitored by the Governing Board on the basis of specified reporting. Here, too, the analyses focus on the key figures of sales and EBITDA.

Liquidity, investments and working capital are monitored centrally at ecotel ag, which also provides the main financing for the Group, for example by providing credit lines or borrowing long-term annuity loans.

4. Research and development

ecotel itself does not conduct any fundamental research, but instead focuses on the compatibility of existing types of lines, tariff combinations and device configurations. The focus here is always on the greatest possible cost/benefit effect for customers. For this reason, development expenses in recent years have mainly been limited to technical developments to establish the company's own local exchange carrier operations and development work for a sales partner portal, as well as system developments and improvements for processing orders for the new product range. In 2019, capitalised development expenses amounted to € 0.7 million (previous year: € 1.2 million).

1.2 Economic report

1. Market and competitive environment

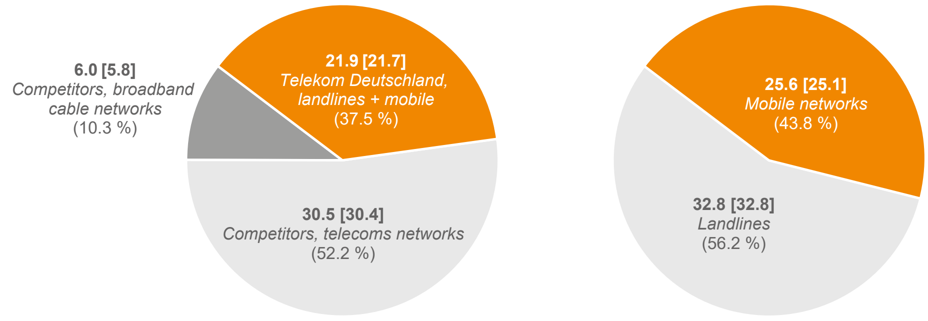
The economic situation in Germany was once again characterised by economic growth in 2019. According to initial calculations by the German Federal Statistical Office (Destatis), inflation-adjusted gross domestic product (GDP) in 2019 was 0.6 % higher than in the previous year. The German economy thus grew for the tenth year in a row. Compared to the previous years, the pace of growth was not maintained. In 2016 and 2017, GDP had risen significantly by 2.2 %, while in 2018 a lower growth rate of 1.5 % had already been recorded. Inflation-adjusted GDP per working-age person came to -0.3 % in 2019. (Source: German Federal Statistical Office)

Slight increase in telecommunications market volume

Driven by mobile communications business, total sales generated by telecommunications providers increased by around € 0.5 billion in 2019 as compared to 2018. While total sales from telecommunications services came to € 57.9 billion in the previous year, we expect them to total € 58.4 billion in 2019. In the landline market, consisting of connections, voice services and data services including TV broadband cable, companies generated sales at the previous year's level of € 32.8 billion. As in the previous year, € 13.7 billion of this was attributable to Deutsche Telekom and € 13.1 billion to competitors (2018: € 13.3 billion). The cable market grew by € 0.2 billion to € 6 billion in 2019.

Overall market for telecommunications in Germany in billion € and in %

Total market by competition group | **Total market by network type**

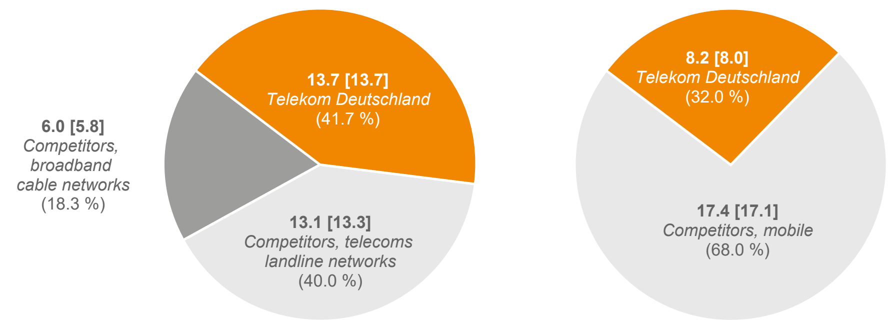


[1] including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year

Source: DIALOG CONSULT/VATM analyses and forecasts for 2019

Submarkets for telecommunications services in € billion and in %

Landlines submarket | **Mobile networks submarket**



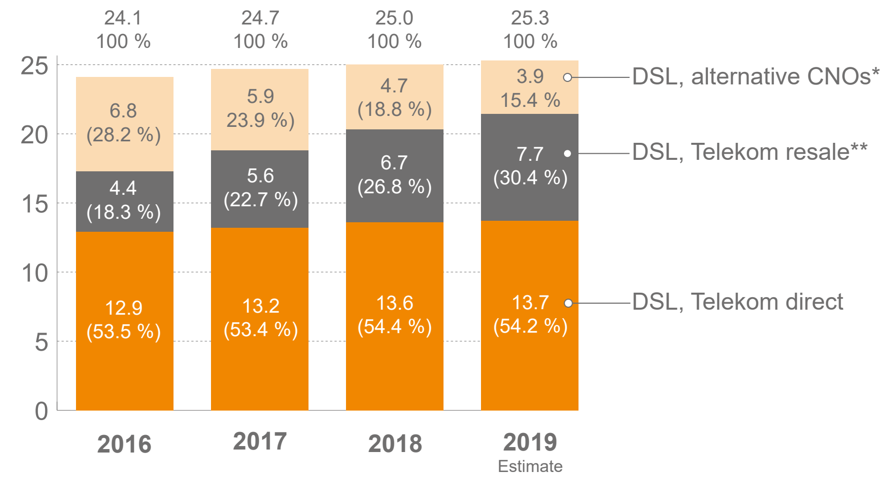
[1] including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year

Source: DIALOG CONSULT/VATM analyses and forecasts for 2019

Growth in broadband landline connections is continuing unabated. The number of broadband landline connections increased by around 1 million to 35.2 million in 2019. Around 25.3 million of these were DSL connections. With a share of 13.7 million connections, or around 54.2 %, Telekom could market directly to end customers. Another 7.7 million DSL connections were sold by Telekom to competitors using upstream bitstream services and supplied by these competitors to their end customers.

Around 3.9 million DSL connections were marketed by alternative connection providers with their own connection networks, generally on the basis of local exchange carrier lines from Telekom.

DSL connections in millions and in %



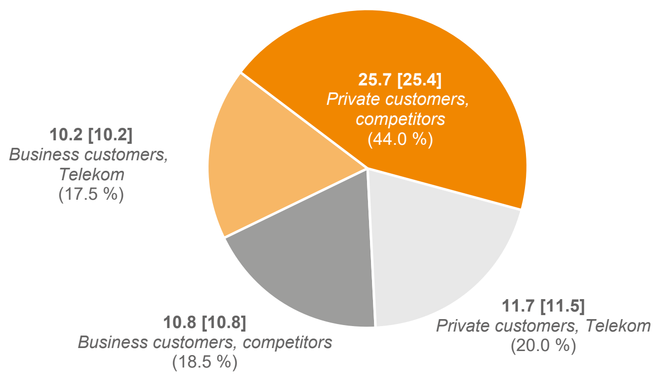
* Alternative connection network operators (CNOs) that operate their own connection networks (generally on the basis of Telekom local exchange carrier lines).
** DSL connection operated by Telekom Deutschland (resale of full connections and bitstream services) that are marketed and operated by competitors.

Source: DIALOG CONSULT/VATM analyses and forecasts for 2019

Trends on the B2B market

The business customer segment (B2B) in Germany is characterised by continued intense competition. Sales on the business customer market were stable at around € 21 billion in 2019 (previous year: € 21 billion) and accounted for 36 % of the total market. The breakdown of sales between Telekom and competitors did not change in 2019. Telekom is expected to have generated sales of € 10.2 billion on the business customer market in 2019, with competitors generating around € 10.8 billion.

Market for telecommunications services in € billion and in %

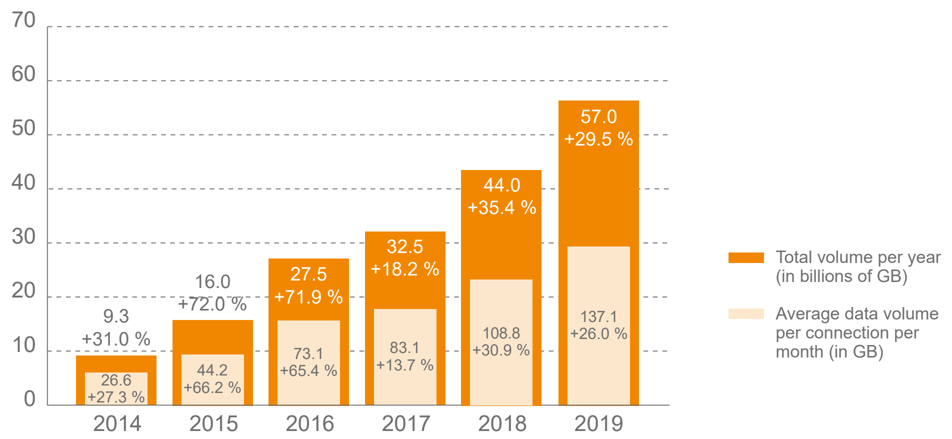


[1] including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year

Source: DIALOG CONSULT/VATM analyses and forecasts for 2019

The change in technology from ISDN to all-IP is continuing to drive the convergence of voice and data communication. In addition, there is undiminished demand for higher bandwidths. The data volume handled by landlines grew by more than a quarter to over 135 gigabytes per broadband connection in 2019.

Development of volumes in billions of GB and in %



[1] The reported data on annual percentage increases was calculated using non-rounded data traffic figures.

Source: DIALOG CONSULT/VATM analyses and forecasts for 2019

One important driver in the business customer sector is the continuous expansion of broadband internet access both via landlines (fibre optic, vectoring) and mobile (LTE). The relocation of telephone systems to the network (hosted PBX/centrex) and the increased convergence of telecommunications and IT also point the way into the future.

One continuing IT trend is “cloud computing” in forms such as “infrastructure as a service” (IaaS), “platform as a service” (PaaS) and “software as a service” (SaaS). This chiefly involves the transfer of local computing power (hardware), application programs (software) and data repositories (content) to an ICT service provider‘s central, highly secure data centres, to which users have access via secure broadband connections. Key aspects in this context also include data protection and the security of centrally stored data.

Other important ICT trends include:

- Industry 4.0
- AI (artificial intelligence)
- 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, 3D printing, eHealth/telemedicine
- Mobile payment/contactless payment
- Smart energy/intelligent power grids
- Regulatory trends

In order to compete in the B2B segment, companies must be able to offer all relevant products for business customers from a single source and throughout Germany. Telecommunication services for business customers in particular are very important to the overall economy as a production factor. A corresponding regulatory framework must therefore ensure that competitors can access all necessary and physically available upstream services throughout Germany.

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

In the field of telecommunications and post, the Federal Network Agency is responsible for:

- ensuring fair and functional competition, including in rural areas,
- ensuring nationwide basic provision of telecommunication and postal services (universal services) at competitive prices,
- supporting telecommunication services at public institutions,
- ensuring efficient, undisrupted use of frequencies, including taking account of radio matters,
- and protecting the interests of public security

In addition to regulation, the Federal Network Agency has a wide range of other tasks on the telecommunications and postal market. It:

- issues licences for postal services,
- helps reach solutions for issues relating to standardisation,
- administers frequencies and phone numbers,
- resolves radio interferences,
- combats misuse of phone numbers,
- monitors the market,
- and advises citizens on new regulations and their effects.

Based on its knowledge and observation of the market, ecotel aims to identify key trends at an early stage and derive risks and potential from them. In 2019, ecotel dealt with the following topical issues or was actively involved in them as part of the working groups and executive committee of the VATM (German Association of Telecommunications and Value-Added Service Providers):

- improving the political and regulatory conditions for the expansion of broadband and the business customer market in Germany,
- ensuring similar basic provision of telecommunication services (universal services) including broadband connections at affordable prices in urban and rural areas nationwide,
- reconciling the European telecommunications policy (EU single market) with the specific requirements of the German telecommunications market,
- net neutrality (i.e. equal and unchanged transmission of data packages by carriers, regardless of where they come from and what applications generated them),
- modernising the existing data protection regulations and consumer protection,
- supporting initiatives in the regulatory and political field and influencing these with the aim of being able to purchase sufficient upstream products on a long-term basis and highlighting national specificities with regard to EU decisions so that these are taken into account
- trading platform for providers and buyers of broadband connections.

2. Result of operations, financial position and net asset position

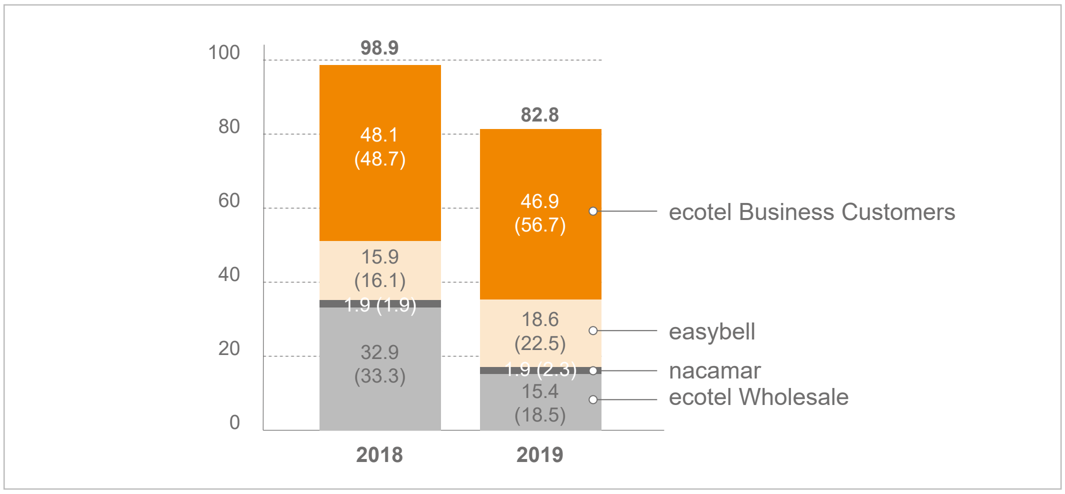
Result of operations

Total sales

As expected, the Group's total sales decreased further in comparison to the previous year. At € 82.8 million, the decrease came to € 16.1 million. The business volume in the Wholesale segment was reduced further as planned in 2019. This effect of € 17.5 million thus contributed significantly to the decline in the Group's sales. As explained in detail last year already, with this further reduction the Group is laying the foundations to grow in the high-margin segments without breaching the € 100 million threshold stipulated in section 35 (5a) of the German Telecommunications Act (TKG). The Group is thus still spared the effects of potential negative retroactive regulatory decisions with regard to fees for market-dominated telecommunications providers (primarily Deutsche Telekom).

The chart below shows the development of the sales breakdown by segment.

Sales breakdown by segment (in € million and in %)



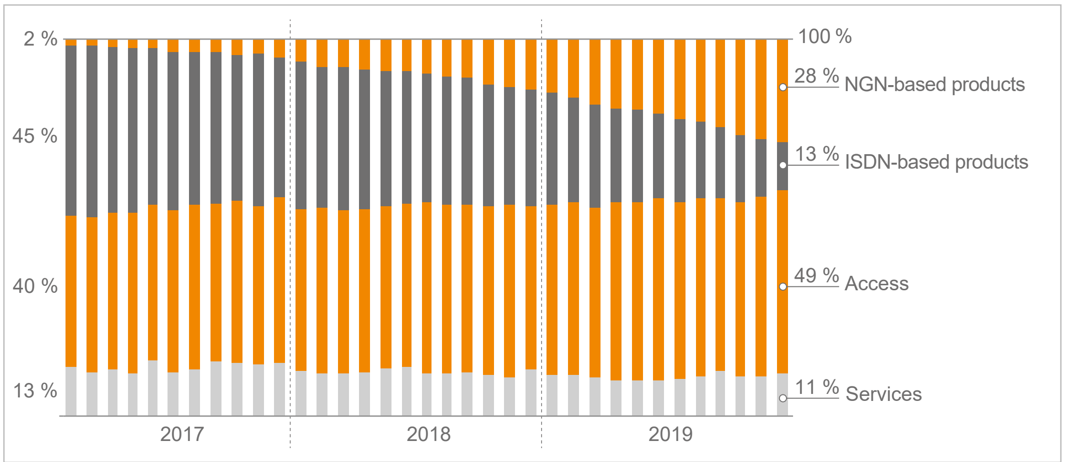
ecotel Business Customers segment: further increase in gross profit

Despite the challenges of the all-IP transformation, sales in the core ecotel Business Customers segment amounted to € 46.9 million in 2019 (previous year: € 48.1 million) and thus almost reached the forecast range of € 48 million to € 50 million. The transformation from traditional ISDN-based Deutsche Telekom connections to forward-looking, higher-margin all-IP products picked up speed enormously in the past financial year and was completed by the end of the year. In this segment, almost the entire customer base was handled with Deutsche Telekom as the upstream supplier (connection and/or carrier preselection) and converted to all-IPP contracts with new contract terms. This significantly increased the intrinsic value of the customer base, although sales decreased slightly. On top of this, there was the negative effect from IFRS 15 accounting that was forecast last year already. In 2019, extensive staff resources from this segment were required for the implementation of one of the biggest SDWAN customer rollout projects in Europe. Some of these resources were taken on by the customer. Due to the application of IFRS 15, this non-recurring income was not allocated to the period when the service was provided, but rather over the entire term of the new contract.

Sales mix of ecotel Business Customers

The chart below shows the sales development of the main product groups in the ecotel Business Customers segment over the past three financial years.

Development of B2B sales from 2017 to 2019

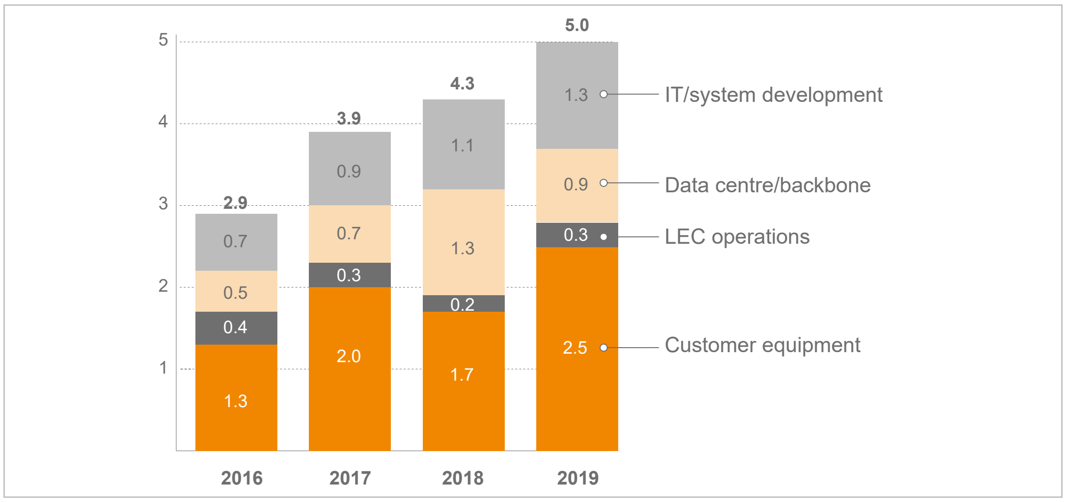


Here it can be seen that the sales mix in the ecotel Business Customers segment has marked a significant shift towards NGN-based, i.e. new products. Their share was more than doubled from 12 % at the end of 2018 to 28 %. The relative share of access products and services remained virtually unchanged year-on-year.

The remaining products on a traditional ISDN basis (13 %) are mostly provided by alternative upstream suppliers. The continuation of these services is contractually guaranteed until at least mid-2021. However, the ecotel Business Customers segment, the market and the customers are pushing for these connections also to be transformed into all-IP products.

This is likely to have a negative impact on the absolute sales development in this segment again in 2020, while causing profitability to increase further. Growth investments were required in the ecotel Business Customers segment again in 2019. The chart below shows the breakdown of investments in this segment over the past four financial years in millions of euros.

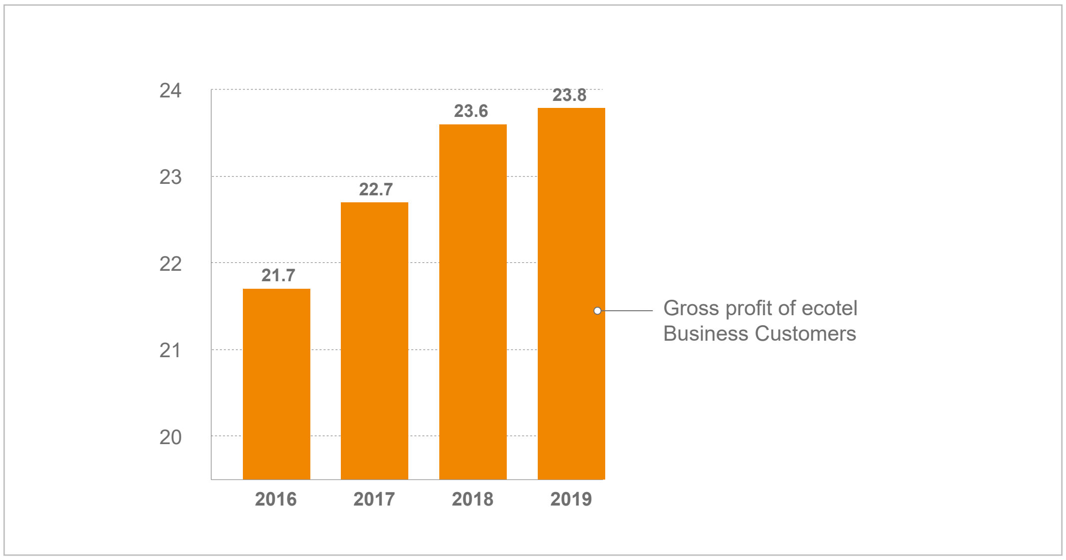
Growth investments in the ecotel Business Customers segment, 2016 to 2019 (€ million)



Gross profit of ecotel Business Customers

Growth investments are made only if they will lead to rising gross profit in the future. For example, this may be possible with investments in customer routers that lead to higher sales, but also with investments in systems and higher-margin products that do not involve sales growth.

Development of gross profit in the ecotel Business Customers segment, 2018 to 2019 (€ million)



Over the past four financial years, gross profit in the ecotel Business Customers segment has been sustainably increased from € 21.7 million to € 23.8 million in 2019, corresponding to growth of around 10 %. This increase in absolute gross profit was temporarily unable to match the development of the previous years in 2019.

As described above in relation to the sales development of the ecotel Business Customers segment, an effect of € 0.5 million in connection with the application of IFRS 15 had a negative impact on this development. Without this effect, gross profit in 2019 would have amounted to € 24.3 million, representing an increase of € 0.7 million compared to 2018, when there was no such effect.

easybell segment: further significant increase in sales and gross profit

The easybell segment increased its sales by € 2.7 million to € 18.6 million in 2019. In the same period, gross profit climbed by € 1.4 million to € 8.3 million. Business with high-margin NGN voice services for small business customers (SIP trunk) is developing very positively here. The planned further reduction in business with call-by-call minutes was thus more than compensated.

nacamar segment: new business model increases profitability

Sales in the nacamar segment were unchanged year-on-year at € 1.9 million. The segment‘s gross profit was increased to € 1.1 million (previous year: € 1.0 million). The change in strategy in 2017 and 2018, and the focus on and development of innovative new services for the radio streaming product world, are increasingly bearing fruit and considerably enhancing the segment’s profitability.

ecotel Wholesale segment: business volume reduced

As described above, ecotel once again considerably reduced its business volume in the ecotel Wholesale segment in 2019 as compared to 2018. Sales in this low-margin segment therefore decreased to€ 15.4 million (previous year: € 32.9 million). However, gross profit remained at the previous year‘s level at € 0.4 million. Although this segment still has low margins, the processes and systems implemented in this context are becoming increasingly important for operations in the ecotel Business Customers segment, as the call minutes produced (“terminated”) in ecotel‘s network are managed (“routed”) by this segment.

EBITDA development

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed to € 8.8 million in the 2019 financial year (previous year: € 7.5 million). In addition to the higher margin in the changing product mix, this development was also attributable to the initial application of IFRS 16 (Leases) in the amount of € 1.4 million. Since 1 January 2019, the rental expenses (mainly for the data centre and location rents) previously reported under operating expenses have been divided into amortisation expense and interest expense. Further details on the effects of applying IFRS 16 for the first time can be found in the notes to the consolidated financial statements.

The above effect of € 0.5 million in connection with the application of IFRS 15 had a negative impact on the development of EBITDA. Adjusted for these two effects, EBITDA would have increased by € 0.4 million.

EBITDA in the core ecotel Business Customers segment climbed by € 0.5 million to € 4.3 million. Taking account of the transition effect of € 1.0 million from IFRS 16 and the above-mentioned negative sales effect of € 0.5 million from the application of IFRS 15, this segment's EBITDA fell slightly by € 0.1 million. The expenditure required for the transformation in this segment was temporarily very high in 2019. Firstly, each changeover from an ISDN connection to an all-IP connection required staff and technical resources. Secondly, for each changeover Deutsche Telekom charges one-off provision fees and requires the provision of efficient, customer-specific hardware, which are recouped over the new contractual term.

EBITDA in the easybell segment grew by € 0.6 million to € 4.0 million in 2019. Even taking account of the IFRS 16 transition effect of € 0.3 million, this segment's EBITDA still increased by € 0.3 million.

In the nacamar segment, EBITDA increased to € 0.3 million (previous year: € 0.2 million). The consolidation of the company and the focus on core products and the development of technologically new and innovative products for radio streaming also continued to be implemented in 2019. The segment has thus laid the foundations for further growth and profitability.

EBIT and net profit for the year

Earnings before interest and tax (EBIT)

EBIT temporarily declined to € 1.5 million (previous year: € 2.2 million). This was attributable to the above-mentioned temporarily higher expenses in the ecotel Business Customers segment and the significant increase in depreciation and amortisation (up € 1.3 million), chiefly due to the initial application of IFRS 16.

Ultimately, the Group generated net profit (consolidated comprehensive income) of € 0.9 million (previous year: € 1.4 million). After deducting minority interests of € 1.1 million (previous year: € 0.9 million), ecotel reported a consolidated net loss of € 0.2 million (previous year: consolidated net profit of € 0.5 million). This corresponds to negative earnings per share of € 0.05 (previous year: € 0.13).

Comparison of forecasts with the actual business development

ecotel largely achieved the forecast target ranges in 2019. Sales in the ecotel Business Customers segment and in the nacamar segment fell just short of the target range, whereas in the easybell segment the target range was even exceeded. The forecasts for the gross profit margin in the ecotel Business Customers segment and for EBITDA were achieved.

Forecast figure	Target range		
	2019 (€ million)	Forecast (€ million)	
Segment sales			
ecotel Business Customers	46.9	48 to 50	Not achieved
easybell	18.6	15 to 17	Exceeded
nacamar	1.9	2 to 3	Not achieved
Gross profit of ecotel Business Customers	23.8	Increase	Achieved
Gross profit margin for ecotel Business Customers	50.7 %	Slight increase	Achieved
EBITDA	**8.8**	**8 to 9**	**Achieved**

Financial position

Financial position

ecotel was largely able to finance the necessary growth investments of € 6.3 million in total in 2019 with its own cash flow. To finance upcoming growth investments (including for projects with major customers), one-off provision fees and the repayment of higher-interest loans, the Group took out new long-term loans totalling € 3.2 million in 2019. The Group's financial position is still very satisfactory and sound. As expected, **free cash flow** was positive again at € 3.6 million (previous year: € 0.9 million). Even taking account of the changes in reporting arising from the initial application of IFRS 16, free cash flow still increased to € 2.1 million.

Cash and cash equivalents rose to € 8.3 million (previous year: € 6.1 million). They are countered by liabilities from financial loans of € 7.3 million (previous year: € 5.7 million). The Group's **net financial assets** therefore increased to € 1.0 million as expected (previous year: € 0.4 million). In addition to the reported cash and cash equivalents, credit lines totalling € 4.0 million are available to ecotel as at 31 December 2019, up to € 1.0 million of which may be used for guarantee liabilities. A temporary credit facility of € 2.0 million is also available until 31 March 2020 for financing a rollout project.

Cash flow from operating activities rose by € 3.3 million to € 10.0 million (previous year: € 6.7 million). Alongside the increase in operating earnings (EBITDA) and the IFRS 16 effect of € 1.5 million, the positive year-on-year change in working capital also contributed to this development. In particular, high deferred sales as at the end of the previous year were realised in 2019.

As expected, **net cash used in investing activities** increased again in the 2019 financial year to € 6.3 million (previous year: € 5.8 million). This increase reflects the predicted growth investments in efficient, customer-specific hardware components. Investments are necessary both for the implementation of major projects and for the ISDN transformation in order to provide the services that customers want.

Net cash used in financing activities rose by € 0.3 million to € 1.5 million (previous year: € 1.2 million). The above-mentioned borrowing of new long-term loans totalling € 3.2 million was offset by repayments of € 1.6 million (previous year: € 1.3 million), repayments of lease liabilities of € 1.1 million (previous year: n/a), payments to non-controlling shareholders of € 1.0 million (previous year: € 1.0 million), dividends of € 0.5 million (previous year: € 0.5 million) and interest payments (financial liabilities and leases) totalling € 0.6 million (previous year: € 0.2 million).

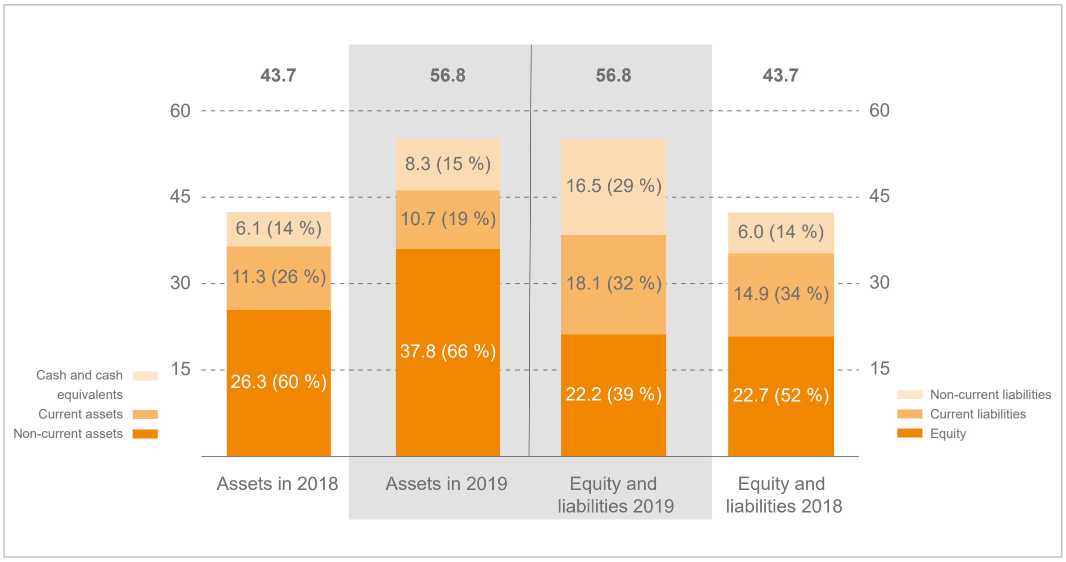
As in the previous year, ecotel was able to meet all payment obligations in full and on schedule. Important goals of financial management also include complying with the financial covenants agreed with the banks and minimising any credit risks and interest rate risks that could have a significant impact on the financial position.

Net asset situation

Net asset situation

The Group's **total assets** amounted to € 56.8 million as at 31 December 2019 (previous year: € 43.7 million).

Assets and equity/liabilities in € million



The initial application of IFRS 16 (Leases) was responsible for the significant increase in total assets. Since 1 January 2019, all rights and obligations from leases must be recognised in the statement of financial position as "rights of use" or "lease liabilities". These are then amortised in line with the terms, while the lease liabilities are repaid by way of the regular lease payments. Rights of use and lease liabilities totalling € 8.4 million were recognised as of 31 December 2019. Further details on the effects of applying IFRS 16 for the first time can be found in the notes to the consolidated financial statements.

Besides this significant effect, the net asset position changed as follows:

On the **assets side** of the statement of financial position, **non-current assets** climbed by € 11.4 million to € 37.8 million, or by € 3 million to € 29.4 million not including the IFRS 16 effect. The increase mainly resulted from a rise in property, plant and equipment by € 2.1 million and higher capitalised deferred income tax assets of € 1.2 million (previous year: € 0.7 million). The rise in property, plant and equipment is mainly due to the fact that customer routers with a total value of € 1.5 million were acquired on a hire-purchase basis for a major rollout project.

Current assets rose by € 1.7 million to € 19.0 million. This increase was chiefly due to higher cash and cash equivalents of € 8.3 million (previous year: € 6.1 million) and a rise in other financial assets by € 0.4 million to € 2.5 million.

On the **equity and liabilities side** of the statement of financial position, **equity** decreased by € 0.5 million to € 22.2 million. Based on the significantly increased total assets of € 56.8 million, this resulted in a lower equity ratio of 39.0 % (previous year: 52.0 %). Without the accounting change resulting from IFRS 16, the equity ratio would be 46 %. The development of equity is described in more detail in the notes to the consolidated financial statements.

Non-current liabilities increased significantly by € 10.5 million to € 16.5 million. In addition to the recognition of non-current lease liabilities of € 7.4 million from the initial application of IFRS 16 as described above, this rise was due to the hire purchase of € 1.5 million, also described above, and to increased long-term loans.

Current liabilities also increased significantly by € 3.2 million to € 18.1 million. This development was driven by the recognition of current lease liabilities of € 1.2 million from the initial application of IFRS 16 as described above, as well as by the € 1.2 million increase in trade payables.

Articles of association/capital structure

In accordance with section 179 of the German Stock Corporation Act (AktG), any amendment to the articles of association generally requires a resolution by the Annual General Meeting. Amendments that only affect the wording are an exception to this rule; the Supervisory Board is authorised to make such amendments. Unless stipulated otherwise in the articles of association in the individual case or prevented by mandatory statutory provisions, resolutions of the Annual General Meeting are adopted with a simple majority of the votes cast and, if the law stipulates a capital majority as well as a majority of votes, with a simple majority of the share capital represented when the resolution is adopted.

The share capital of ecotel ag amounts to € 3,510,000 and is divided into 3,510,000 bearer shares. The shares are issued as no-par-value shares with a pro-rata amount of the share capital of € 1.00. The share capital is fully paid up in the amount of € 3,510,000.00. Each no-par-value share grants the bearer one vote at the Annual General Meeting. There are no restrictions on voting rights. There are no different voting rights in relation to the shares.

The Management Board of ecotel ag is not aware of any restrictions relating to voting rights or share transfers of the kind that could arise from agreements between shareholders, for example. For information on the development of equity, please refer to the presentation of changes in the Group's equity in the consolidated financial statements.

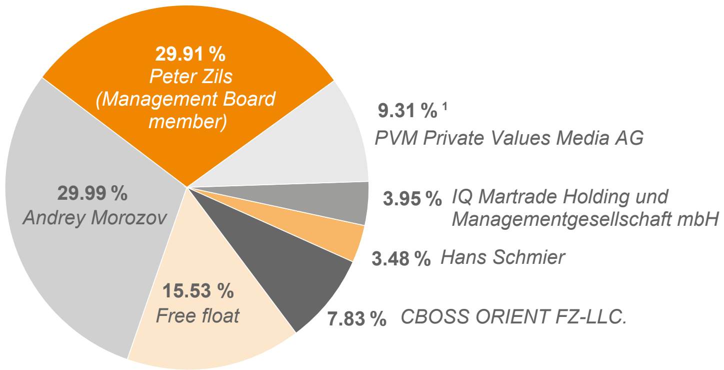
By way of a resolution adopted by the Annual General Meeting on 28 July 2017, the Management Board of ecotel ag was authorised to increase the share capital of ecotel ag with the approval of the Supervisory Board one or more times by a total of up to € 1,755,000.00 in exchange for cash and/or non-cash contributions by 27 July 2022 by issuing new, no-par-value bearer shares (Authorised Capital). The Management Board did not make use of this authorisation in the year under review.

At the Annual General Meeting on 28 July 2017, a contingent increase in the share capital of up to € 1,755,000 by issuing up to 1,755,000 no-par-value bearer shares was resolved (Contingent Capital I). In line with the conditions for the convertible bonds, the contingent capital increase is to be used solely to grant shares to the holders of warrant-linked and/or convertible bonds that can be issued by ecotel ag from 28 July 2017 to 27 July 2022 in accordance with the authorisation of the Annual General Meeting. The contingent capital increase will be implemented only to the extent that holders of convertible and/or warrant-linked bonds exercise their conversion/option rights or that holders of convertible bonds for whom conversion is mandatory fulfil their conversion obligation, and subject to the condition that no other forms of fulfilment are provided to satisfy these rights. The Management Board did not make use of this authorisation in the year under review.

By way of a resolution adopted on 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 share capital in existence at the time of the resolution (authorisation to acquire treasury shares). This authorisation must not be used by ecotel ag for the purpose of trading in treasury shares. The acquired shares, together with other treasury shares held by ecotel ag or attributable to it in accordance with section 71a et seq. of the German Stock Corporation Act (AktG), must not account for more than 10 % of the share capital at any time. The authorisation to acquire treasury shares lasted until 24 July 2019. The Management Board did not make use of this authorisation in the year under review.

The chart below shows the names of shareholders that held an interest of more than 3 % in the share capital of ecotel ag at the end of 2019. It is based on the share ownership information announced by ecotel ag. There are no different voting rights in relation to the shares.

Share ownership (31 Dec. 2019) in percent



[1] According to last notification, dated 7 April 2011, before withdrawal of treasury shares in 2014 (basis: 3,9000,000 shares)

There are no holders of shares with special rights that confer powers of control. There is no voting rights control for the event that employees hold interests in the share capital and do not exercise their rights of control directly.

3. Overall statement on the Group's economic situation

The Group is still in a very stable economic situation. Key balance sheet ratios (total assets, equity and net financial assets) developed as expected in the financial year. Future financing is secured with annuity loans and credit lines. The result of operations is characterised by recurring sales that are largely contractually secured. For information on the planned growth strategy and the overall opportunity and risk situation, please refer to the statements in the forecast and the report on opportunities and risks.

1.3 Events after the end of the reporting period

Please refer to the disclosures in the notes to the consolidated financial statements.

1.4 Forecast and report on opportunities and risks

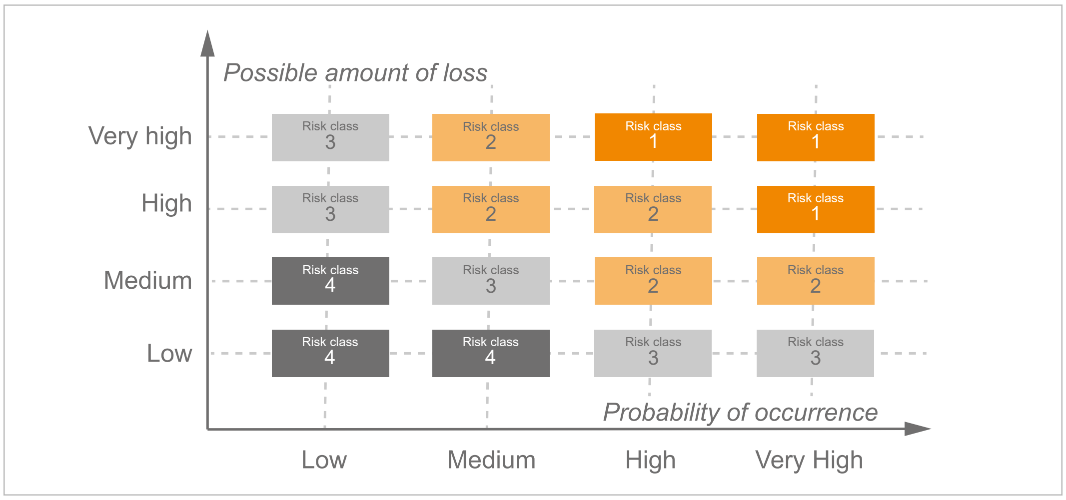
1. Control and risk management system

In order to identify and assess business risks and risks to the continued existence of the Group at an early stage and to handle these risks properly, ecotel uses a suitable risk management system. Group-wide responsibility for the early detection and countering of risks lies with the Management Board. It is supported by the authorised signatories and the managing directors of the subsidiaries with regard to the continuous identification and assessment of risks within the Group. Using quarterly risk reports, the Management Board and the Supervisory Board track the identified risks throughout the year with regard to their planned development. The focus here is on the identification of areas requiring action and the status of the measures initiated for systematic management of the risks identified. All significant risks that could jeopardise the Group's results and its continued existence are listed in the form of a risk matrix. All potential risks are assessed based on the probability of occurrence and the potential losses. The probability of occurrence is classified as low, medium, high or very high. The potential amount of loss (net present value) is likewise categorised in four loss classes as shown in the table below.

Loss class	Possible amount of loss
Very high	> € 1,000,000
High	€ 300,000 - € 1,000,000
Medium	€ 100,000 - € 300,000
Low	< € 100,000

The probabilities and loss classes allocated to the identified risk positions are categorised in risk classes in line with the table below. The risk class also shows the gross risk for each risk position (1 to 4). The Management Board derives measures to be initiated to counter each risk position and assesses the net risk (1 to 4) on this basis. Gross and net risk may therefore differ from one another due to the countermeasures.

Risk matrix



Internal control system (ICS)

In order to ensure the effectiveness and efficiency of its business operations, the correctness and reliability of its internal and external accounting and compliance with the relevant legal provisions for the company, ecotel still maintains an internal control system (ICS) that is revised at regular intervals.

For two years now, an internal audit has been implemented at ecotel ag in the context of full outsourcing. This audit has the aim of examining processes and systems in accordance with the IT requirements of the "Minimum Requirements for Risk Management" (MaRisk) and the "Banking Regulation Requirements for IT" (BAIT). These measures were necessary because ecotel provides both insurance companies and banks with various ICT solutions.

In 2019, ecotel was awarded a certificate in accordance with IDW PS 951 Type 2 (audit of the services-related internal control system for services provided to a major customer) for the first time for 2018.

Financial reporting risk relates to the risk of the consolidated and interim financial statements containing misstatements that could have a significant influence on their users' decisions. The accounting-related internal control system aims to identify possible sources of error and limit the resulting risks. In order to ensure proper and reliable accounting, the internal control system is designed such that the dual control principle is applied for all significant transactions and there is a separation of duties in accounting. Regularly recurring processes are largely supported by IT (interfaces between operational and accounting systems for invoices, incoming and outgoing payments and credit processes). Account assignment guidelines are used to help ensure correct accounting. External service providers are brought in when necessary to assess more complex accounting matters. The same applies to the preparation of tax returns. These preparation and advisory services are monitored and processed by means of internal plausibility checks and coordination. In addition, key financial ratios are monitored by means of regular target/actual comparison with variance analysis. Interest rate derivatives concluded are monitored on a regular basis.

2. Risks of future development

In the course of its business activities, ecotel faces operational risks, financial risks, strategic risks and risks relating to the market environment. The main risks are described below along with their gross and net risk (after any measures initiated). The risk situation has not changed significantly in relation to the previous year.

Operational risks

Operational risks are generally of a short-term nature. At ecotel, they primarily focus on potential failures, errors and capacity bottlenecks in the infrastructure (e.g. backbone, data centre, transmission technology, server farms) and on correct and timely handling of business-critical processes in the areas of billing, provisioning for sales partners, receivables management and customer, supplier and partner support.

Operational risks

Ensuring maximum availability of the infrastructure by means of appropriate system redundancies in relation to both transmission technology and cables is one of the most important measures to prevent risks and is systematically implemented by ecotel. With regard to the availability of server farms, e.g. for the nacamar CDN, the server farms are fully duplicated in separate premises (gross risk 3/net risk 3; loss class: medium).

With regard to the data centre infrastructure, potential risks relate to failure of the air conditioning and emergency power supply or loss of the connection. The emergency power supply is designed redundantly, while n+1 redundancy has been implemented for the air conditioning system. However, there are external capacity bottlenecks in the power supply for the data centre in Frankfurt am Main, which could possibly cause impediments to future customer growth. The necessary expansion and renovation work is closely monitored by the Management Board and the management and examined for potential risks to ecotel (gross risk 3/net risk 3; loss class: medium).

The data centres in Düsseldorf and Frankfurt are interconnected redundantly with n x 10 Gbps. In addition, supply lines from the main carrier suppliers are connected to the two data centres redundantly. The internet connection is also set up geo-redundantly with various different carriers to both PoPs. If purchasing agreements are not renewed or if the purchasing conditions deteriorate, this may result in deterioration of the result of operations. ecotel aims to minimise this dependency on upstream suppliers by having an alternative supplier available for each key product. This is possible at least in areas where several upstream suppliers operate parallel infrastructure. The commissioning of ecotel's own LEC infrastructure has reduced the risk in the area of previously purchased voice transmission services, as these can now be provided by ecotel itself (gross risk 2/net risk 2; loss class: high).

When implementing orders, ecotel is dependent on the performance of upstream suppliers, the stability of systems and processes and the available staff capacity. In the event of a possible backlog, there is a risk of damaging the company's reputation among sales partners and customers and even losing orders. In order to identify emerging problems and delays and to have solutions, the management maintains contact with the different levels of upstream suppliers (gross risk 4/net risk 4; particularly ecotel Business Customers segment; loss class: high).

In addition to technical challenges, the company's own local exchange carrier operations also entail additional requirements for data security and data protection (hacking, fraud, etc.). ecotel has accordingly invested heavily in technical and procedural fraud management systems already in order to minimise the risk and ensure the best possible security for customers (gross risk 3/net risk 4; particularly ecotel Business Customers segment; loss class: medium).

The current change from traditional ISDN connection products to new NGN all-IP connection products and the associated technical, organisational and procedural expenditure for customer migration over the next few years entails a risk of customer losses and therefore sales declines as well as high levels of capacity utilisation in the operational and technical areas (gross risk 1/net risk 1; particularly ecotel Business Customers segment; loss class: high/very high).

Financial risks

Financial risks

Financial risks at ecotel include credit risks, liquidity risks, foreign currency risks and interest rate risks.

A credit risk arises if transaction partners do not meet their payment obligations. The development of the receivables portfolio is continuously monitored so that potential default risks can be identified at an early stage and appropriate measures can be initiated (gross risk 4/ net risk 4; loss class: low).

ecotel has agreed customary creditor protection clauses relating to certain key ratios (known as financial covenants) with the financing banks. These ratios are calculated based on the consolidated financial statements prepared by ecotel in accordance with IFRS. Failure to comply with the covenants could possibly result in termination and early repayment of the investment loans and working capital facilities and therefore a significant deterioration in ecotel‘s liquidity position if no agreement can be reached on an adjustment of the financial covenants or on refinancing. For all of the financial covenants agreed (equity ratio, EBITDA/sales and net debt/EBITDA), ecotel is currently within the stipulated ranges. The company also expects to be able to comply with all covenant thresholds comfortably in 2020 (gross risk 2/net risk 3; loss class: very high).

Foreign currency risks arise from receivables, liabilities, cash and cash equivalents and planned transactions that are not in the Group‘s functional currency. As the currency risk after the expiry of the concluded hedges in previous years was low, no derivative financial instruments were used for currency hedging in the previous year or in the past financial year.

As at the end of 2019, ecotel had cash and cash equivalents of € 8.3 million. Net financial assets amounted to € 1.0 million as at the end of the year. ecotel also holds working capital facilities totalling € 4.0 million as an additional liquidity reserve. € 1.0 million of this can be used as a guarantee facility. A temporary credit facility of € 2.0 million is also available until 31 March 2020 for financing a rollout project. There are no significant interest rate risks at ecotel at present, as the outstanding loans mostly have fixed interest rates or interest rate hedges have been concluded.

Legal risks

Legal risk

ecotel is exposed to a variety of legal risks, including risks in relation to warranties, breach of contract, competition and patent law and tax law. The effects of pending or future legal proceedings often cannot be predicted with certainty. The Group continuously identifies and analyses possible risks for the emergence legal disputes and assess the potential legal and financial effects both quantitatively and qualitatively.

On this basis, appropriate measures are taken in good time to avoid potential losses for the Group. As at the end of the 2019 financial year, the Group is not exposed to any significant legal disputes.

Tax risks

Tax risks

Risks for the Group occur if tax laws and other regulations are not fully observed. They may also arise as a result of matters requiring interpretation if the fiscal authorities believe that the appropriate tax consequences have not been drawn. Tax audits can therefore lead to tax arrears, interest and penalties. With the involvement of external tax advisors, the Group continuously monitors tax risks that could arise, for example, from tax legislation, changes in authorities‘ interpretations or tax jurisdiction. The most recent tax audit of the entire Group covered the years 2012 to 2014.

Strategic risks

Strategic risks

Strategic risks are generally of a medium-term nature and are based on the company‘s strategic orientation for the areas of purchasing, products, sales, technology and IT. Delays in the changeover to innovative NGN voice products could result in ecotel being unable to achieve its earnings targets for new products in the coming years or achieving them only with a delay (gross risk 3/net risk 3; loss class: high).

ecotel procures a large portion of its line purchases from a small number of upstream suppliers. Particularly in the context of the change in technology from ISDN to all-IP that is being advanced by Deutsche Telekom in particular, access to fast and comprehensive cable networks is becoming more important for ecotel. ecotel is continuously in talks with alternative suppliers to enable it to keep offering competitive all-IP services in the future without having to give up the multi-supplier strategy it has pursued so far (gross risk 2/net risk 2; particularly ecotel Business Customers segment; loss class: high).

Risks relating to the market environment

Risks relating to the market environment

Other significant risks that could bring about a considerable deterioration in ecotel‘s economic situation relate to the market and the sector. There is already intense price and predatory competition in the private customer segment, which could spread to the business customer segment to a greater extent in the future. If the significant consolidation of the telecommunications industry continues, this could have negative effects on the net assets, financial position and result of operations of ecotel, as it would increase its dependency on individual suppliers (gross risk 2/net risk 2; loss class: high).

Furthermore, rapid technological change is giving rise to new products and business models. It cannot be ruled out that ecotel‘s products could consequently become less competitive and therefore see less demand. In particular, the German Federal Network Agency‘s current activities to regulate Deutsche Telekom‘s existing upstream products and newly launched upstream products may have a significant impact on ecotel‘s competitiveness.

These products are key upstream products for the provision of new and existing services to customers. For this reason, ecotel continuously monitors the market environment and is an active participant in associations and consultations so that it can react quickly and effectively to technological changes and influence decisions (gross risk 1/net risk 1; particularly ecotel Business Customers segment; loss class: very high).

The existing regulatory conditions, which are significantly influenced by decisions by the German Federal Network Agency and other consumer protection measures, could also change to the detriment of ecotel‘s operations, resulting in negative business developments. It also remains to be seen what regulatory effects will arise from a specification of the European single market for telecommunications (gross risk 2/net risk 2; loss class: very high).

Overall risk is calculable

In summary, ecotel is convinced that the key risks identified neither individual nor collectively pose a tangible risk to ecotel‘s continued existence and that ecotel‘s flexible business model and monitoring system will enable it to detect risks quickly, react to them and initiate countermeasures in 2020, too.

3. Opportunities of future development

In addition to risks, there are a wide range of opportunities that can affect ecotel‘s business performance on a long-term basis. The opportunity situation has not changed significantly in relation to the previous year.

Sales increase from the marketing of new products in the area of voice over IP and IP centrex/hosted PBX

Two key trends in telecommunications are the replacement of ISDN technology with voice over IP (VoIP) and the relocation of telephone systems to the network (IP centrex/hosted PBX). This change was only made possible by the comprehensive availability of broadband internet access. In 2019, Deutsche Telekom nearly completed its plan to replace ISDN technology with VoIP technology. ecotel also has customer contracts with other upstream suppliers that are still based on ISDN technology. Here, there are further opportunities to increase sales and earnings with the changeover of the existing customer base.

For many business customers, this could necessitate investments in existing telephone/communication systems. ecotel has established innovative products on the market that enable customers to avoid such investments. These firstly include SIP connections for business customers to link IP-capable telephone systems. Secondly, ecotel also offers a solution using gateways that facilitates continued operation of the existing telephone system.

Sustainable sales activities for data

Data sales including hosting already account for more than 50 % of sales with business customers. The past financial year showed that this ratio could see stronger growth than is incorporated in the current planning, partly due to the expansion of fibre optic technology and the development of an open-access platform.

Sales growth and improvement in gross profit margin in ecotel Business Customers segment due to local exchange carrier (LEC) operations

As a local exchange carrier, ecotel additionally benefits from collecting termination fees from incoming connections to ecotel's customer connections. In addition to this income item, there is a particular opportunity for ecotel now to develop a product and tariff portfolio that is largely independent from the upstream suppliers. As well as higher value added, this ideally also allows for a more targeted customer focus. For example, special bundled offers for cooperations and particular sectors would be conceivable. ecotel has so far primarily processed upstream products, but now it is able to incorporate the experience gathered directly in its fundamental product design – resulting in lower production costs and greater attractiveness for marketing partners and customers. As a result of the currently increasing transformation process from ISDN to all-IP products in the business customer sector, the business volume will increase significantly on this basis and thus increase earnings.

Acquisition of further major customers and renewal of contracts and expansion with existing major customers

The successful implementation of major projects creates additional opportunities for ecotel to implement similar projects for other major customers with decentralised structures. These particularly include the customisable remote router management service, connectivity solutions within an MPLS VPN, and central firewall services in ecotel's data centre. ecotel achieved very good success in this area again in the 2019 financial year and sees further growth potential here.

It is also possible to enter into contract renewal talks with existing customers before the end of the contractual minimum terms. The experience and knowledge gained gives ecotel the opportunity to extend relationships with major customers. In addition, potential new customers benefit from the experience ecotel has gathered in recent years (e.g. rollouts in the retailer environment), giving ecotel the opportunity to conclude further profitable contracts with major customers.

Strategic cooperations to exploit market opportunities resulting from stronger interconnection of telecommunications and IT

The current sales and growth rates in the overall market relating to cloud services, i.e. the transfer of local computing power to secure data centres, are substantial. This positive development corresponds ideally with ecotel's product range in the area of infrastructure and data services – for example, with the xDSL and ethernet bandwidths available throughout Germany and with MPLS VPN solutions and housing/colocation services in ecotel's data centre.

Unlike many multinational cloud providers with their heterogeneous structures, ecotel – as a German provider with data centres in Frankfurt am Main and Düsseldorf – has the right conditions for full and credible compliance with German data protection laws. With regard to the current data security discussion, this is a key advantage in terms of location and competition.

Further increase in sales and earnings at easybell

Business with call-by-call minutes continued to decline as planned. However, easybell successfully launched business with NGN voice services for small business customers (SIP trunk) and a new router rental model (www.routermiete.de) on the market. These new products and other product ideas may have a positive influence on easybell's sales and earnings performance in the future.

New products at nacamar

nacamar has positioned itself very well with digital media services for broadcasting customers and is currently working on innovative new solutions for internet radio (streaming). For example, the new product called YBRID that reached market maturity in 2018 was successfully marketed to the first radio stations in 2019. Together with technology partners, this product allows for broadcasting, streaming and player technologies to be combined without changing existing programme sequences (the user can choose between different music tracks while the radio programme is playing). This new product and further focussing may have a positive impact on nacamar's sales and earnings performance.

Profitable growth at mvneco GmbH (included using the equity method)

mvneco is increasingly evolving into an IT system vendor for telecommunications providers and associated business models. This may give rise to opportunities that are not entirely foreseeable at the moment.

4. Forecast

Note on forecasts

This group management report contains forward-looking statements that reflect the current views of ecotel's management with regard to future events. Such statements are generally characterised by the words "expect", "anticipate", "assume", "intend", "estimate", "aim for", "target", "plan", "will", "endeavour", "outlook" and comparable expressions, and they generally contain information relating to the expectations or targets for sales, EBITDA, the gross profit margin or other performance indicators. Forward-looking statements are based on currently applicable plans, assessments and expectations. They should therefore be treated with caution. Such statements are subject to risks and uncertainties that tend to be difficult to estimate and are generally beyond ecotel's control. Other possible factors that could significantly impact the cost and sales development include changes in interest rates, regulatory requirements and supervisory law developments. If these or other risks and uncertainties materialise, or if the assumptions on which the statements are based prove to be incorrect, then ecotel's actual results could differ significantly from those expressed or implied in these statements. ecotel cannot provide any guarantee that the expectations or targets will be achieved and – notwithstanding existing obligations under capital market law – does not accept any responsibility for updating forward-looking statements to take account of new information, future events or other things.

Forecast

Forecast

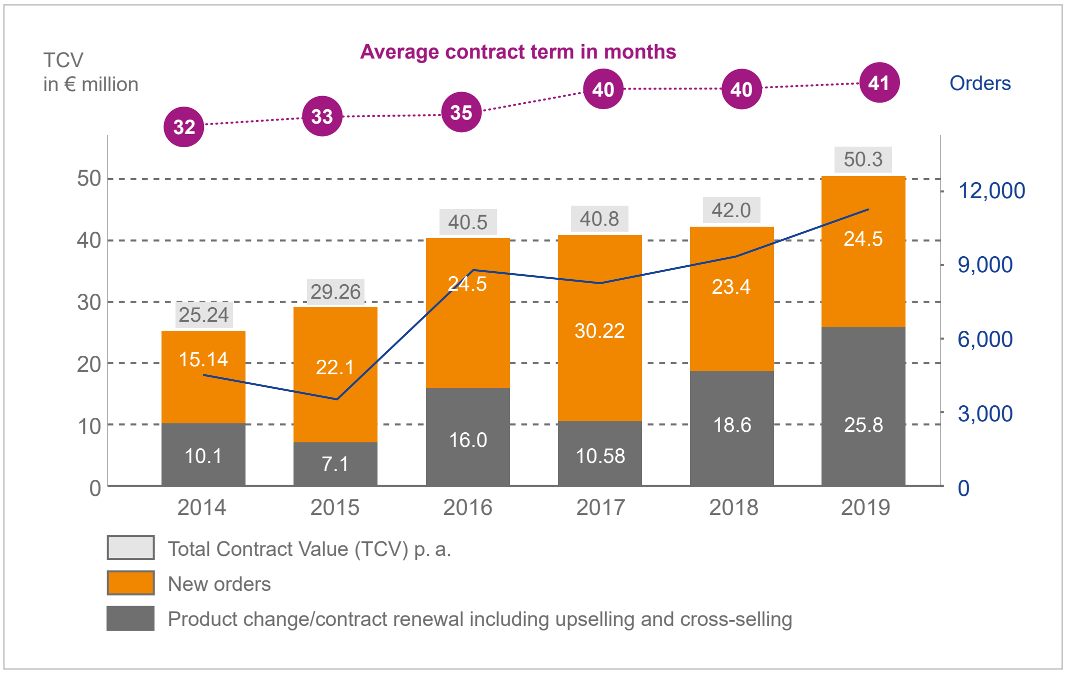
In Germany, a positive growth rate is still expected for the overall economy. Gross domestic product is set to grow by 0.9 % in 2020 as against 2019. The labour market is also expected to remain robust in 2020. Of course, global developments may influence this assessment either positively or negatively. In the past, however, ecotel's business has mostly not been affected by macroeconomic fluctuations. The general economic conditions of the market situation and the assessment of the risk and opportunity situation as presented in this group management report were incorporated in the forecast for 2020.

In addition to the opportunities and risks already described in this group management report, the following key parameters and influencing factors were applied when preparing the forecast:

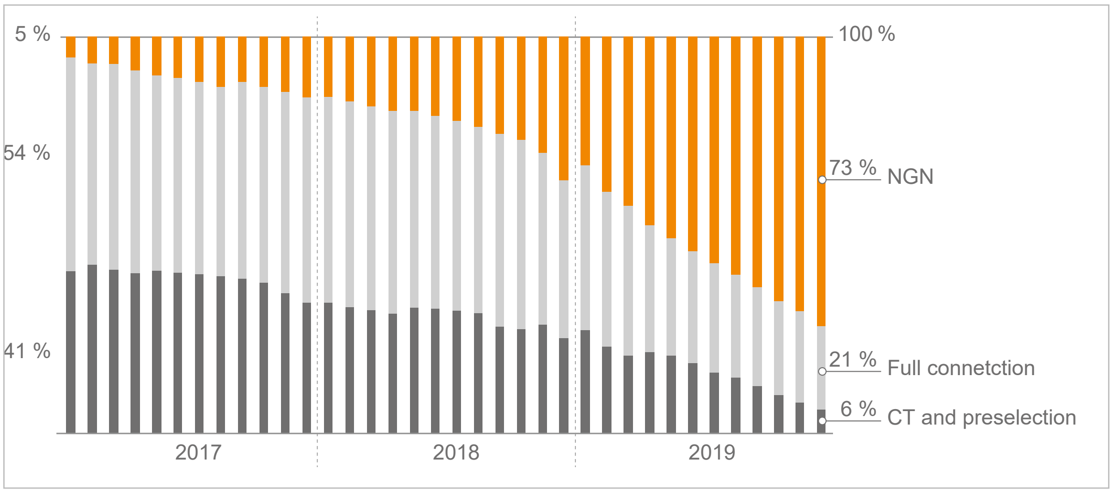
Special parameters in the ecotel Business Customers segment

Incoming orders, measured in terms of the total contract value (TCV), were at a very encouraging level again in 2019. The average contract term for new orders or modifications to contracts was increased slightly to 41 months. The TCV naturally also reflects the large volume of product changeovers and the customer transformation from ISDN to all-IP products. As expected, there has therefore been a shift in the ratio of new orders to product changeovers. The goal is still to secure the remaining ISDN connection customers with simultaneous contract modification/extension.

Development of incoming orders in total contract value (TCV)



The German Federal Network Agency has started to regulate a previously unregulated upstream product in the field of ethernet broadband connections (VPN 1.0 and VPN 2.0) that is important for ecotel. At the same time, Deutsche Telekom plans to replace the technology platform (SDH) for these connection types in the coming years. This will make it necessary for ecotel also to move to the new platform as quickly as possible while benefiting from the more favourable purchasing conditions. In addition, ecotel also has the possibility to utilise purchasing advantages through the technical migration of V-DSL connections. These two scenarios are included in the forecast for 2020. By their nature, the underlying premises and estimates involve uncertainty.



The chart shows the relative share of voice minutes for the main voice products in the past three years. The NGN area shows the minutes generated (facilitated, terminated and routed) in the ecotel Business Customers segment as an independent local exchange carrier. The CT and preselection area represents the remaining share of the voice minutes on Deutsche Telekom connections or phone numbers. This migration has thus almost been completed. The rest of the full connection product will mostly be handled in 2020, positively influencing the segment's value added and gross profit situation.

Forecast for 2020

In view of the effects presented and the uncertainties included in these and described above, the Management Board is issuing the following forecast:

For 2020, the Management Board anticipates sales in a range of € 46 million to € 49 million in the core ecotel Business Customers segment, along with a continued slight increase in gross profit margins and thus a rise in gross profit. Sales of between € 20 million and € 21 million are anticipated in the easybell segment, and sales of € 1.5 million to € 2.5 million in the nacamar segment.

EBITDA is expected to be within a range of € 8.5 million to € 10.5 million. The Management Board anticipates EBITDA in a range of € 4 million to € 5 million each for the ecotel Business Customers and easybell segments and in a range of € 0.2 million to € 0.5 million for the nacamar segment.

The actual occurrence of the forecast developments is subject to there being no adverse changes in the identified risks – such as higher probabilities of occurrence or higher losses and no new risks that could arise within the forecast period. Identified opportunities must also still exist and be achievable. Please refer to the information in the “Note on forecasts”.

Medium-term planning

The management pursues the goal of operating ecotel‘s business sustainably while also increasing its income and profitability figures without damaging the Group‘s financial substance. This includes further targeted investments in the expansion of business areas, new products, technology, IT and security, as well as investments in staff and optimisation of organisational structures. Subsequently remaining free cash flow is to be used to repay debt and remunerate the shareholders (e.g. with dividend payments). Please also refer to the comments in the section on group management. As a result of the successful launch of new products and the currently very good level of incoming orders, ecotel is well positioned to deal with the very rapidly changing challenges on the telecommunications market at present. Based on the particular developments described above – especially the need for migration of customer contracts, the timing and success of which are difficult to estimate at present but will have a significant impact on the Group‘s sales and earnings performance – the Management Board is refraining from issuing a quantitative statement on the medium-term planning.

1.5 Remuneration for members of executive bodies and the Supervisory Board

1. Remuneration system for members of executive bodies

Remuneration for members of executive bodies (the Management Board)

Management Board

The remuneration of the Management Board members of ecotel ag is based on section 87 of the German Stock Corporation Act (AktG) and the German Management Board Remuneration Act (VorstAG) as well as the provisions of the German Corporate Governance Code (GCGC) and comprises fixed annual basic remuneration and a variable component. The targets (e.g. incoming orders, sales, EBITDA) for the variable component are determined by the Supervisory Board on an annual basis. The payment of the variable portion is tied to a sustainable business development over a three-year period and is made only in the amount of the portion already securely earned as at that date. ecotel has taken out directors' and officers' liability insurance (D&O insurance) for the members of the Management Board and all other executive bodies of the Group, with an appropriate deductible for the Management Board members. In addition, the Management Board members are each entitled to a company car. There are no stock option programmes for members of executive bodies, nor have any loans been granted to members of executive bodies. There are also no regulations for the early departure of members of executive bodies.

2. Remuneration system for the Supervisory Board

Supervisory Board

The members of the Supervisory Board receive fixed remuneration for each full financial year of their membership of the Supervisory Board. In addition, each member of the Supervisory Board receives an attendance fee for each Supervisory Board meeting that they attend in person (but not for meetings of a Supervisory Board committee). ecotel ag reimburses each Supervisory Board member for the expenses incurred in performing their duties. Supervisory Board members who were on the Supervisory Board only for part of the financial year receive pro rata remuneration for each month of Supervisory Board work commenced. ecotel ag provides the members of the Supervisory Board with insurance cover for the exercise of their Supervisory Board duties.

The following individuals were appointed as members of the Supervisory Board in the 2019 financial year:

- Dr Norbert Bensel, independent business consultant, Berlin (Chairman)
- Mirko Mach, businessman, Heidelberg (Deputy Chairman)
- Tim Schulte Havermann, businessman, Recklinghausen
- Brigitte Holzer, businesswoman, Berg
- Sascha Magsamen, businessman, Oestrich-Winkel
- Dr Thorsten Reinhard, lawyer, Kronberg im Taunus

The table below shows the remuneration of the Supervisory Board:

Supervisory Board	Remuneration in € in 2019	Remuneration in € in 2018
Dr Norbert Bensel	24,000	24,000
Mirko Mach	19,000	19,000
Dr Thorsten Reinhard	14,000	13,000
Brigitte Holzer	14,000	13,000
Sascha Magsamen	13,000	14,000
Tim Schulte Havermann	14,000	13,000
Total	**98,000**	**96,000**

3. Disclosures in accordance with the German Corporate Governance Code

The table below shows the amounts granted, including fringe benefits, for each Management Board member for the 2019 financial year. In the case of variable remuneration components, it also shows the maximum and minimum achievable remuneration (in accordance with sample table 1 on item 4.25 paragraph 3 {first bullet point} of the German Corporate Governance Code).

Amounts granted in thousand €	Peter Zils *CEO*			
	2019 (target)	2018 (target)	2019 (min.)	2019 (max.)
Fixed remuneration	350	345	350	350
Fringe benefits	23	23	23	23
Total	**373**	**368**	**373**	**373**
Annual variable remuneration	67	53	0	93
Perennial variable remuneration	34	14	0	69
Thereof Sustainability 2019	9	0	0	18
Thereof Sustainability 2020	15	7	0	31
Thereof Sustainability 2021	10	7	0	20
Total	**474**	**435**	**373**	**535**
Pension expenses	0	0	0	0
Total remuneration	**474**	**435**	**373**	**535**

Amounts granted in thousand €	Achim Theis *CCO*			
	2019 (target)	2018 (target)	2019 (min.)	2019 (max.)
Fixed remuneration	250	250	250	250
Fringe benefits	17	17	17	17
Total	**267**	**267**	**267**	**267**
Annual variable remuneration	55	45	0	77
Perennial variable remuneration	30	12	0	59
Thereof Sustainability 2018	9	0	0	19
Thereof Sustainability 2019	12	6	0	23
Thereof Sustainability 2020	9	6	0	17
Total	**352**	**324**	**267**	**403**
Pension expenses	0	0	0	0
Total remuneration	**352**	**324**	**267**	**403**

The table below shows the amounts received by each Management Board member in/for the 2019 financial year, consisting of fixed remuneration, short-term variable remuneration, long-term remuneration and other remuneration, differentiated based on the respective base years (in accordance with sample table 2 on item 4.2.5 paragraph 3 {second bullet point} of the German Corporate Governance Code).

Amounts received in € thousand	Peter Zils *CEO*		Achim Theis *CCO*	
	2019	**2018**	**2019**	**2018**
Fixed remuneration	330	345	250	250
Fringe benefits	23	23	17	17
Total	353	368	267	267
Annual variable remuneration	0	53	0	45
Perennial variable remuneration	0	0	0	0
Total remuneration	**353**	**421**	**267**	**312**

No pension expenses were paid for Management Board members in 2019 or in 2018.

The members of the Supervisory Board were also members of the following committees and worked in the following principal occupations in the 2019 financial year:

Supervisory Board member	Role	Company
Dr Norbert Bensel	Managing director	NB Consulting- und Beteiligungs GmbH, Berlin
	Supervisory Board member	Praktiker AG (in liquidation), Kirkel
	Supervisory Board member	Praktiker Deutschland GmbH, Kirkel
	Supervisory Board member	IAS Institut für Arbeits- und Sozialhygiene AG, Berlin
	Advisory Board member	IQ Martrade Holding- und Managementgesellschaft mbH, Düsseldorf
	Supervisory Board member	EL-Net Consulting AG, Munich
Brigitte Holzer	Owner, managing director	Holzer Holding GmbH, Berg
	CFO/managing director	PPRO Financial Ltd, London (UK)
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg

Supervisory Board member	Role	Company
Sascha Magsamen	Chairman of the Supervisory Board	MediNavi AG, Munich
	Chairman of the Supervisory Board	Auden AG, Berlin
	Chairman of the Supervisory Board	Oxacell AG, Potsdam
	Deputy Chairman of the Supervisory Board	Ecolutions GmbH & Co. KGaA, Frankfurt am Main
	Supervisory Board member	ICM Media AG, Frankfurt am Main
	Supervisory Board member	StarDSL AG, Hamburg
	Supervisory Board member	FMR Research AG, Frankfurt am Main
	Supervisory Board member	EMA European Medical Academy AG, Amsterdam (NL)
	Supervisory Board member	Hallgartener Weinkeller EG, Oestrich-Winkel
	Management Board member	PVM Private Values Media AG, Frankfurt am Main
	Management Board member	Ferax Capital AG, Frankfurt am Main
	Management Board member	Inspire AG, Salzkotten
	Management Board member	Mood and Motion AG, Frankfurt am Main
	Management Board member	Novetum AG, Frankfurt am Main
	Managing director	Mattiak Immobilienverwaltungsgesellschaft mbH, Frankfurt am Main
	Managing director	Ferax Capital Beratungs GmbH, Frankfurt am Main
	Managing director	PVMC GmbH, Frankfurt am Main
Dr Thorsten Reinhard	Partner (member)	Noerr LLP, London (UK)
	Chairman of the Supervisory Board	ISS Facility Service Holding GmbH, Düsseldorf
	Supervisory Board member	ISS Energy Systems GmbH, Lübbenau
	Supervisory Board member	Wackler Holding SE, Munich
Tim Schulte Havermann	Managing director	LaBrea Vermögensverwaltung GmbH, Berlin
	Managing director	conCapital VV GmbH, Berlin
	Managing director	TMT Gruppe GmbH, Berlin
	Chairman of the Supervisory Board	ecoblue AG, Munich
	Deputy Chairman of the Supervisory Board	PIAG ProInvest Real Estate AG, Dresden
	Supervisory Board member	GVA Real Estate AG, Berlin

1.6 Takeover-related disclosures

There are no agreements for compensation in the event of a takeover for Management Board members or for any other executive body members in the Group. There are no further agreements between ecotel and individuals that take effect in the event of a change of control resulting from a takeover bid.

The joint shareholder of easybell GmbH, Consultist GmbH, has the right in the event of a change of control at ecotel ag to acquire a partial interest in easybell GmbH from ecotel ag that brings its equity investment in easybell GmbH up to at least 51 %. The purchase price must correspond to the market value of the partial interest.

1.7 Declaration on corporate governance and corporate governance report

The Management Board and Supervisory Board of ecotel communication ag have issued the declaration on corporate governance required in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the corporate governance report including the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and have made them permanently available to the public online ***(http://ir.ecotel.de/websites/ecotel/German/6000/corporate-governance.html).***

Düsseldorf, 6 March 2020

ecotel communication ag
The Management Board

Peter Zils *Achim Theis*

Statement by the legal representatives

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group‘s net assets, financial position and result of operations and the group management report includes a fair review of the business development including the business results and the position of the Group and describes the main risks and opportunities of the Group‘s expected development.

Düsseldorf, 6 March 2020

ecotel communication ag
The Management Board

Peter Zils *Achim Theis*

CONSOLIDATED FINANCIAL STATEMENTS

2.0

Consolidated statement of financial position as at 31 December 2019

in €	Note	31/12/2018	31/12/2019
Assets			
A. Non-current assets			
I. Intangible assets	(1)	12,964,382	13,280,638
II. Property, plant and equipment	(2)	8,976,903	11,109,794
III. Rights of use from leases	(3)	-	8,441,749
IV. Capitalised contract costs	(4)	2,799,351	2,812,221
V. Investments accounted for using the equity method	(5)	856,465	996,828
VI. Deferred income tax assets	(7)	740,258	1,158,157
Total non-current assets		**26,337,359**	**37,799,387**
B. Current assets			
I. Trade receivables	(6)	7,908,908	7,437,263
II. Contract assets	(6)	56,180	43,558
III. Other financial assets	(6)	2,073,951	2,514,259
IV. Other non-financial assets	(6)	577,581	402,990
V. Current income tax assets	(7)	624,792	376,178
VI. Cash and cash equivalents	(8)	6,093,030	8,253,405
Total current assets		**17,334,441**	**19,027,653**
Total assets		**43,671,800**	**56,827,040**

Since 1 January 2019, the new financial reporting standard IFRS 16 "Leases" has been applied.
The previous year's figures have not been adjusted. For more information, please refer to the information on accounting principles starting on page 60.

Differences in the totals may occur due to rounding.

in €	Notes	31/12/2018	31/12/2019
Equity and liabilities			
A. Equity	(9)		
I. Share capital		3,510,000	3,510,000
II. Capital reserves		1,833,254	1,833,254
III. Other reserves		14,061,246	13,439,439
Interests attributable to owners of the parent		**19,404,500**	**18,782,694**
IV. Minority interests		3,313,290	3,389,254
Total equity		**22,717,791**	**22,171,947**
B. Non-current liabilities			
I. Deferred income taxes	(10)	1,191,182	986,353
II. Long-term loans	(11)	4,049,999	5,499,992
III. Lease liabilities	(12)	-	7,395,473
IV. Contract liabilities	(13)	780,967	1,146,628
V. Other financial liabilities	(11)	-	1,506,744
Total non-current liabilities		**6,022,148**	**16,535,190**
C. Current liabilities			
I. Current income taxes	(10)	672,447	330,675
II. Current loans	(11)	1,609,370	1,750,008
III. Lease liabilities	(12)	-	1,212,016
IV. Trade payables	(11)	9,228,576	10,487,856
V. Contract liabilities	(13)	957,860	1,040,199
VI. Provisions	(11)	19,850	10,695
VII. Other financial liabilities	(11)	1,567,864	2,226,946
VIII. Other non-financial liabilities	(11)	875,894	1,061,508
Total current liabilities		**14,931,862**	**18,119,903**
Total equity and liabilities		**43,671,800**	**56,827,040**

Consolidated statement of comprehensive income for the 2019 financial year

in €	Notes	1/1–31/12/2018	1/1–31/12/2019
1. Revenue	(16)	98,856,994	82,749,903
2. Other operating income	(17)	304,908	715,836
3. Other own work capitalised		543,650	422,470
4. Total operating performance		**99,705,552**	**83,888,208**
5. Cost of materials			
5.1 Cost of purchased services	(18)	-66,938,718	-49,176,139
6. Staff costs	(19)		
6.1 Wages and salaries		-12,338,418	-13,315,978
6.2 Social security and expenses for pensions and other benefits		-2,022,856	-2,271,783
7. Depreciation and amortisation	(20)	-5,290,468	-7,229,598
thereof amortisation of rights of use from leases		-	-1,294,231
8. Other operating expenses	(21)	-10,962,192	-10,412,254
9. Operating result (EBIT)		**2,152,900**	**1,482,458**
10. Interest income		784	38
11. Interest expense		-229,141	-485,342
thereof interest expense from lease liabilities		-	-255,560
12. Other financial expenses		-49,450	-8,621
13. Net income from investments accounted for using the equity method		152,402	240,363
14. Net finance costs	(22)	**-125,405**	**-253,562**
15. Profit from ordinary activities before income taxes		**2,027,495**	**1,228,896**
16. Income tax expense	(23)	-642,194	-338,039
17. Net profit (= consolidated comprehensive income)		**1,385,301**	**890,857**
18. Allocation of net profit to			
18.1 Owners of the parent (consolidated net profit)		**450,561**	**-165,507**
18.2 Minority interests	(24)	934,741	1,056,364

in €	Notes	1/1–31/12/2018	1/1–31/12/2019
Basic earnings per share	(25)	0.13	-0.05
Diluted earnings per share	(25)	0.13	-0.05

Since 1 January 2019, the new financial reporting standard IFRS 16 “Leases” has been applied. The previous year's figures have not been adjusted. For more information, please refer to the information on accounting principles starting on page 60.

Due to a lack of relevant circumstances, no “other comprehensive income” item is presented.

Differences in the totals may occur due to rounding.

Consolidated statement of cash flows for the 2019 financial year

(see note 26)

€ thousand	2018	2019
Profit from ordinary activities before income taxes	2,027	1,229
Net interest income	228	485
Amortization of non-current assets	5,290	7,230
Net income from investments accounted for using the equity method	-152	-240
Gain (-)/loss (+) from disposals of fixed assets	11	33
Changes in working capital assets	225	205
Change in provision	-34	-9
Change in other working capital liabilities	-354	2,081
Income taxes paid (-)/received (+)	-571	-1,054
Net cash from operating activities	**6,671**	**9,960**
Payments for investments in intangible assets and property, plant and equipment	-5,799	-6,440
Cash receipts from repayments of equity by investments measured using the equity method	-	100
Interest payments received	1	0
Net cash used in investing activities	**-5,798**	**-6,340**
Cash receipts from taking out financial loans	1,800	3,200
Dividends paid	-456	-456
Payments to non-controlling shareholders	-980	-980
Repayments of financial loans	-1,308	-1,609
Repayments of lease liabilities	-	-1,128
Interest payments for other financial liabilities	-228	-229
Interest payments for leases	-	-256
Net cash used in financing activities	**-1,173**	**-1,459**
Cash-effective change in cash and cash equivalents	**-300**	**2,160**
Cash and cash equivalents at beginning of period	6,393	6,093
Cash and cash equivalents at end of period	**6,093**	**8,253**

Since 1 January 2019, the new financial reporting standard IFRS 16 “Leases” has been applied. The previous year's figures have not been adjusted. For more information, please refer to the information on accounting principles starting on page 60.

Differences in the totals may occur due to rounding.

Consolidated Statement of changes in equity

€ thousand Note (9)	Share capital	Capital reserves
As at 1 January 2018	**3,510**	**1,833**
Distributions	0	0
Reclassification of prior-year result	0	0
Changes in equity not recognised in income	**0**	**0**
Consolidated net income for 2018	0	0
Changes in equity recognised in income	**0**	**0**
As at 31 December 2018	**3,510**	**1,833**

€ thousand Note (9)	Share capital	Capital reserves
As at 31 December 2018	**3,510**	**1,833**
Adjustment due to initial application of IFRS 16	**0**	**0**
As at 1 January 2019	**3,510**	**1,833**
Distributions	0	0
Reclassification of prior-year result	0	0
Changes in equity not recognised in income	**0**	**0**
Consolidated net income for 2019	0	0
Changes in equity recognised in income	**0**	**0**
As at 31 December 2019	**3,510**	**1,833**

Since 1 January 2019, the new financial reporting standard IFRS 16 "Leases" has been applied.
The previous year's figures have not been adjusted. For more information, please refer to the information on accounting principles starting on page 60.

As a result of commercial rounding, there may be differences in the totals.

Earnings reserves				
Other earnings reserves	Consolidated net income	Interests attributable to owners of the parent	Minority interests	Total
13,601	**466**	**19,410**	**3,359**	**22,769**
-456	0	-456	-980	-1,436
466	-466	0	0	0
10	**-466**	**-456**	**-980**	**-1,436**
0	450	450	935	1,385
0	**450**	**450**	**935**	**1,385**
13,611	**451**	**19,405**	**3,313**	**22,718**
13,611	**451**	**19,405**	**3,313**	**22,718**
0	**0**	**0**	**0**	**0**
13,611	**451**	**19,405**	**3,313**	**22,718**
-456	0	-456	-980	-1,436
451	-451	0	0	0
5	**-451**	**-456**	**-980**	**-1,436**
0	-166	-166	1,056	891
0	**-166**	**-166**	**1,056**	**891**
13,604	**-166**	**18,783**	**3,389**	**22,172**

Notes to the consolidated financial statements of ecotel communication ag Accounting principles

General information

The ecotel Group (referred to hereinafter as “ecotel”) is a telecommunications company that has been operating throughout Germany since 1998 and specialises in customers‘ information and telecommunication requirements (ICT). Its parent company is ecotel communication ag (referred to hereinafter as “ecotel ag”). ecotel reports on the following segments:

The ecotel Business Customers segment is the core area of ecotel ag. It includes all business relating to the marketing of integrated product portfolios of voice and data services (ICT solutions) and the earnings contributions of the minority investment mvneco GmbH. The ecotel Wholesale segment comprises cross-network trading in telephone minutes (wholesale) for national and international carriers. The easybell segment comprises all business of the easybell Group. The easybell Group primarily markets broadband internet connections and VoIP telephony for private customers and increasingly also SIP trunking offers for smaller companies. In addition, the easybell Group operates a router rental model (www.routermiete.de) and offers affordable call-by-call for domestic and international phone calls. The nacamar segment comprises the business activities of the subsidiary nacamar and offers content delivery network (CDN) streaming services for media companies.

ecotel communication ag is headquartered in Düsseldorf, Germany. The address is: ecotel communication ag, Prinzenallee 11, 40549 Düsseldorf. The company was entered in the commercial register at the District Court of Düsseldorf (HRB 39453) on 1 September 2000.

In addition to Frankfurt am Main, ecotel communication ag‘s shares are also traded at other German stock exchanges.

The audited consolidated financial statements including the group management report will be filed in the German Federal Gazette. The consolidated financial statements will be released for publication on 6 March 2020 with their handover from the Management Board to the Supervisory Board of ecotel communication ag.

Accounting principles

The consolidated financial statements of ecotel were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the additional provisions of German commercial law to be observed in accordance with section 315e (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The consolidated financial statements are prepared in euros. The consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity each include comparative figures for the previous year.

In order to improve clarity of presentation, various items of the consolidated statement of financial position and the consolidated statement of comprehensive income are combined. These items are broken down and explained accordingly in the notes.

The consolidated statement of comprehensive income is structured in line with the nature of expense method, under which expenses are aggregated within profit or loss according to their nature and are not reallocated among functions within the entity.

Because there were no corresponding circumstances at ecotel in the previous year or in the 2019 financial year, no presentation of other comprehensive income is shown after the income statement.

The financial statements of the subsidiaries are included in the consolidated financial statements in line with the uniform recognition and measurement methods applicable to the Group.

All standards that are applicable on the reporting date and endorsed by the EU are applied. In addition, the interpretations of the IFRS Interpretations Committee (IFRS IC) are also observed.

New standards or amendments to pronouncements of the IASB applicable for the first time in the consolidated financial statements as at 31 December 2019

By the date the consolidated financial statements as at 31 December 2019 were prepared, the following new and amended standards and interpretations had been adopted and endorsed by the EU in European law. Only the new or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown.

New standards or amendments to pronouncements of the IASB applicable for the first time as at 31 December 2019

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
IFRS 16 "Leases"	1 January 2019	1 January 2019
Amendments to IAS 19 "Employee Benefits": Plan Amendment, Curtailment or Settlement	1 January 2019	1 January 2019
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Amendment to IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation	1 January 2019	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019	1 January 2019
Annual improvements project 2015-2017 cycle	1 January 2019	1 January 2019

New standards or amended pronouncements of the IASB that were to be applied for the first time in consolidated financial statements as at 1 January 2019 and had an impact on the consolidated financial statements of ecotel communication ag are discussed below:

IFRS 16 "Leases" supersedes the previous standard on leases (IAS 17) and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". The standard governs the recognition, measurement, presentation and disclosure of leases. It differentiates between lessees and lessors. For the lessee, a single accounting model is introduced.

All rights and obligations from leases are to be recognised in the statement of financial position as “rights of use” or “lease liabilities”. For the lessor, the accounting requirements remain largely unchanged. The lessor still has to differentiate between finance leases and operating leases.

Contract analysis in the ecotel Group has shown that ecotel as a **lessee** is affected in the following areas: properties rented on a long-term basis to operate the data centre and for administration, network infrastructure rented on a long-term basis (backbone) and the vehicle fleet, which is rented on a long-term basis.

As a **lessor**, the contract analysis showed that the application of IFRS 16 does not have any impact on ecotel. Although the Group provides customers with hardware components, these do not meet the criteria for the recognition of a lease as defined in IFRS 16, as the customers‘ rights are largely limited and the customers do not have any significant decision-making rights with regard to the hardware provided to them (mainly ecotel Business Customers) or the economic benefit mostly remains in the Group (mainly easybell). When ecotel acts as an intermediate lessor, the subleases are accounted for separately.

The standard was applied for the first time as at 1 January 2019 in line with the modified retrospective method, i.e. the previous year‘s figures were not adjusted. The cumulative effect from the transition was offset against reserves directly in equity. Further details on the significant changes with regard to determining and recognising **rights of use from leases** and **lease liabilities** can be found in the section on accounting policies in these notes.

The initial application of IFRS 16 as at 1 January 2019 had the following effects on the presentation of the consolidated statement of financial position.

Item	1 January 2019
Rights of use from leases	€ 9,578 thousand
Total assets	**€ 9,578 thousand**
Deferred income taxes	€ 0 thousand
Non-current lease liabilities	€ 8,447 thousand
Current lease liabilities	€ 1,131 thousand
Other reserves	€ 0 thousand
Effect on earnings from IFRS 16	**€ 0 thousand**
Total equity and liabilities	**€ 9,578 thousand**

New standards or amended pronouncements of the IASB not yet applicable in the consolidated financial statements as at 31 December 2019

By the date the consolidated financial statements as at 31 December 2019 were prepared, the following new and amended standards and interpretations had been adopted and endorsed by the EU in European law. However, these do not take effect until later and have not been applied early in these consolidated financial statements.

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendment to referencing of the Conceptual Framework in IFRS standards	1 January 2020	1 January 2020
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of "Material"	1 January 2020	1 January 2020

The new standards and amended pronouncements required to be applied in the future are not applied early. No significant impact is anticipated, either.

By the date the consolidated financial statements as at 31 December 2019 were prepared, the following new and amended standards and interpretations had been adopted but not yet endorsed by the EU in European law. Only the new standards or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown. However, these do not take effect until later and will not be applied early.

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendment to IFRS 3 "Business Combinations": Definition of a Business	1 January 2020	Not yet known
Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”: Interest Rate Benchmark Reform	1 January 2020	Not yet known

Principles of consolidation

In accordance with IFRS, all business combinations are to be accounted for using the purchase method. The purchase price of an acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. The relevant factor here is the value ratios at the date when control over the subsidiary was obtained. Control means that the Group has power of disposition over the subsidiary in that it has substantial rights to govern the subsidiary's main business activities. The recognisable assets and the liabilities and contingent liabilities assumed are measured in full – irrespective of the equity interest – at their fair values. Any remaining positive difference is recognised as goodwill. Any remaining negative difference is recognised in profit or loss. The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date on. The income and expenses of a subsidiary continue to be included in the consolidated financial statements until the date when the parent ceases to control the subsidiary. On deconsolidation, the residual carrying amounts of goodwill are taken into account when calculating the gain or loss on disposal. Income and expenses between the consolidated companies are offset against each other, as are receivables and liabilities/provisions. Intercompany results are eliminated unless they are of only minor importance. Impairment and reversals of impairment losses recognised on shares in consolidated subsidiaries in the separate financial statements are generally reversed. Shares in associated entities are accounted for using the equity method. This means that shares in an associated entity are recognised in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share in the net assets of the respective entity. The goodwill relating to the associate is included in the carrying amount of the investment and is not amortised.

The consolidated statement of comprehensive income includes the Group‘s share in the associated company‘s profit. The associated companies‘ financial statements are prepared as at the same reporting date as the parent company‘s financial statements. If necessary, adjustments are made in line with the Group‘s uniform accounting policies. If there are indications of possible impairment, the total net investment (value at equity including financial assets from these companies for which there is no adequate collateral) is tested for impairment in accordance with IAS 28 in conjunction with IAS 36.

Scope of consolidated financial statements

In addition to ecotel communication ag, the consolidated financial statements include all (previous year: all) subsidiaries in which ecotel communication ag directly or indirectly holds the majority of the voting rights and has substantial rights to govern the subsidiary‘s main business activities. Initial consolidation/deconsolidation generally takes place at the time the investment is acquired/sold. In the year under review and in the previous year, ecotel communication ag directly and indirectly held the following equity investments (list of shareholdings, based on the financial statements as at 31 December 2019):

Disclosures made on IFRS basis	Share of capital in % [2]	Equity in € thousand [2]	Earnings in € thousand [2]	Sales in € thousand [2]	Employees [1] (average) [2]
easybell GmbH, Berlin (consolidated)	50.98	3,611	1,881	16,874	42
	(50.98)	(3,730)	(1,761)	(14,147)	(34)
carrier-services.de GmbH [3], Berlin (consolidated)	100.00	2,349	168	1,043	4
	(100.00)	(2,182)	(154)	(913)	(4)
sparcall GmbH [3], Bad Belzig (consolidated)	100.00	888	272	979	0
	(100.00)	(616)	(399)	(1,179)	(0)
init.voice GmbH [3], Berlin (consolidated)	100.00	121	84	378	0
	(100.00)	(287)	(43)	(281)	(0)
nacamar GmbH, Düsseldorf (consolidated)	100.00	831	-56	1,885	8
	(100.00)	(887)	(38)	(1,884)	(8)
mvneco GmbH, Düsseldorf (associate)	33.33	2,988	721	5,572	26
	(33.33)	(2,567)	(457)	(5,355)	(27)

1 Not including Management Board members/managing directors or trainees
2 Previous year‘s figures in brackets
3 Indirect investment via easybell GmbH

The reporting date for the preparation of the consolidated financial statements is 31 December, which is also the reporting date for the annual financial statements of the parent company and of all consolidated subsidiaries.

Accounting policies

The main accounting policies for the consolidated financial statements are described below.

Apart from the effects of standards and interpretations required to be applied for the first time, the following **accounting policies** have not changed in comparison to the previous year:

Assets are capitalised when all material risks and rewards associated with their use accrue to the Group. They are measured at their amortised acquisition or production cost. Acquisition cost includes all consideration paid to acquire an asset and make it ready for use. Production cost includes all costs directly attributable to the production process and appropriate portions of the production-related overheads.

Acquired intangible assets are recognised at their acquisition cost and amortised on a straight-line basis over their estimated useful life, unless another amortisation method better corresponds to their usage pattern in exceptional cases.

Internally generated intangible assets from which the Group is likely to derive a future benefit and that can be measured reliably are measured at their production cost. Capitalisation is subject to their completion being technically ensured, which in turn is subject to there being an intention to complete the intangible asset. Internally generated intangible assets at ecotel communication ag generally relate to internally generated software and applications that are used by the company itself rather than being sold. At nacamar GmbH, internally generated intangible assets also include software developed to provide services to customers.

Their measurement is regularly based on the following useful lives:

Concessions and industrial property rights	Development costs	Software	Customer base
3–5 years	5 – 10 years	3 – 7 years	6 – 18 years

If there are indications of impairment and the recoverable amount is lower than amortised cost, the intangible assets are written down. The recoverable amount from an asset corresponds to the higher of the net sales proceeds and the present value of the future cash flows attributable to the asset (value in use).

Research costs are treated as current expense. ***D*****evelopment costs** are capitalised and amortised on a straight-line basis when a newly developed product or process can be clearly defined, is technically feasible and is intended either for internal use or for marketing. Capitalisation is also subject to the condition that a clear allocation of expenses is possible, it is sufficiently likely that the costs can be covered by future cash funds and it is possible to use or sell the intangible asset.

Goodwill from consolidation is tested for impairment at the level of the relevant cash-generating unit when there are signs of impairment, or at least once a year. In accordance with IAS 36, the carrying amount must be compared with the recoverable amount. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

Property, plant and equipment is measured at cost less use-based depreciation and less any impairment losses. Property, plant and equipment is generally depreciated on a straight-line basis over its estimated useful life, unless another depreciation method better corresponds to its usage pattern in exceptional cases. Property, plant and equipment (other equipment, operating and office equipment) is regularly depreciated over 3 to 7 years. If there are indications of impairment and the recoverable amount is lower than amortised cost, property, plant and equipment is written down. If the reasons for impairment losses recognised in previous years no longer apply, the corresponding impairment losses are reversed. For simplification and materiality reasons, low-value assets are written off in full and reported as disposals in the year they are added.

Rights of use from leases (initial application of IFRS 16 from 1 January 2019) are the rights granted to use a leased asset during the agreed term of the contract. The right of use is transferred from the lessor to the lessee at the inception of the lease. Rights of use are measured at cost and comprise the present value of the future lease payments plus initial direct costs and any asset retirement obligations. The right of use is amortised on a straight-line basis of the term of the underlying lease. ecotel has rights of use for properties rented on a long-term basis to operate the data centre and for administration, network infrastructure rented on a long-term basis (backbone) and the vehicle fleet, which is rented on a long-term basis. Properties are usually rented for between five and ten years, while the network infrastructure and the vehicle fleet are generally rented for three years. For leases for low-value assets and for short-term leases (less than twelve months), the practical expedient is applied and expense is recognised directly.

Capitalised contract costs consist of the additional costs incurred when obtaining a contract (costs to obtain contracts) and the costs that result from fulfilling a contract with the customer (costs to fulfil contracts), provided these do not come under the scope of application of another standard. Costs to obtain contracts are recognised as an asset if future settlement of the costs can be assumed and if the costs were incurred solely in connection with the conclusion of a contract and can be allocated directly to the customer contract. Expenses that relate solely to short-term performance obligations are recognised directly in profit or loss. Costs to fulfil contracts are recognised as an asset if all of the following conditions are met: The costs are directly attributable to an existing or anticipated contract or will be incurred upon an upcoming contract renewal; the costs incurred contribute to the fulfilment of the performance obligation and create or improve the company's resources; and the costs are expected to be offset in the future. Capitalised contract costs are amortised on a straight-line basis. For costs to obtain contracts, this is done on the basis of the average customer retention period (5 years), whereas for costs to fulfil contracts it is based on the average contract term (3-6 years) depending on the type of performance obligation and its allocation to an operating segment. Amortisation of costs to obtain contracts is reported in other operating expenses while amortisation of costs to fulfil contracts is reported in the cost of materials, meaning that both form part of operating earnings. In the event of significant changes in the underlying assumptions, the useful lives or other parameters are adjusted. An impairment loss is recognised in profit or loss as soon as the carrying amount of the capitalised contract costs exceeds the remaining amount of the consideration to which the capitalised costs relate, less the costs to fulfil the contract. Capitalised contract costs are reported under non-current assets.

Trade receivables and other financial assets are accounted for at fair value on initial recognition, taking account of any transaction costs incurred, and are amortised accordingly. These receivables represent an unconditional right to receive consideration. All trade receivables are of a short-term nature. Receivables denominated in a foreign currency are measured using the selling rate on the reporting date. The previous measurement category “loans and receivables” was replaced by the major category “amortised cost (AC)” as at 1 January 2018. The valuation allowances only relate to this major category and are entirely attributable to current assets. The business model currently provides for the receivables to be held, meaning that a different classification does not result in any significant effects. Valuation allowances for trade receivables are always measured in the amount of the lifetime expected credit losses. In accordance with IFRS 9, the simplified model is used in relation to impairment, as the Group only has trade receivables without significant financing components. The Group applies the simplified approach here and takes advantage of the permitted practical expedient. The expected credit loss risk for trade receivables is measured using an impairment matrix.

Contract assets are recognised when there is a conditional right to receive consideration from the customer. This right results from the transfer of the service to the customer before the customer then pays the contractually agreed consideration or payment is due. The contract asset is tested for impairment using the simplified model under IFRS 9.

Prepaid insurance premiums and prepayments to suppliers for future services relating to a defined date or period are accrued as ***other non-financial assets.***

Provisions include all identifiable obligations on the reporting date that are based on past transactions or events and whose amount or settlement date is uncertain. Provisions are recognised at their probable settlement amount.

Liabilities (loans, trade payables, other financial liabilities, non-financial liabilities) are generally recognised in the amount of the consideration received when they arise, including any transaction costs incurred in the case of financial liabilities that are not measured at fair value through profit or loss. They are subsequently measured at amortised cost. Other financial liabilities from hire purchase agreements are measured at the present value of the expected payments as at the provision date. They are subsequently measured at amortised cost. The carrying amount accrues interest at the underlying interest rate in the contract and is reduced by the payments made. Liabilities denominated in a foreign currency are measured using the buying rate on the reporting date.

Deferred taxes are recognised on different valuations of assets and liabilities in the consolidated statement of financial position and in the individual companies‘ statements of financial position for tax purposes if these different valuations will in future result in higher or lower taxable income than there would be according to the consolidated statement of financial position. In addition, deferred taxes are recognised on tax loss carry forwards of the individual companies. Deferred taxes are calculated based on the tax rates that are applicable or expected in the individual countries as at the effective date. There are currently no foreign Group companies.

Lease liabilities (initial application of IFRS 16 from 1 January 2019) represent the payment obligations not yet paid to the lessor for the rights of use granted for a leased asset. Lease liabilities are measured at the present value of the expected lease payments as at the provision date. The lease payments are uniform payments over the entire term. Expected residual value payments, the exercise price of a purchase option and penalties for early termination of the lease must also be taken into account. There are no variable lease payments based on an index or interest rate. Lease payments are discounted using the incremental borrowing rate. Lease liabilities are measured at amortized cost using the effective interest method. The interest portion of the lease liability is recognised through profit or loss in the financial result over the term of the lease. Extension or termination options are included in the measurement of the lease liabilities if it is reasonably certain that these options will be exercised. Extension option exist only for the rented properties. For the vehicle fleet, the portfolio approach is applied. In the case of subleases, the head lease and the sublease are accounted for separately when ecotel acts as an intermediate lessor. The sublease is classified based on its right of use from the head lease and based on the underlying asset. ecotel only has subleases that are classified as operating leases. The lease liabilities are divided into current and non-current liabilities depending on their settlement date.

Contract liabilities are the payments already received from the customer for the future transfer of services or the customer‘s unconditional right to certain consideration. Contract liabilities thus represent the obligation to provide a service to the customer. They are recognised as soon as one of the following criteria is met: The customer pays or the payment is due. Depending on the type of performance obligation and its allocation to an operating segment, the performance obligation is fulfilled and thus recognised as sales within the average contract term (3-6 years). Contract liabilities are divided into current and non-current liabilities depending on their settlement date.

Sales consist of sales from contracts with customers and lease income from operating leases. Sales revenue from contracts with customers is recognised in line with the provisions of IFRS 15. This revenue is determined and recognised using the five-step model described in IFRS 15. Sales revenue is recognised when the contractual performance obligation has been fulfilled through the transfer of the good or service and the customer has gained control over it. Control over the benefit can be transferred either over a period or at a specific point in time. The performance obligation is considered to be fulfilled when the service has been performed or is being used by the customer. Sales revenue is measured at the transaction price. The transaction price is compared against the individual selling price and represents the consideration from the customer for the performance obligation fulfilled by the Group. There are no financing components or variable consideration; all consideration is payable in the short term. For contracts that contain more than one individual performance obligation (multi-component contracts), the transaction price to be determined is allocated to the separate performance obligations within the contract when the contract is concluded based on the individual selling prices of these performance obligations. The contractual performance obligations consist of amounts already paid, and reversal mainly takes place from fixed amounts. There are no obligations for returns, refunds or other similar obligations and no bill-and-hold arrangements.

The recognition of sales based on the business models of the individual operating segments is described in detail below:

In the **ecotel Business Customers segment**, sales are mainly recognised as follows:

The customer contracts in this segment mainly relate to the following performance obligations, which have a defined minimum contract term. In addition to the provision of a customer-specific **data line** (including necessary hardware components), with or without additional services such as voice transmission (all-IP) or security features (e.g. VPN service), voice lines acquired from a third-party provider that do not include any multi-component contracts are also offered as a multi-component contract. This chiefly relates to the monthly provision of **voice lines**, minutes and flat rates for minutes.

In general, the allocation of the transaction price as required under IFRS 15 is performed in relation to the individual selling prices of the performance obligations. Income that does not belong to any performance obligation and income for which the performance obligation is not mainly fulfilled at the beginning will in future be recognised as revenue over the term of the contract. The transaction price is made up of the sum of all provision charges and the monthly charges multiplied by the average contract term. The customer continuously receives benefits from the multi-component contracts, so sales are recognised over the term of the contract. Because the services are performed at an even rate over the average contract term, the transaction price allocated to these two performance obligations is to be recognised as sales at an even monthly rate.

Any portions calculated and billed to the customer in advance as contractually agreed (e.g. monthly charges calculated in advance) that have not yet been performed or provided are recognised with corresponding deferred sales on an accrual basis under sales. Sales from contracts for services billed according to time expenditure and material costs are recognised at the contractually stipulated hourly rate when the work hours are worked and the direct costs are incurred.

Depending on the contractual arrangement, sales from the provision of **hardware and data centre services** are recognised either when these services are provided or in the form of monthly charges. The monthly charges are recognised at a specific point in time. The revenue, which generally arises when the one-off installation of the preconfigured hardware (e.g. router) is performed, is recognised over a period of time. The hardware provided to the customer is still owned by ecotel and is capitalised at ecotel as a network component (end point at the customer). The router forms the basis for using the monthly service in the form of the provision of voice and data lines.

In the **ecotel Wholesale segment**, sales are recognised when the contractual performance obligations have been completed, and this is always at a specific point in time. These primarily relate to trading in voice minutes for various national and international telecommunication providers. The services are recorded in a statistics portal. They are regularly compared with the suppliers/customers and billed on a monthly basis.

The business model in the **easybell segment** is comparable with that of the ecotel Business Customers segment in substance. Only the target group is different. In addition to small business customers, this segment also targets private customers. The easybell segment also operates a router rental model (www.routermiete.de). The lease income from this line of business is classified as operating leasing. Sales are therefore recognised in accordance with the same principles as in the ecotel Business Customers segment.

In the **nacamar segment**, sales are recognised when the performance obligations have been fulfilled. Fulfilment is always recognised at a specific point in time. Any portions calculated and billed to the customer in advance as contractually agreed (e.g. monthly charges calculated in advance) that have not yet been performed or provided are recognised with corresponding deferred sales on an accrual basis under sales. Sales from contracts for services billed according to time expenditure and material costs are recognised at the contractually stipulated hourly rate when the work hours are worked (transfer of the service) and the direct costs are incurred.

Other operating income and **other operating expenses** are recognised in profit or loss when the service is utilised or when they are incurred.

Interest income and expenses are recognised on an accrual basis. Net finance costs also include capital procurement costs that are not offset against equity. Net income from companies accounted for using the equity method is reported separately within net finance costs.

Judgement and estimation uncertainties

When preparing the consolidated financial statements, judgements and assumptions were made and estimates were used that had an impact on the amount and presentation of the recognised assets, liabilities, income, expenses and contingent liabilities. **Judgements** primarily relate to the viability of future tax relief and the parameters on which impairment tests for cash-generating units are based.

In addition, judgements, estimates and assumptions were made with regard to determining, recognising and measuring revenue from contracts with customers in accordance with **IFRS 15**. These chiefly relate to the period of the transfer of services to the customer in the case of capitalised contract costs and to considerations regarding the distinction between principal and agent.

For the application of **IFRS 16**, the incremental borrowing rate was determined on the basis of the risk classification. The incremental borrowing rate is based on ecotel's credit rating, including external financing sources. In addition, assumptions were made in the case of contracts with extension options.

The assumptions on which the respective **estimates** are based and the corresponding carrying amounts are explained in the individual items of the statement of financial position and the statement of comprehensive income. In individual cases, the actual values may deviate from the assumptions and estimates made. Such deviations are taken into account in profit or loss when better knowledge becomes available. No significant risks as defined in IAS 1.125 that could be inherent in assumptions and estimates were identified at the time the consolidated financial statements were prepared.

Notes to the consolidated statement of financial position

(1) Intangible assets

Intangible assets developed as follows in the 2019 financial year:

€ thousand	Goodwill	Concessions, industrial property rights and similar rights and asset	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 1/1/2019	**14,427**	**5,716**	**5,409**	**9,769**	**218**	**35,540**
Additions	-	847	288	.	430	1,565
Reclassifications	-	62	593	.	-472	183
Disposals	-	-98	-	.	-17	116
As at 31/12/2019	**14,427**	**6,525**	**6,291**	**9,769**	**159**	**37,171**
Amortisation as at 1/1/2019	**5,553**	**4,988**	**3,135**	**8,899**	**0**	**22,575**
Amortisation	-	445	826	143	-	1,414
Disposals	-	98	-	.	-	98
As at 31/12/2019	**5,553**	**5,334**	**3,961**	**9,042**	**0**	**23,891**
Carrying amounts as at 31/12/2019	**8,874**	**1,191**	**2,330**	**727**	**159**	**13,281**

In the previous year, intangible assets developed as follows:

€ thousand	Goodwill	Concessions, industrial property rights and similar rights and asset	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 1/1/2018	**14,427**	**5,495**	**4,600**	**9,769**	**189**	**34,480**
Additions	-	251	453	-	739	1,443
Reclassifications	-	38	672	-	-710	0
Disposals	-	68	315	-	-	383
As at 31/12/2018	**14,427**	**5,716**	**5,409**	**9,769**	**218**	**35,540**
Amortisation as at 1/1/2018	**5,553**	**4,674**	**2,804**	**8,757**	**0**	**21,787**
Amortisation	-	382	646	143	-	1,171
Disposals	-	68	315	-	-	383
As at 31/12/2018	**5,553**	**4,988**	**3,135**	**8,899**	**0**	**22,575**
Carrying amounts as at 31/12/2018	**8,874**	**727**	**2,275**	**870**	**218**	**12,964**

The reported goodwill breaks down as follows:

Cash-generating unit (CGU) € thousand	Carrying amount 31/12/2018	Carrying amount 31/12/2019
Business Customers	8,732	8,732
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 line with the discounted cash flow method in the past financial year to test for impairment of the reported goodwill. This was done based on the data from the respective corporate planning (forecast period: 5 years) and calculating the value in use. As in the previous year, there were no impairment requirements in the 2019 financial year.

The following assumptions were applied when performing the impairment test for the Business Customers CGU:

- Capitalisation rate (WACC) after taxes: 4.6% (previous year: 4.1%), before taxes: 7.1% (previous year: 6.5%)
- Growth rate (perpetuity): 0.5% (previous year: 0.5%)

When preparing the impairment test for the Business Customers CGU, the following key assumptions were made based on the management‘s experience supported by external information on anticipated market developments and were incorporated accordingly in the five-year cash flow forecast:

- Increase in the CGU’s gross profit margin of between 53.0% and 55.0% (previous year: between 50.0% and 53.0%)
- Annual sales growth of the CGU of between 2% and 4% (previous year: between 1% and 3%)
- The future annual investment volume covers the annual depreciation and amortisation.

(2) Property, plant and equipment

Property, plant and equipment developed as follows in the 2019 financial year:

€ tousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under development	Total
Cost as at 1/1/2019	**6,081**	**218**	**25,006**	**327**	**31,632**
Additions	237	35	4,358	2,224	6,853
Reclassifications	-	-	98	-281	-183
Disposals	299	-	637	-	935
As at 31/12/2019	**6,018**	**253**	**28,826**	**2,269**	**37,366**
Depreciation as at 31/12/2019	**5,246**	**119**	**17,069**	**220**	**22,655**
Depreciation	393	39	4,089	-	4,522
Impairment	-	-	-	-	-
Disposals	297	-	623	-	920
As at 31/12/2019	**5,342**	**158**	**20,536**	**220**	**26,257**
Carrying amounts as at 31/12/2019	**676**	**95**	**8,290**	**2,049**	**11,110**

In the 2018 financial year, property, plant and equipment developed as follows:

€ tousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under development	Total
Cost as at 1/1/2018	**5,913**	**183**	**21,908**	**441**	**28,445**
Additions	195	35	4,192	25	4,445
Reclassifications	-	-	48	-48	0
Disposals	28	-	1,141	91	1,259
As at 31/12/2018	**6,081**	**218**	**25,006**	**327**	**31,632**
Depreciation as at 31/12/2018	**4,880**	**82**	**14,510**	**220**	**19,693**
Depreciation	394	37	3,689	-	4,119
Impairment	-	-	-	-	-
Disposals	28	-	1,130	-	1,158
As at 31/12/2018	**5,246**	**119**	**17,069**	**220**	**22,655**
Carrying amounts as at 31/12/2018	**835**	**99**	**7,937**	**107**	**8,977**

If they have not yet been paid, the acquired assets are subject to the usual reservations of title.

(3) Rights of use from leases

The development of rights of use from finance leases is shown below:

€ thousand	Rights of use for buildings	Rights of use for vehicles	Rights of use for infrastructure	Total
Cost **As at 31/12/2018**	-	-	-	-
Changeover effect from introduction of IFRS 16	9,223	275	80	9,578
Cost as at 1/1/2019	9,223	275	80	9,578
Additions	31	127	-	158
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2019	**9,254**	**402**	**80**	**9,736**
Depreciation **As at 1/1/2019**	**0**	**0**	**0**	**0**
Depreciation	1,078	184	33	1,295
Impairment	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2019	**1,078**	**184**	**33**	**1,295**
Carrying amounts as at 31/12/2019	**8,176**	**218**	**47**	**8,441**

The buildings are properties rented on a long-term basis to operate the data centre and for administration. The vehicles relate to ecotel's vehicle fleet, which is rented on a long-term basis, while the infrastructure represents the network infrastructure rented on a long-term basis (backbone).

Expenses for short-term leases amounted to € 544 thousand in the 2019 financial year. Expenses for leases for low-value assets amounted to € 40 thousand in the reporting year.

As at 31 December 2018, there were the following financial obligations from operating leases:

€ thousand	Up to 1 year	1 to 5 years	5 years or more	Total as at 31/12/2018
Operating and office equipment (leasing)	206	229	0	435
Other rental agreements	1,267	4,925	140	6,332
	1,473	**5,154**	**140**	**6,767**

The lease obligations from operating and office equipment mainly resulted from leases for company vehicles. Other rental agreements chiefly comprised rent for office space and the data centre. For some of these rental agreements, extension options are available.

(4) Capitalised contract costs

Capitalised contract costs consist of costs to obtain contracts and costs to fulfil contracts. Costs to obtain contracts mainly consist of commissions for the conclusion of contracts with new customers. Costs to fulfil contracts chiefly consist of payments to upstream suppliers of the Group for connecting lines in order to provide network access to customers. As at 31 December 2019, capitalised contract costs amounted to € 2,812 thousand (31 December 2018: € 2,799 thousand). Depreciation and amortisation amounted to € 1,549 thousand (previous year: € 1,293 thousand) in the 2019 financial year and was recognised and reported under other operating expenses and the cost of materials. There were no impairment losses in the reporting period.

(5) Investments accounted for using the equity method

Investments accounted for using the equity method break down as follows:

€ thousand	Carrying amount (previous year)	Share of capital (previous year)
mvneco GmbH	997 (856)	33.3 % (33.3 %)

mvneco GmbH

mvneco GmbH is a strategic investment of ecotel. It acts as a technical service provider and advisor for mobile communication solutions and related managed services.

The table below presents the key data on mvneco GmbH (associated company):

€ thousand	31/12/2018	31/12/2019
Current assets	3,164	3,113
Non-current assets	110	598
Current liabilities	707	723
Net assets (equity)	2,567	2,988
Pro-rata net assets	856	997
At-equity carrying amount	856	997
	2018	2019
Sales	5,355	5,572
Earnings	457	721

(6) Trade receivables, contract assets and other financial and non-financial assets

€ thousand	Remaining maturity of more than 1 year	Total as at 31/12/2018	Remaining maturity of more than 1 year	Total as at 31/12/2019
Trade receivables	0	7,909	0	7,437
Contract assets	43	56	31	44
Miscellaneous other receivables and assets	114	2,074	135	2,514
Other non-financial assets	0	578	0	403

As at 31 December 2019, contract assets were reported in the amount of € 44 thousand (31 December 2018: € 56 thousand). There was no impairment in 2019. The effect on earnings from the increase in valuation allowances on trade receivables is included in other operating expenses, while the effect from the reversal of valuation allowances is included in other operating income. The receivables do not bear interest and therefore are not subject to interest rate risk. Due to the short-term payment dates, the carrying amounts correspond to the fair values.

As at 31 December 2019, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment consist of trading in telephone minutes (wholesale) with national and international carriers. Netting is contractually agreed as a "reduced" payment in line with usual industry practice. The conditions (IAS 32.42) for net reporting in the statement of financial position were not fully met. At the time the statement of financial position was drawn up, these receivables and liabilities were settled in full.

€ thousand	Gross (reported)	Netting	Net (cash flow)
Trade receivables	1,170	301	870
Trade payables	1,722	301	1,422

As at 31 December 2018, receivables and liabilities from settlement balances agreements broke down as follows:

€ thousand	Gross (reported)	Netting	Net (cash flow)
Trade receivables	2,613	1,857	755
Trade payables	2,587	1,857	729

(7) Current and deferred income tax assets

€ thousand	31/12/2018	31/12/2019
Deferred income tax assets	740	1,158
Current income tax assets	625	376
	1,365	**1,534**
Deferred income tax assets with a remaining term of more than one year	740	1,158

As in the previous year, the current income tax assets relate to income tax reimbursements from trade tax, corporation tax and capital gains tax.

(8) Cash and cash equivalents

€ thousand	31/12/2018	31/12/2019
Bank balances	6,093	8,253
Cash in hand and cheques	0	0
	6,093	**8,253**

(9) Equity

The development of the Group's equity is presented in the statement of changes in equity.

The share capital and capital reserve of the Group correspond to the share capital and capital reserve of the parent company. Other reserves include cumulative retained earnings.

Interests of non-controlling shareholders relate to direct minority interests in the equity (unchanged at 49.02%) of the easybell Group. This consists of easybell GmbH (€ 1,769 thousand, previous year: € 1,827 thousand) and the indirect minority interests in the equity of sparcall GmbH (€ 425 thousand, previous year: € 291 thousand), carrier-services.de GmbH (€ 1,148 thousand, previous year: € 1,065 thousand) and invoice GmbH (€ 48 thousand, previous year: € 130 thousand).

Aggregated key data of the easybell Group:

€ million	31/12/2018	31/12/2019
Total assets	**8.6**	**9.0**
Cash and cash equivalents	5.4	4.2
Other current assets	1.1	2.4
Non-current assets	2.1	2.4
Total liabilities	**2.2**	**2.2**
Current liabilities	2.2	2.2
Non-current liabilities	0	0
Equity	6.4	6.8
€ million	**2018**	**2019**
Sales	15.9	17.9
Profit	1.9	2.3
Cash flow	-0.5	-1.2

Share ownership

The table below shows the names of shareholders that held an interest of more than 3% in the share capital of ecotel communication ag at the end of 2019.

	2019
Peter Zils	29.91 %
Andrey Morozov	29.99 %
PVM Private Values Media AG	9.31 %
CBOSS Orient FZ-LLC	7.83 %
IQ Martrade Holding und Managementgesellschaft mbH	3.95 %
Hans Schmier	3.48 %
Subtotal:	84.47 %
Free float	15.53 %

The notifications taken into account were those that resulted in disclosures in accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG) in conjunction with section 20 (1) or (4) AktG or in conjunction with section 21 (1) or (1a) of the German Securities Trading Act (WpHG). The underlying notifications are described in detail in the annual financial statements of ecotel ag.

Authorised capital

By way of a resolution adopted by the Annual General Meeting on 28 July 2017, the Management Board of ecotel ag was authorised to increase the share capital of ecotel ag with the approval of the Supervisory Board one or more times by a total of up to € 1,755,000.00 in exchange for cash and/or non-cash contributions by 27 July 2022 by issuing new, no-par-value bearer shares (Authorised Capital). The Management Board did not make use of this authorisation in the year under review.

Capital management

The ecotel Group manages its capital with the primary objective of supporting its business activities and ensuring the long-term continuation of the company as a going concern. Capital management covers both the total reported equity and interest-bearing debt. Summarised quantitative disclosures on the capital managed can be found in the statement of financial position and in the corresponding disclosures in the notes. One important objective is to comply with the financial covenants agreed with the banks. These financial covenants relate to compliance with certain specifications for the equity ratio, the ratio of net financial liabilities to EBITDA and the ratio of EBITDA to sales. The financial covenants are reviewed as part of intra-year reporting. This also involves analysing future developments with regard to their impact on the financial covenants so that measures can be taken in good time where necessary.

For all current covenants, ecotel was well within the specified limits in the 2019 financial year and as at the reporting date.

(10) Liabilities from current and deferred income taxes

€ thousand	Opening balance as at 1/1/2019*	Utilisation	Reversal	Additions	Closing balance as at 31/12/2019
Current income taxes	672	672	-	331	331
Deferred income taxes	1,191	226	-	21	986
	1,863				**1,337**
Deferred income taxes with a term of more than one year	998				712

€ thousand	Opening balance as at 1/1/2019*	Utilisation	Reversal	Additions	Closing balance as at 31/12/2019
Current income taxes	760	760	-	672	672
Deferred income taxes	960	264	28	523	1,191
	1,720				**1,863**
Deferred income taxes with a term of more than one year	790				998

** Since 1 January 2019, the new financial reporting standard IFRS 16 “Leases” has been applied.*

Other financial and non-financial liabilities

(11) Other financial debt, trade payables, provisions and other financial and non-financial liabilities

€ thousand	Remaining maturity of up to 1 year	Total as at 31/12/2018	Remaining maturity of up to 1 year	Total as at 31/12/2019
Loans	**1,609**	**5,659**	**1,750**	**7,250**
Trade payables	**9,229**	**9,229**	**10,488**	**10,488**
thereof liabilities to associated companies	8	8	0	0
Provisions	**20**	**20**	**11**	**11**
Other financial and non-financial liabilities	**2,385**	**2,444**	**3,234**	**4,795**
thereof liabilities from hire purchase agreements	-	-	471	1,977
thereof social security liabilities	16	16	23	23
thereof liabilities from wages and salaries	555	555	571	571
thereof other personnel-related liabilities	473	473	662	662
thereof liabilities for auditing/Supervisory Board	187	187	159	159

As in the previous year, there were no derivative financial liabilities as at 31 December 2019. The loan liabilities relate to long-term loans with fixed and variable interest rates and contractually agreed repayments. The short-term loan liabilities relate to the loan repayments due in 2020.

The provisions chiefly comprise possible obligations from warranties.

(12) Lease liabilities

There are extension options for property leases whose utilisation is not sufficiently certain as at the reporting date. If these extension options are in fact exercised in the future, the potential future lease payments would lead to an estimated lease liability of € 3,332 thousand.

(13) Contract liabilities

Contract liabilities represent the obligation to provide a service to a customer. As at 31 December 2019, contract liabilities were reported in the amount of € 2,187 thousand (31 December 2018: € 1,739 thousand). Depending on the type of performance obligation and its allocation to an operating segment, the performance obligation is fulfilled and thus recognised as sales within the average contract term (3–6 years). Contract liabilities are divided into current and non-current liabilities depending on their settlement date.

(14) Reporting on financial instruments

In the course of its ordinary business operations, the Group faces currency, interest rate and credit rating risks that could have an impact on its net assets, financial position and result of operations.

Foreign currency risk: Foreign currency risks arise from receivables, liabilities, cash and cash equivalents and planned transactions that are not in the Group's functional currency. As the currency risk after the expiry of the concluded hedges in previous years was low, no derivative financial instruments were used for currency hedging in the previous year or in the past financial year.

Interest rate risk: In the ecotel Group, interest rate risks mainly arise from the Group's financial liabilities. Significant risks from negative changes in value that could result from unexpected interest rate changes are generally hedged against using financial derivatives.

In order to counteract any future rises in market interest rates to some extent, ecotel has entered into an interest rate hedge for a loan with a variable interest rate (€ 3.0 million). For another floating-rate loan (€ 2.0 million) whose interest rate is calculated based on the three-month Euribor, there is no hedging as at the reporting date. Due to the fixed interest on the remaining loans and the stable situation with regard to the key interest rate, there were no significant interest rate risks (in this respect) as at the reporting date, so no further hedges have been concluded for this.

Credit risk: A credit risk for the Group arises if transaction partners do not or cannot meet their payment obligations. The maximum default risk is presented in the accounts with the carrying amount of the respective financial asset. Due to the different business models and customer structures of the segments, different credit risks are also defined. In the ecotel Business Customers segment and at nacamar, trade receivables are divided into different measurement clusters (major customers, customers with special payment agreements, etc.). Within the clusters, impairment is recognised pro rata depending on the length of time by which the receivables are past due. It ranges between 5% and 66% (previous year: between 5% and 80%). In the Wholesale segment, there are mostly settlement balances agreements with the customers. As a result of this netting in line with usual industry practice, there is only a very low credit risk. Trade receivables are therefore impaired pro rata at a rate of 1%. In the easybell segment, receivables are mainly settled by direct debit, which considerably reduces the credit risk. Other receivables are impaired based on an age structure from one to more than 90 days. If they are past due by more than 90 days, they are written off completely. The development of the receivables portfolio is continuously monitored so that potential default risks can be identified at an early stage and appropriate measures can be initiated.

As at 31 December 2019, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment consist of trading in telephone minutes (wholesale) with national and international carriers. Netting is contractually agreed as a "reduced" payment in line with usual industry practice. The conditions (IAS 32.42) for net reporting in the statement of financial position were not fully met. At the time the statement of financial position was drawn up, these receivables and liabilities were settled in full.

Accordingly, the valuation allowances for the receivables reported under the following items of the statement of financial position developed as follows in the Group:

Valuation allowances for 2019 (€ thousand)	Trade receivables	Contract assets
As at 1/1/2019	262	0
Valuation allowances for the year under review	65	0
Disposals	78	0
As at 31/12/2019	**250**	**0**

Valuation allowances for receivables in 2018 (€ thousand)	Trade receivables	Contract assets
As at 1/1/2018	251	0
Valuation allowances for the year under review	39	0
Disposals	28	0
As at 31/12/2018	**262**	**0**

Zum 31. Dezember 2019 bestanden überfällige, nicht wertberichtigte Forderungen in folgender Höhe:

Receivables past due but not impaired (€ thousand)	Gross value as at 31/12/2019	Impaired receivables
Trade receivables	7,437	250
ecotel Business Customers	3,338	123
ecotel Wholesale	3,162	27
easybell	672	97
nacamar	266	2
Other financial assets	2,514	

In accordance with IFRS 9, the simplified model is used for determining impairment on trade receivables. Valuation allowances for trade receivables are measured in the amount of the lifetime expected credit losses. The expected credit loss risk for trade receivables is measured using an impairment matrix. Receivables that are not due and not impaired are expected to be recoverable in their full amount.

As at 31 December 2018, the situation was as follows:

Receivables past due but not impaired (€ thousand)	Gross value as at 31/12/2018	Impaired receivables
Trade receivables	7,909	262
ecotel Business Customers	4,155	144
ecotel Wholesale	2,846	-
easybell	607	102
nacamar	300	16
Other financial assets	2,074	

Financial instruments measured at fair value can be classified according to the following measurement hierarchy, which reflects the extent to which the fair value is observable:

Level 1: Fair value measurements based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Fair value measurements based on inputs for the asset or liability that are observable either directly (as prices) or indirectly (derived from prices) and do not constitute quoted prices as defined in level 1.

Level 3: Fair value measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

With the exception of long-term loans from banks, the carrying amounts reported in the following tables for financial assets and liabilities that are not accounted for at fair value represent a good approximation of their fair value, chiefly due to their short-term nature. The fair values shown in the following tables were measured using inputs for the asset or liability that are not based on observable market data (level 3). The market value of long-term loans is calculated over their term using current market interest rates and yield curves and taking account of the company‘s own credit risk.

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

Financial assets (€ thousand)	31/12/2019		
	Fair value	Carrying amount	
		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		8,253	
Trade receivables		7,437	
Contract assets		44	
Other current financial assets		2,514	0

The financial assets also include an interest rate cap that is allocated to the “At fair value through profit or loss” category. This was calculated based on observable market data (level 2) using recognised measurement methods. Hedge accounting was not designated. Changes in value are recognised under net finance costs. In the 2019 financial year, there was no reclassification between different classes.

Financial liabilities (€ thousand)	31/12/2019		
	Fair value	Carrying amount	
		Other liabilities	Total
Current loans	1,837	1,750	1,750
Trade payables		10,488	10,488
Lease liabilities		8,607	8,607
Contract liabilities		2,187	2,187
Other financial liabilities		3,734	3,734
Long-term loans	5,105	5,500	5,500
	6,942	**32,266**	**32,266**

As at 31 December 2018, the breakdown was as follows:

Financial liabilities (€ thousand)	31/12/2018		
	Fair value	Carrying amount	
		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		6,093	
Trade receivables		7,909	
Contract assets		56	
Other current financial assets		2,064	10

Financial liabilities (€ thousand)	31/12/2018		
	Fair value	Carrying amount	
		Other liabilities	Total
Current loans	1,709	1,609	1,609
Trade payables		9,229	9,229
Contract liabilities		1,739	1,739
Other financial liabilities		1,568	1,568
Long-term loans	4,121	4,050	4,050
	5,830	**18,195**	**18,195**

Liquidity risk: The ecotel Group companies are generally refinanced centrally by ecotel communication ag. There is a risk here that the liquidity reserves may not be sufficient to meet the financial obligations on schedule. In 2020, principal payments with a nominal volume of € 1.8 million (previous year: € 1.6 million) are due. Cash and cash equivalents of € 8.3 million (previous year: € 6.1 million) are available to cover the liquidity requirements. In addition to the reported cash and cash equivalents, credit lines amounting to € 4.0 million (previous year: € 6.2 million) are available to ecotel as at 31 December 2019, up to € 1.0 million (previous year: € 1.0 million) of which may be used for guarantee liabilities. A temporary credit facility of € 2.0 million is also available until 31 March 2020 for financing a rollout project. To secure financing for the planned growth of ecotel, additional loans of € 3.2 million were also concluded in the 2019 financial year. Financial covenants have been agreed in relation to the bank loans borrowed by ecotel communication ag (residual value: € 7.3 million; previous year: € 5.7 million) and the available credit lines. Failure to comply with the financial covenants could possibly result in termination and early repayment of the investment loans and the credit facility if no agreement can be reached on an adjustment of the financial covenants or on refinancing. Overall, the liquidity risk is considered to be low. The financial liabilities are expected to result in the following (undiscounted) payments in the coming years. All other financial liabilities are due within one year.

Principal/interest payments for financial liabilities (€ thousand)	Carrying amounts as at 31/12/2019	Principal payments			Interest payments		
		2020	2021 to 2024	2025 and after	2020	2021 to 2024	2025 and after
Deposits by banks	7,250	1,750	5,500	0	92	93	0

As at the previous year's reporting date, the presentation was as follows:

Principal/interest payments for financial liabilities (€ thousand)	Carrying amounts as at 31/12/2018	Principal payments			Interest payments		
		2019	2020 to 2023	2024 and after	2019	2020 to 2023	2024 and after
Deposits by banks	5,659	1,609	4,050	0	104	118	0

In accordance with IFRS 7, interest rate risks are generally presented using sensitivity analyses if the Group is exposed to such risks as at the reporting date. Primary floating-rate financial instruments whose interest payments are not designated as hedged items in cash flow hedges against interest rate risks, together with interest rate derivatives (interest rate swaps) that are not part of a hedging relationship in accordance with IAS 39, amounted to € 8 thousand as at the reporting date (previous year: € 10 thousand). On 31 December 2019, as at the previous year's reporting date, there were no primary financial instruments with fixed interest rates (financial liabilities) that were accounted for at fair value, as all financial instruments were accounted for at amortised cost. ecotel therefore was not exposed to any significant interest rate risks as defined in IFRS 7 on 31 December 2019. For this reason, no sensitivity analysis was performed for the risk from interest rate changes.

In accordance with IFRS 7, exchange rate risks are also presented using sensitivity analyses if the Group is exposed to risk variables as at the reporting date from the use of non-functional currencies in which Group companies enter into financial instruments. This likewise was not the case either in the previous year or as at 31 December 2019, so no sensitivity analysis was performed for the risk from exchange rate changes.

(15) Contingent assets and liabilities and other financial obligations

As at 31 December 2019, there were unrecognised liabilities from contingencies in the amount of € 316 thousand (previous year: € 601 thousand) for guarantee liabilities.

The carrying amount of the financial assets furnished as collateral totalled € 18 thousand as at 31 December 2019 (previous year: € 16 thousand). This chiefly relates to security deposits.

Notes to the consolidated statement of comprehensive income

(16) Sales

€ thousand	2018	2019
Breakdown of sales by segment		
ecotel Business Customers	48,148	46,890
ecotel Wholesale	32,888	15,369
easybell	15,937	18,606
nacamar	1,884	1,885
	98,857	**82,750**
Germany	69,369	76,643
International	29,488	6,107
	98,857	**82,750**

In the 2019 financial year, sales of € 1,158 thousand (previous year: € 948 thousand) were recognised that had previously been included in the contract liability balance. Sales are broken down into German and international sales based on the customer location. The sales revenue includes lease income of € 0.6 million (previous year: € 0.3 million) from hardware rental.

(17) Other operating income

Other operating income amounted to € 716 thousand in the 2019 financial year (previous year: € 305 thousand). It included income from receipts of impaired trade receivables of € 3 thousand (previous year: € 2 thousand) and reversals of impairment losses on trade receivables of € 21 thousand (previous year: € 19 thousand).

In the 2019 financial year, ecotel generated income of € 95 thousand from a sublease classified as an operating lease.

(18) Cost of materials

The cost of materials relates entirely to third-party services utilised.

(19) Staff costs

€ thousand	2018	2019
Wages and salaries	12,338	13,316
Social security contributions	2,023	2,272
Thereof expenses for pensions and other benefits	951	1,047
	14,361	**15,588**

For all employees of Group companies in Germany, there is a defined contribution pension plan within the framework of German pension insurance, in which the employer must make contributions at a currently applicable rate of 9.3% (employer portion). There are no other pension plans.

The average number of employees at the consolidated companies in the financial year was as follows:

Employees	2018	2019
Salaried employees	247	261

(20) Depreciation, amortisation and impairment losses

A breakdown of depreciation and amortisation of intangible assets, property, plant and equipment and financial assets can be found in the notes on the respective item.

As in the previous year, the impairment tests performed did not result in any impairment losses on the goodwill of the cash-generating units in the 2019 financial year.

(21) Other operating expenses

Other operating expenses totalled € 10,412 thousand in the 2019 financial year (previous year: € 10,962 thousand).Partner and dealer commissions amounted to € 3,847 thousand in 2019 (previous year: € 3,669 thousand). Technical expenses for operating costs, logistics and field service and similar expenses amounted to € 2,209 thousand (previous year: € 1,906 thousand), while the change in impairment on receivables and bad debt losses amounted to € 148 thousand (previous year: € 151 thousand).

(22) Net finance costs

€ thousand	2018	2019
Interest income		
Other interest and similar income	1	0
Interest income from non-current financial assets	-	-
1	**1**	**0**
Interest expense		
Interest expenses from loan liabilities	-224	-201
Interest expenses from leases	-	-256
Other interest and similar expenses	-4	-28
	-228	**-485**
Net interest income	**-228**	**-485**
Other financial expenses and income		
Income from the reversal of impairment on non-current financial assets	-	-
Result from companies measured at equity	152	240
Other financial expenses	-49	-8
Net finance costs	**-125**	**-254**

(23) Income taxes

€ thousand	2018	2019
Current income taxes	-817	-961
Deferred income taxes	175	623
	-642	-338

A reconciliation of the anticipated tax expense to the tax expense actually reported is presented below. To calculate the anticipated tax expense, earnings before income taxes are multiplied by a flat income tax rate of 31% (previous year: 31%) specified by the Group. This is made up of 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 anticipated and actual income tax expense for the year under review and the previous year is as follows:

€ thousand	2018	2019
Earnings before taxes	2,027	1,229
Group tax rate	**31.0 %**	**31.0 %**
Forecast tax expense	-628	-381
Differences arising from tax rates deviating from the Group tax rate	47	47
Tax effect from changes in permanent differences	-	-
Tax effect from tax-free income/expenses for profit distributions	-27	-22
Tax increases due to non-tax-deductible expenses	-15	-15
Taxes from previous years	-4	4
Result from investments carried at equity	47	75
Other tax effects	-62	-46
Tax expense according to income statement (expense - / income +)	-642	-338
Effective tax rate in %	**31.7 %**	**27.5 %**

Deferred taxes are calculated using the asset and liability method, under which tax relief and tax burdens that are likely to arise in the future are recognised for temporary differences between the carrying amounts recognised in the consolidated financial statements and the tax bases of assets and liabilities. If the temporary differences relate to items that directly increase or reduce equity, the associated deferred taxes are also directly offset against equity.

The deferred taxes are attributable to the following items:

€ thousand	2018 Assets	2018 Liabilities	2019 Assets	2019 Liabilities
Property, plant and equipment/intangible assets	246	1,093	166	1,000
Rights of use from leases, lease liabilities	-	-	51	-
Capitalised contract costs, contrast assets, contract liabilities (IFRS 15)	-	344		206
Trade payables	-	-	2	-
Deferred taxes on loss carryforwards	740	-	1,158	-
Netting, assets/liabilities	-246	-246	-220	-220
	740	**1,191**	**1,158**	**986**

Deferred tax assets in a tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction to the extent that the maturities match.

(24) Allocation of net profit to minority interests

The share of net profit attributable to non-controlling shareholders amounts to € 1,056 thousand (previous year: € 935 thousand) and relates to the pro rata annual results of easybell GmbH (€ 800 thousand; previous year: € 643 thousand), sparcall GmbH (€ 133 thousand; previous year: € 196 thousand), carrier-services.de GmbH (€ 82 thousand; previous year: € 76 thousand) and init.voice GmbH (€ 41 thousand; previous year: € 21 thousand).

(25) Earnings per share

The number of **ecotel communication ag shares** outstanding as at 31 December 2019 was 3,510,000 (previous year: 3,510,000). The shares are issued as no-par-value shares with a pro-rata amount of the share capital of € 1.00.

In accordance with IAS 33, basic earnings per share are calculated as the ratio of the consolidated net income for the year attributable to the shareholders of ecotel communication ag and the weighted average number of bearer shares outstanding during the financial year.

Dilution of the earnings per share may occur if the average number of shares is increased by including the issue of potential shares from options and convertible financial instruments. As in the previous year, there were no such dilutive financial instruments as at 31 December 2019, meaning that basic and diluted earnings are identical.

	2018	2019
Attributable consolidated net income for the year (in €)	450,560.50	-165,506.86
Weighted average number of shares	3,510,000	3,510,000
Basic earnings per share (in €)	0.13	-0.05
Diluted earnings per share (in €)	0.13	-0.05

Notes to the consolidated statement of cash flows

(26) Consolidated statement of cash flows

The consolidated statement of cash flows is prepared in accordance with IAS 7 and is broken down into cash flows from operating, investing and financing activities.

The cash and cash equivalents in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" item reported in the consolidated statement of financial position.

Effective cash flows are allocated to ecotel's long-term and short-term loans and its lease liabilities. There were no non-cash transactions in 2019.

	Long-term loans	Current loans	Lease liabilities*	Total
1/1/2019	4,050	1,609	9,578	15,237
Borrowings	3,200	-	158	3,358
Repayment	-	-1,609	-1,128	-2,737
Reclassification	-1,750	1,750	-	-
31/12/2019	5,500	1,750	8,608	15,858

The following effective cash flows arose in the previous year:

	Langfristige Darlehen	Kurzfristige Darlehen	Total
1/1/2018	3,859	1,308	5,168
Borrowings	1,800	-	1,800
Repayment	-	-1,308	-1,308
Reclassification	-1,609	1,609	0
31/12/2018	4,050	1,609	5,659

**Since 1 January 2019, the new financial reporting standard IFRS 16 "Leases" has been applied.*

Other notes

(27) Appropriation of profits

In accordance with section 58 (2) of the German Stock Corporation Act (AktG), the relevant basis for ecotel's appropriation of net profit is the annual financial statements of ecotel communication ag, which are prepared in line with the provisions of German commercial law. The annual financial statements of ecotel communication ag show an unappropriated surplus of € 989 thousand (previous year: € 500 thousand). In the 2019 financial year, ecotel communication ag distributed a dividend of € 0.13 per eligible share for the 2018 financial year. A total of € 456 thousand was distributed to the shareholders.

(28) Related party disclosures

The volume of services performed or utilised by related parties is as follows:

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
€ thousand	2018	2019	2018	2019
mvneco GmbH				
– Trade receivables/payables	35	39	66	21

As at 31 December 2019, there were receivables from mvneco GmbH in the amount of € 3 thousand (previous year: € 3 thousand) and trade payables to mvneco GmbH in the amount of € 0 thousand (previous year: € 8 thousand).

The ecotel Group had service relationships with the following related persons (or their companies) in 2019:

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
€ thousand	2018	2019	2018	2019
MPC Serivces GmbH				
– Trade receivables/payables	3	4	344	420

Agreement with MPC Service GmbH

A commercial agency agreement is in place between MPC Service GmbH and ecotel. Under this agreement, MPC Service GmbH receives an acquisition commission and a product-based commission for monthly incoming orders based on the monthly sales of all customers acquired through MPC Service GmbH. The Supervisory Board member Mirko Mach is a managing director and partner of MPC Service GmbH. As at the reporting date, there were receivables from MPC Service GmbH in the amount of € 0 thousand (previous year: € 0 thousand) and liabilities of € 0 thousand (previous year: € 31 thousand).

(29) 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 ecotel's segments.

Segmentation is based on the internal reporting by business areas, which can be differentiated as follows:

- In the ecotel Business Customers segment (the core operating segment), ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions) from a single source. In this segment, ecotel also provides products as a supplier for other ICT companies (e.g. resellers).
- In the ecotel Wholesale segment, ecotel offers cross-network trading in telephone minutes (wholesale) for national and international carriers.
- In the easybell segment, broadband internet connections and VoIP telephony for private customers and SIP trunking offers for smaller companies are marketed.
- In the nacamar segment, the company offers its own content delivery network (CDN) streaming services for media companies.

Segment earnings, a figure that is used by the Management Board for corporate management and monitoring, refer to annual earnings before interest, taxes, depreciation and amortisation (EBITDA). The segments presented here are prepared in line with the Group's accounting policies. There are consequently no valuation adjustments.

In the 2019 financial year, there were no international carriers with which the Wholesale segment generated a sales volume of more than 10% of consolidated sales. In the previous year, more than 10% of consolidated sales were generated with one international carrier (previous year: € 16.4 million). The Group's highest international sales in 2018 were generated in Switzerland.

€ thousand	ecotel Business Customers 2018	ecotel Business Customers 2019	ecotel Wholesale 2018	ecotel Wholesale 2019	easybell 2018	easybell 2019	nacamar 2018	nacamar 2019	Cross-segment consolidation 2018	Cross-segment consolidation 2019	Group 2018	Group 2019
External sales	48,148	46,890	32,888	15,369	15,937	18,606	1,884	1,885	-	-	98,857	82,750
Intersegment sales	-	-	3,624	4,069	583	668	-	-	-4,207	-4,737	0	0
Gross profit	23,626	23,796	418	389	6,869	8,284	1,006	1,104	-	-	31,918	33,574
EBITDA	3,890	4,349	66	88	3,349	3,990	229	366	-	-	7,534	8,792
Depreciation and amortisation	-4,573	-6,118	-	-	-615	-907	-102	-204	-	-	-5,290	-7,230
Unscheduled impairment	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	-773	-1,849	66	88	2,733	3,082	127	162	-	-	2,153	1,483
Net finance costs											-125	-254
Profit from ordinary activities											2,027	1,229
Income tax expense											-642	-338
Net profit											1,385	891
Consolidated net profit											451	-165
Minority interests											935	1,056

Intersegment transactions were performed at market prices. The Group‘s sales were mostly generated in Germany. Sales were broken down into German and international sales based on the customer location. For further information, please refer to the disclosures on sales. All assets and investments are attributable to Germany.

(30) Declaration on corporate governance in accordance with section 289f and section 315d of the German Commercial Code (HGB) including the declaration in accordance with section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of ecotel communication ag have issued the declaration on corporate governance required in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the corporate governance report including the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and have made them permanently available to the public online (www.ecotel.de under Investor Relations/Corporate Governance).

(31) Remuneration of key management personnel (disclosures in accordance with section 314 HGB and IAS 24)

Total remuneration in € thousand	Peter Zils		Achim Theis	
	2018	2019	2018	2019
Fixed remuneration	345	330	250	250
Fringe benefits	23	23	17	17
Annual variable remuneration	53	-	45	-
Perennial variable remuneration	-	-	-	-
Total remuneration	**421**	**353**	**312**	**267**

The performance-based variable remuneration is tied to a sustainable business development over a three-year period. In addition to fixed remuneration and fringe benefits, the Management Board is entitled to securely earned variable remuneration of € 0 thousand for the 2019 financial year (previous year: € 98 thousand). After deducting the remuneration components already paid, corresponding liabilities were recognised. The remuneration consists entirely of short-term benefits. Remuneration for the 2019 financial year thus amounted to € 620 thousand (previous year: € 733 thousand).

The table below shows the remuneration of the Supervisory Board:

Remuneration of the Supervisory Board in € thousand	2018	2019
Dr Norbert Bensel (Chairman of the Supervisory Board)	24	24
Mirko Mach (Deputy Chairman of the Supervisory Board)	19	19
Dr Thorsten Reinhard	13	14
Brigitte Holzer	13	14
Sascha Magsamen	14	13
Tim Schulte Havermann	13	14
Total	**96**	**98**

Since September 2016, ecotel has also included two authorised signatories among its key management personnel in accordance with IAS 24 in addition to the Management Board and Supervisory Board members. The total remuneration for all key management personnel thus amounts to € 1,104 thousand (previous year: € 1,236 thousand) and is all short-term. € 30 thousand (previous year: € 29 thousand) of this was attributable to contributions to retirement provisions in the reporting period. For further information on the remuneration of the Management Board and the Supervisory Board, please refer to the statements in the group management report.

(32) Auditor‘s fees

In the 2019 financial year, the expensed fee for the auditor of the annual and consolidated financial statements of ecotel ag for auditing services amounted to € 82 thousand and comprises the fees for the statutory audit of the annual and consolidated financial statements of the company and its consolidated subsidiaries. As in the previous year, no expenses were recognised for the auditor for other assurance services, tax consulting services or other services.

(33) Events after the reporting period

No significant changes occurred between the end of the financial year and the preparation of the consolidated financial statements on 6 March 2020. The economic environment did not change to the extent that it would have had a significant impact on ecotel‘s operations and the sector situation was no different from how it was as at 31 December 2019.

(34) Exemption from disclosure

The option of exemption from disclosure of the annual financial statements in accordance with section 264 (3) of the German Commercial Code (HGB) was exercised for the subsidiary nacamar GmbH.

Düsseldorf, 6 March 2020
The Management Board

Peter Zils *Achim Theis*

Independent Auditor's Report

To ecotel communication ag, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the Consolidated Financial Statements of ecotel communication ag, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2019 as well as the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial year from 1 January to 31 December 2019, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of ecotel communication ag, Düsseldorf, for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have neither audited the Statement of Corporate Governance nor the Corporate Governance Report (including the statement pursuant to section 161 of the German Public Limited Companies Act (AktG [Aktiengesetz]) referenced in section VIII of the Group Management Report.

In our opinion, based on the knowledge obtained in the audit,

– the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 of the German Commercial Code (HGB [Handelsgesetzbuch]) and, in compliance with these requirements, give a true and fair view of the assets, the liabilities and the financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
– the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover the content of the unaudited parts of the Group Management Report listed above.

Pursuant to section 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Group Management Report.

Basis for the Audit Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditor (IDW [Institut der Wirtschaftsprüfer]). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the

Audit of the Annual Financial Statements and of the Management Report” section of our Auditor’s Report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other professional responsibilities as applicable in Germany in accordance with these requirements. In addition, in accordance with Article 10 para. 2 lit. (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 para. 1 of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Audit Opinions on the Consolidated Financial Statements and on the Group Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our audit opinion thereon. We do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was

– recognition and proper allocation of revenues to the correct periods

a) The Risks for the Financial Statements

The Consolidated Financial Statements disclose revenues amounting to EUR 82.7 million, EUR 46.9 million of these relate to the Business customers segment. Revenue is generally recognized as of the date on which the service has been rendered or the asset has been delivered. To allocate revenue to the correct periods, revenue from monthly base fees for voice connections and data services from services already invoiced but not yet rendered is deferred to the relevant periods. The Company determines these relevant revenue groups based on implemented system generated reports drawn directly from the billing system. In addition, many customer contracts were subject to a switch to a different tariff in the fiscal year. Given the high volume of conversions, the company also monitored the performance- related recording of sales revenue based on database analysis.

Disclosures relating to the specifics of performance-based recording of revenues and proper allocation in the Consolidated Financial Statements are included in the section “Accounting Principles” of the Notes to the Consolidated Financial Statements. In addition, sections “II. Economic Report” and “IV. Forecast and Report on Opportunities and Risks” of the Group Management Report contain further explanations regarding revenues.

Due to the materiality of the deferred revenues on a monthly basis as well as the specific effects caused by call rates conversion in the fiscal year, there is an aggravated risk regarding the recognition and improper allocation of revenues as of the balance sheet date. For this reason, we consider this matter to be a key audit matter for the financial year.

b) Audit Approach and Conclusions

During our audit we initially assessed the appropriateness and the effectiveness of the processes and controls over financial reporting for revenue recognition and periodization implemented by the Company. Building up on this basis, we conducted substantive procedures regarding recognition during the year and proper allocation of revenues as of the balance sheet date. In doing so, we did not only perform analytical assessment of the monthly deferrals over the course of the year but also evaluations based on samples as to whether the accounting documents recorded the revenues correctly performance-based and in the proper period.

We were able to satisfy ourselves of the fact that the implemented accounting systems and processes as well as the relevant internal controls are appropriate, and that revenue recognition and revenue deferral as of the balance sheet date were sufficiently documented and substantiated by the legal representatives of the Company to ensure proper recognition of revenues within the reporting period covered.

Other Information

The Legal Representatives or the Supervisory Board are responsible for the other information. The other information, as of the date of the Auditor's report, comprise the

– Unaudited content of those parts of the Group Management Report listed in the section "Audit Opinions" above,
– The report of the Supervisory Board
– The remaining parts of the Annual Report except for the audited Consolidated Financial Statements, audited parts Group Management report information including our audit opinion, and
– The confirmation pursuant to section 297 para. 2 sentence 4 HGB regarding the Consolidated Financial Statements and the confirmation pursuant to section 315 para. 1 sentence 5 HGB regarding the Group Management Report.

The Foreword by the Management Board as part of the annual report is expected to be made available to us following the date of this Auditor's Report.

The Supervisory Board is responsible for the report of the Supervisory Board. The Legal Representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 of the German Public Limited Companies Act (AktG [Aktiengesetz]), which is part of the Group's corporate governance declaration contained in section VII of the Group Management Report. Besides, the Legal Representatives are responsible for the other information.

Our Audit Opinions on the Consolidated Financial Statements and the Group Management Report do not cover the other information and, consequently, we neither issue an opinion nor do we express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Group Management Report, our responsibility is to read the other information and, in doing so, consider whether the other information

– is materially inconsistent with the Consolidated Financial Statements, the audited parts of the Group Management Report or our knowledge obtained in the audit or
– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Legal Representatives are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Legal Representatives are responsible for such internal controls as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Legal Representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Legal Representatives are responsible for the preparation of the Group Management Report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Legal Representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an Auditor's Report that includes our Audit Opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our Audit Opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
– Obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
– Evaluate the appropriateness of accounting policies used by the Legal Representatives and the reasonableness of estimates made by the Legal Representatives and related disclosures.
– Conclude on the appropriateness of the Legal Representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective Audit Opinions. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express Audit Opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group Audit. We remain solely responsible for our Audit Opinions.

– Evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group's position it provides.
– Perform audit procedures on the prospective information presented by the Legal Representatives in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Legal Representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate Audit Opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group Auditor by the Annual General Meeting on 12 July 2019. We were engaged by the Supervisory Board on 18 October 2019. We have been the Group Auditor of ecotel communication ag, Düsseldorf, continuously since the financial year 2018.

We declare that the Audit Opinions expressed in this Auditor's Report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor [Wirtschaftsprüfer] responsible for the engagement is Mr. Constantin Mundt.

Düsseldorf, 6 March 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christoph Couhorn	Constantin Mundt
Public Auditor	Public Auditor

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Financial calendar

7 May 2020	Publication of quarterly financial report (Q1)
3 July 2020	Annual General Meeting
6 August 2020	Publication of half-year financial report
12 November 2020	Publication of quarterly report (Q3)

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