2018

Quarterly statement

for 1st quarter

20th anniversary

ecotel® all around communication

Profit and loss account (IFRS)		1st quarter 2017 (IFRS)	1st quarter 2018 (IFRS)
Revenue	in million €	**26.9**	**19.6**
ecotel Business Customers	in million €	11.6	11.9
ecotel Wholesale	in million €	11.0	3.2
easybell	in million €	3.9	4.0
nacamar	in million €	0.4	0.5
Gross earnings	in million €	**7.3**	**7.6**
ecotel Business Customers	in million €	5.6	5.8
ecotel Wholesale	in million €	0.1	0.1
easybell	in million €	1.5	1.5
nacamar	in million €	0.2	0.2
EBITDA [1,2]	in million €	**1.8**	**1.8**
in % of revenue		6.7 %	9.1 %
Operating result (EBIT)	in million €	0.7	0.5
Consolidated profit [3]	in million €	0.3	0.1
Earnings per share [4]	in €	0.07	0.04

Cash flow		1st quarter 2017 *(IFRS)*	1st quarter 2018 *(IFRS)*
Cash and cash equivalents as of 01/01	in million €	7.5	6.4
Cash flow from ongoing business activities	in million €	0.7	1.6
Cash flow from investment activities	in million €	–1.4	–1.3
Cash flow from financing activities	in million €	2.4	–1.3
Financial resources as of 31/03	in million €	9.2	5.4
Free cash flow [5]	**in million €**	**–0.7**	**0.4**

Balance sheet (IFRS)		1st quarter 2017 *(IFRS)*	1st quarter 2018 *(IFRS)*
Balance sheet total	in million €	47.0	41.6
Equity	in million €	22.9	22.3
in % of the balance sheet total		48.8%	53.7 %
Net financial assets	in million €	**2.7**	**0.6**

Other key figures		1st quarter 2017 *(IFRS)*	1st quarter 2018 *(IFRS)*
Number of shares as of 31/03 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 31/03	Quantity	222	241
Personnel costs	in million €	3.3	3.4

[1] Earnings before interest, taxes, depreciation and amortisation
[2] Corresponds to the consolidated profit after deduction of minority interests
[3] Both undiluted and diluted
[4] Free cash flow = cash flow from current business activities + cash flow from investment activities
[5] Without minority companies (synergyPLUS GmbH, mvneco GmbH)

Dear Shareholders,

The year 2018 started off successfully for us. The important core segment »ecotel Business Customers« increased its revenue by € 0.3 million in comparison with the previous year to € 11.9 million, continuing the profitable growth course of the past four years. This development confirms that ecotel is well positioned with the new product portfolio for business customers, and has successfully started implementation of the technological transformation from ISDN to All-IP based voice services.

The »easybell« and »nacamar« segments likewise increased their revenue from € 0.1 million to € 4.0 million and € 0.5 million, respectively. The change in strategy and the transformations implemented in these segments in recent years are evident in this positive development. The low-margin »ecotel Wholesale« segment achieved revenue of € 3.2 million (previous year: € 11.0 million). This decrease of € 7.8 million in comparison with the first quarter 2017 caused a decrease in consolidated revenue of € 7.3 million to € 19.6 million.

Consolidated gross profit on the other hand increased to € 7.6 million (previous year: € 7.3 million). While gross profit in the »ecotel Wholesale«, »easybell« and »nacamar« segments improved by a total of € 0.1 million, gross profit in the core segment »ecotel Business Customers« increased to € 5.8 million (previous year: € 5.6 million). The gross profit margin in this segment increased slightly to 48.7% (previous year: 48.3%). These results are the first positive effects from the growing share of the new high-margin IP voice products from in-house developments.

Consolidated EBITDA remained unchanged at € 1.8 million (previous year: € 1.8 million). The reinforcement of human resources made necessary in 2017 resulted in an increase in personnel expenses of € 0.2 million in comparison to the first quarter 2017. Other operating expenses and income increased by a total of € 0.1 million. The expected increase in depreciations totalling € 1.3 million (previous year: € 1.1 million) results in EBIT of € 0.5 million (previous year: € 0.7 million). After deduction of taxes on income and earnings as well as shares of other shareholders, ecotel achieved a consolidated surplus of € 0.1 million (previous year: € 0.3 million) in the first three months of 2018, which corresponds to earnings per share of € 0.04 (previous year: € 0.07).

With a nearly unchanged balance sheet total of € 41.6 million and equity of € 22.3 million, ecotel is well equipped to continue its sustainable growth strategy – with an equity ratio of 53.7% (previous year: 48.8%), net financial assets of € 0.6 million (previous year: € 2.7 million) and free cash flow of € 0.4 million (previous year: € –0.7 million).

ecotel will continue to make target-oriented and success-related investments in high-performance customer equipment, which will temporarily burden the free cash flow. With the new product portfolio we now have everything needed by business customers to complete the successful and efficient development from ISDN to All-IP and eventually to a Gigabit society. The individual customer solutions will be implemented with DSL and optical fibre transmission technology of different upstream suppliers (multi-carrier strategy), combined with voice services from in-house developments, and managed by ecotel.

Meanwhile, more than 20% of ecotel voice minutes are IP based, the majority transmitted via the company's own local exchange network. This share continues to increase. On the other hand, the share of voice minutes with ISDN preliminary products from Telekom – meanwhile below 25% – continues to decrease as planned. The higher value creation from "in-house production" simultaneously increases ecotel's competitiveness, which has also made it possible to convince major customers to switch to IP-based voice services. For example, we recently acquired a major contract for networking of regional branch offices with the head office via an MPLS VPN, including IP-based voice services. In addition, the implementation of key account contracts already acquired is progressing according to schedule.

The Management Board is convinced that ecotel remains on the right path and reconfirms the forecast for 2018. For 2018 the Management Board is therefore predicting consolidated revenue ranging between € 90 and 120 million and EBITDA in the realm of € 7.0 to 8.0 million with a slightly increased gross profit margin, resulting in enhanced gross profits in the core Business Solutions segment.

Düsseldorf, in May 2018

Peter Zils
Chief Executive Officer

Achim Theis
Management Board

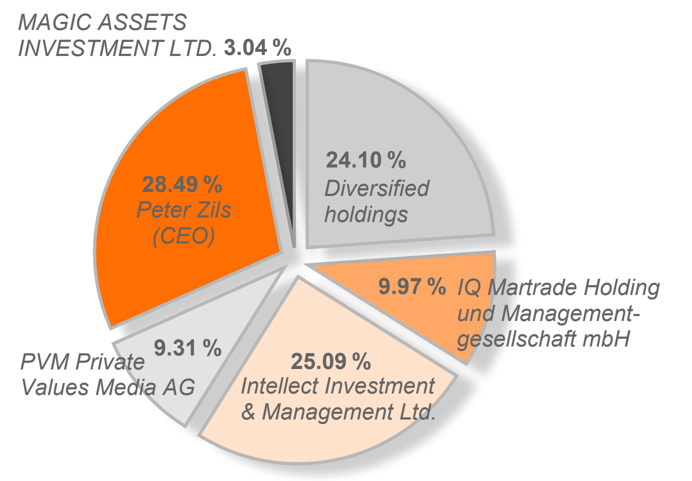
Overview of the ecotel share

The ecotel share started the year 2018 at € 10.73. During the course of the first quarter 2018 the price of the share ranged from € 11.60 to € 9.60. Compared to the German share index DAX and also TecDAX the development of the ecotel share was stronger or constant almost to the end of the quarter. As of the end of the first quarter 2018 the share decreased significantly in value compared with the development of the Tec DAX and slightly in comparison with the development of the DAX. The ecotel share closed the first quarter at a price of € 9.65. With a total of 3.51 million outstanding shares this results in market capitalization of € 33.9 million (31 March 2017: € 28.6 million). The average trading volume in the first three months totalled 2,186 shares (Q1 2017: 4,623 shares).

Shareholder structure

As of 31 March 2018 the share capital of ecotel communication ag remained unchanged at 3,510,000 shares. There were no significant changes in the shareholder structure. Peter Zils (CEO of ecotel) holds a share of 28.5 %, Intellect Investment & Management Ltd. a share of 25.1 %, IQ Martrade Holding und Managementgesellschaft mbH a share of 9.97 %, PVM Private Value Media AG a share of 9.3 %, and Magic Assets Investment Ltd a share of 3.04 % of the company's stock. The diversified holdings remained at approximately 24 %.

Shareholdings (31/03/2018) in percent



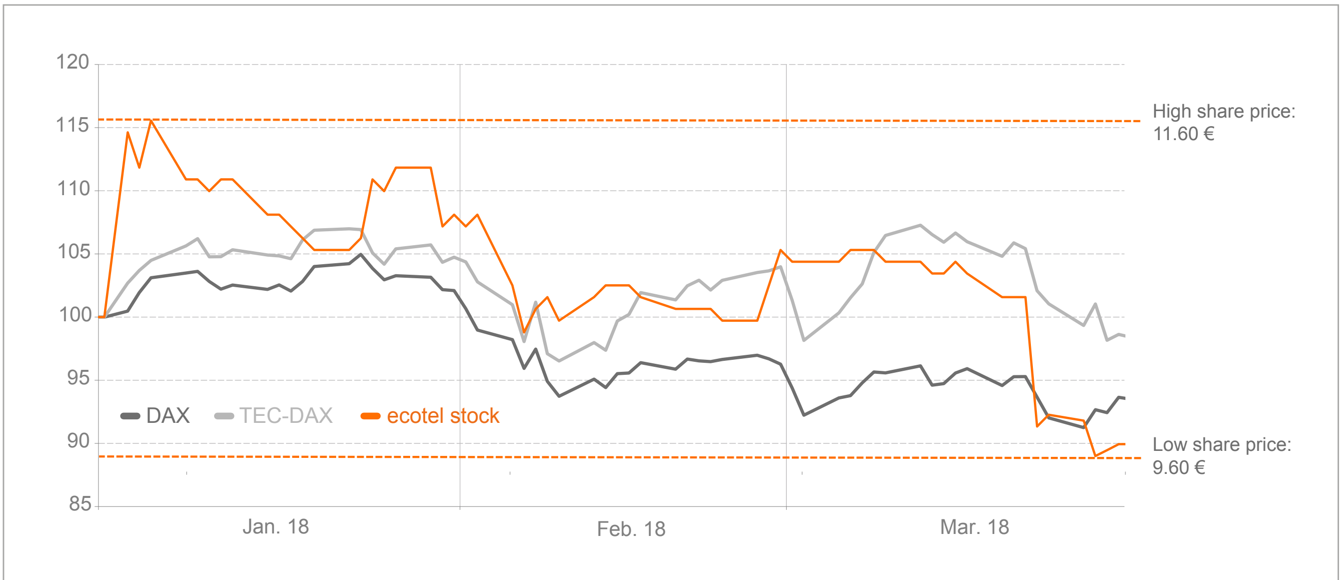
[1] *according to the last notice of 09/07/2009 prior to call-in of treasure shares (capital stock in shares: 3,900,000)*
[2] *according to the last notice of 07/04/2011 prior to call-in of treasure shares (capital stock in shares: 3,900,000)*

Key figures Ø 2018

WKN	585434
ISIN	DE0005854343
Symbol	E4C
Market segment since 08/08/2007	Prime Standard
Index affiliation	CDAX, Prime All Share Technology All Share
Class	Non par value shares
Date of first listing	29/03/2006
Number of shares as of 31/03/2018	3,510,000
Average daily trading volume 2018	2,186
High share price 2018 (€)	11.60
Low share price 2018 (€)	9.60
Market capitalisation as of 31/03/2018 (million €)*	33.9
Designated sponsor	Close Brothers Seydler Bank AG

* *Based on the closing price of € 9.65 per share for 3,510,000 outstanding shares as of 31 March 2018*

Price trend of the ecotel stock in 2018 in percent



Significant developments in the Group in first quarter 2018:

On 1 January 2018 ecotel applied the additions and changes in IFRS 9 »Financial Instruments« and IFRS 15 »Revenue from Contracts with Customers« for the first time. Details on the effects are included in the section »New or changed provisions of the IASB to be applied for the first time in the consolidated financial statement as per 1 January 2018«.

Consolidated revenue decreased by € 7.3 million to € 19.6 million compared to the first quarter 2017. However, this decrease was caused by the low-margin and difficult-to-plan segment ecotel Wholesale, in which revenue dropped by € 7.8 million to € 3.2 million. All other segments were able to increase revenue. The renewed increase in the high-margin core segment ecotel Business Customers is especially positive. Revenue here increased by € 0.3 million to € 11.9 million in the quarterly comparison.

Gross profit increased by € 0.3 million to € 7.6 million. The **gross profit margin** in the core segment ecotel Business Customers increased slightly to 48.7 % (Q1 2017: 48.3 %).

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation – totalled € 1.8 million in the first quarter (Q1 2017: € 1.8 million).

The increase in scheduled depreciations by € 0.2 million to € 1.3 million results in **EBIT** of € 0.5 million (Q1 2017: € 0.7 million). After taking into account the financial result and deducting third-party shares, ecotel reported **consolidated profit** of € 0.1 million (Q1 2017: € 0.3 million), which results in **earnings per share** of € 0.04 (Q1 2017: € 0.07).

Free cash flow in the first three months of 2018 totalled € 0.4 million (Q1 2017: € –0.7 million). With cash flow from operating activities of € 1.6 million (Q1 2017: € 0.7 million) investments totalling € 1.3 million (Q1 2017: € 1.4 million) were made in further growth – primarily in high-performance, individual customer equipment. In addition to scheduled repayments in the first quarter, dividends totalling € 1.0 million were distributed to minority shareholders.

A **balance sheet total** of € 41.6 million (31/12/2017: € 41.8 million) and **equity capital** of € 22.3 million (31/12/2017: € 22.5 million) results in an **equity ratio** of 53.7 % (31/12/2017: 53.9 %) as of 31/03/2018.

The **net financial assets** of the group were earmarked as planned for investment in necessary growth measures. As of 31/03/2018 the net financial assets totalled € 0.6 million (31/12/2017: € 1.2 million).

Consolidated balance sheet as of 31 March 2018 (unaudited)

€	31/12/2017	31/03/2018
Assets		
A. Non-current assets		
I. Intangible assets	12,692,591.72	12,721,737.41
II. Fixed assets	8,751,550.31	8,649,960.55
III. Capitalised contract costs	–	2,553,995.00
IV. Financial assets measured at equity	704,062.70	741,821.24
V. Deferred income tax claims	333,732.79	451,996.13
Total non-current assets	**22,481,937.52**	**25,119,510.33**
B. Current assets		
I. Trade receivables	9,294,375.00	7,170,217.37
II. Contract assets	–	18,539.00
III. Other financial assets	1,845,388.63	2,113,530.58
IV. Other non-financial assets	996,286.89	837,671.81
V. Actual income tax claims	783,621.13	853,904.68
VI. Cash and cash equivalents	6,393,218.27	5,443,923.57
Total current assets	**19,312,889.92**	**16,437,787.01**
Total assets	**41,794,827.44**	**41,557,297.34**

Consolidated balance sheet as of 31 March 2017 (unaudited)

€	31/12/2017	31/03/2018
Liabilities		
A. Equity capital		
I. Subscribed capital	3,510,000.00	3,510,000.00
II. Capital reserves	1,833,254.38	1,833,254.38
III. Other reserves	13,934,160.76	14,378,865.03
Shares of the owners of the parent company	**19,277,415.14**	**19,722,119.41**
IV. Shares of other shareholders	3,235,118.67	2,598,063.33
Total equity capital	**22,512,533.81**	**22,320,182.74**
B. Non-current liabilities		
I. Latent income tax	842,999.57	1,140,239.77
II. Non-current loans	3,859,369.00	3,385,410.00
III. Contract liabilities	–	565,051.00
Total non-current liabilities	**4,702,368.57**	**5,090,700.77**
C. Current liabilities		
I. Actual income tax	759,628.75	851,287.56
II. Current loans	1,308,336.00	1,495,836.00
III. Accounts payable	10,408,124.87	9,091,260.48
IV. Contract liabilities	–	662,646.00
V. Provisions	54,176.00	54,176.00
VI. Other financial liabilities	1,330,004.48	1,152,673.47
VII. Other non-financial liabilities	719,654.96	838,534.32
Total current liabilities	**14,579,925.06**	**14,146,413.83**
Total liabilities	**41,794,827.44**	**41,557,297.34**

Consolidated profit statement

for the first quarter 2018 and for the first three months of 2017 (unaudited)

€		1/1 – 31/03/2017	1/1 – 31/03/2018
1.	Sales revenue	26,863,988.96	19,578,317.46
2.	Other revenues or gains	65,590.79	58,645.18
3.	Other company-manufactured items capitalized	156,858.55	127,067.87
4.	**Total operating performance**	**27,086,438.30**	**19,764,030.51**
5.	Cost of materials		
	Expenses for services purchased	– 19,576,246.14	– 11,961,885.01
6.	Personnel costs		
6.1	Wages and salaries	– 2,802,542.89	– 2,944,295.43
6.2	Social contributions and expenses for pensions and benefits	– 464,508.21	– 491,466.45
7.	Scheduled depreciations	– 1,101,818.23	– 1,275,062.73
8.	Other operating expenses	– 2,474,615.43	– 2,600,334.33
9.	**Operating result (EBIT)**	**666,707.40**	**490,986.56**
10.	Interest income	8.92	720.32
11.	Interest expense	– 47,810.97	– 36,172.24
12.	Earnings from financial assets measured at equity	79,381.33	37,758.54
13.	**Financial result**	**31,579.28**	**2,306.62**
14.	**Earnings from normal business activities before income tax**	**698,286.68**	**493,293.18**
15.	Taxes from income and revenue	– 208,312.31	– 147,987.90
16.	**Surplus (= total consolidated profit)**	**489,974.37**	**345,305.28**
17.	Allocation of the surplus to the		
17.1	**Owners of the parent company (consolidated surplus)**	**262,821.39**	**125,791.51**
17.2	Shares of other shareholders	227,152.98	219,531.77

€	1/1 – 31/03/2017	1/1 – 31/03/2018
Undiluted earnings per share	0.07	0.04
Diluted earnings per share	0.07	0.04

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

New or changed provisions of the IASB to be applied for the first time in the consolidated financial statement as per 1 January 2018:

The following table shows the new or changed stipulations of the IASB to be applied in the consolidated financial statement for the first time as per 1 January 2018 that have effects on the consolidated financial statement of ecotel communication ag:

Standard/Interpretation
IFRS 9 »Financial Instruments«
IFRS 15 »Revenue from Contracts with Customers«
Changes to IFRS 15 »Revenue from Contracts with Customers«: Clarifications
Changes to IFRS 15 »Revenue from Contracts with Customers«: Time of first application

IFRS 9 »Financial Instruments« contains regulations for the recognition, accounting and derecognition of financial assets and debts, as well as for the accounting of hedging relationships. The previous method for accounting of financial instruments in accordance with IAS 39 »Financial Instruments: Recognition and Measurement« has now been completely replaced by accounting in accordance with IFRS 9. The central requirements of IFRS 9 can be summarised as follows:

- Compared with the previous IAS 39 standard the requirements of IFRS 9 for the area of application as well as recognition and derecognition are unchanged for the most part.

- However, the provisions of IFRS 9 provide for a new classification model for financial assets that differs from IAS 39.

- The subsequent measurement of financial assets in the future will be based on three categories with different standards of value and a different recognition of changes in value. This categorisation is based both on the contractual cash flows of the instrument and on the business model in which the instrument is held. In principal, it is therefore a matter of obligatory categories. In addition, enterprises also have individual options at their disposal.

- For financial liabilities, on the other hand, the existing provisions have been retained in IFRS 9 for the most part. The only significant change relates to financial liabilities in the fair value option. For these, due to changes in the credit risk, fair value fluctuations are to be recognised in the other comprehensive income.

- IFRS 9 provides for three levels that will define the amount of losses and interest received to be recognised in the future. Accordingly, expected losses amounting to the cash value of an expected 12-month loss are to be recognised at the time of inflow (level 1). In the event of a significant increase in the credit risk, the provision for risks is to be increased to the amount of the expected losses for the entire remaining term (level 2). Upon the occurrence of an objective indication of loss of value the interest income is to be recognised on the basis of the net carrying value (carrying value minus provision for risk) (level 3). A simplified model is to be applied for certain financial assets (such as trade receivables without significant financing components).

- In addition to extensive transitional provisions, IFRS 9 is also connected with extensive disclosure requirements both during the transition and in ongoing application. Changes in comparison to IFRS 7 »Financial Instruments: Notes« relate primarily to the provisions for impairments.

ecotel applied the new standard retrospectively as per 1 January 2018 with the practical exception allowed by the standard. Comparison values for 2017 were therefore not adjusted. The cumulative effect (before deferred taxes) on the trade receivables totalling € 77 thousand was set off with the reserves as not affecting net income. The relevant categories for ecotel are essentially trade receivables with no significant financing components. The business model currently provides for carrying of the receivables, so that no significant effects will result from a different classification. ecotel does not use a fair value option in the classification of financial liabilities, so that no significant effects occurred here either.

In May 2014 the IASB published the new standard **IFRS 15 »Revenue from Contracts with Customers«.** The goal of the new standard for revenue recognition is to combine the provisions previously contained in diverse standards and interpretations in one standard. In addition, standardised principles are defined that can be applied to all industries and all types of sales transactions. Questions about the amount and time frame for recognising revenue are answered by the 5-level model.

The standard also contains numerous additional provisions with detailed explanations and an expansion of the information required in the notes. The new standard must be applied for financial years that start on or after 1 January 2018. The first-time application must be retrospective, however diverse simplification options are granted; earlier application is permissible.

With its business model, the Group is affected by the changes in IFRS 15. The group's business model – especially in the ecotel Business Customers segment – provides for multi-component contracts with separate performance obligations over a defined contract term. Besides the provision of a custom data line (including the necessary hardware components), various services and provision services are bundled in one customer contract. Due to the requirement in IFRS 15 for distribution of the transaction price in relation to the single selling prices of the performance obligations, the income not allocated to any performance obligation and the income for which the performance obligation is not rendered predominantly at the beginning, will be achieved as revenue over the term of the contract in the future. In addition, contract fulfilment costs, such as payments for supplier connection services as well as customer acquisition costs, which comprise incurred commissions for acquired contracts, will be deferred over the contract term in the future. This results in the formation of "capitalised contract costs", "contract assets", and short- and long-term "contract liabilities". ecotel has used the option of simplified first-time adoption, which means that comparative figures of the previous year's periods were not adjusted. The cumulative effect of the changeover was recognised as of 1 January 2018 in the equity as not affecting net income against other reserves.

The first-time application of IFRS 15 as of 1 January 2018 had the following effects on the reporting in the consolidated balance sheet. The cumulative effect was set off with the reserves as not affecting net income.

Balance sheet line	1 January 2018	31 March 2018
Capitalised contract costs	€ 2,323 thousand	€ 2,554 thousand
Contract assets	€ 0 thousand	€ 19 thousand
Other non-financial assets	€ –398 thousand	€ –398 thousand
Total assets	**€ 1,925 thousand**	**€ 2,175 thousand**
Deferred taxes on earnings	€ 225 thousand	€ 296 thousand
Long-term contract liabilities	€ 597 thousand	€ 565 thousand
Short-term contract liabilities	€ 608 thousand	€ 663 thousand
Other reserves	€ 495 thousand	€ 495 thousand
Profit effects from IFRS 15	**€ 0 thousand**	**€ 156 thousand**
Total liabilities	**€ 1,925 thousand**	**€ 2,175 thousand**

In addition, the following changes in accounting were made in the consolidated financial statement as of 1 January 2018:

In the past, revenue from payments in kind for motor vehicle use, which represent a fictive claim for compensation for the fictive expenses from the cash value advantage of motor vehicle use previously reported in personnel expenses, were reported under other operating expenses. Since 1 January 2018 these two items are now balanced out. For better comparison the prior periods were adjusted accordingly. Other operating expenses and personnel expenses were therefore reduced by € 274 thousand in 2017. In the first quarter 2017, other operating revenue and personnel expenses were reduced by € 66 thousand.

Since 1 January 2018, the capital market support costs previously reported in financial expenses are reported in other operating expenses and the term "financial expenses" in the consolidated profit statement has now been changed to "interest expenses". For better comparison the prior periods were adjusted accordingly. Interest expenses therefore decreased in 2017 by € 117 thousand and other operating expenses increased by € 117 thousand. In the first quarter 2017, interest expenses decreased by € 21 thousand and other operating expenses increased by € 21 thousand.

Contact

Annette Drescher
Phone: 0211-55 007-740
Fax: 0211-55 007 5 740
E-mail: investorrelations@ecotel.de

Imprint

Published by
ecotel communication ag
Prinzenallee 11
D – 40549 Düsseldorf

Disclaimer

Exclusion of liability:

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

Other possible factors that can significantly affect the cost and revenue development are changes in interest rates, regulatory requirements, stronger than expected competition, changes in technologies, legal disputes and supervisory developments. If these or other risks and factors of uncertainty occur, or if the assumptions on which the statements are based turn out to be incorrect, ecotel's actual results can diverge substantially from those expressed or implied in these statements.

ecotel can make no guarantee that the expectations or goals will be achieved. ecotel – notwithstanding existing capital market obligations – refuses to accept any responsibility whatsoever for updating the forward-looking statements by taking into account new information or future events or other matters.

In addition to the key figures presented in accordance with IFRS, ecotel also presents pro forma key figures, such as gross profit, EBITDA, EBITDA margin, free cash flow and gross and net financial obligations, which are not covered by the accounting regulations. These key figures are intended as a supplement, but not as a substitute for the information presented in accordance with IFRS. Pro forma key figures are subject neither to IFRS nor other generally applicable accounting regulations. Other companies may base these fundamentals on other definitions.