2019

Q1 QUARTERLY STATEMENT

ecotel®

all around communication

Profit and loss account (IFRS)		1st quarter 2018 (IFRS)	1st quarter 2019 (IFRS)
Revenue	in million €	**19.6**	**19.6**
ecotel Business Solutions	in million €	11.9	11.9
ecotel Wholesale Solutions	in million €	3.2	2.9
easybell	in million €	4.0	4.3
nacamar	in million €	0.5	0.5
Gross profit	in million €	**7.6**	**8.2**
ecotel Business Solutions	in million €	5.8	5.9
ecotel Wholesale Solutions	in million €	0.1	0.1
easybell	in million €	1.5	1.9
nacamar	in million €	0.2	0.3
EBITDA [1, 2]	in million €	**1.8**	**2.4**
in % of revenue		9.1 %	12.1 %
Operating result (EBIT)	in million €	0.5	0.6
Consolidated profit [3]	in million €	0.1	0.1
Earnings per share [4]	in €	0.04	0.03

Cash flow		1st quarter 2018 *(IFRS)*	1st quarter 2019 *(IFRS)*
Cash and cash equivalents as of 01/01	in million €	6.4	6.1
Cash flow from ongoing business activities	in million €	1.6	1.7
Cash flow from investment activities	in million €	–1.3	–1.6
Cash flow from financing activities	in million €	–1.3	–0.8
Financial resources as of 31/03	in million €	5.4	5.4
Free cash flow [5]	**in million €**	**0.4**	**0.2**

Balance sheet (IFRS)		1st quarter 2018 *(IFRS)*	1st quarter 2019 *(IFRS)*
Balance sheet total	in million €	41.6	52.4
Equity	in million €	22.3	23.1
in % of the balance sheet total		53.7 %	44.1 %
Net financial assets	in million €	**0.6**	**0.2**

Other key figures		1st quarter 2018 *(IFRS)*	1st quarter 2019 *(IFRS)*
Number of shares as of 31/03 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 31/03	Quantity	241	249
Personnel expenses	in million €	3.4	3.8

[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 ongoing business activities + cash flow from investment activities*

Differences in the totals can occur due to commercial rounding.

Dear Shareholders,

The start of the year 2019 has been altogether promising for us. In the core segment ecotel Business Customers revenue remained stable as planned, totalling € 11.9 million. The year 2019 is marked by the continuing All-IP transformation in the German telecommunications market. The focus of this segment in the current year is therefore clearly on the successful migration of existing ISDN customers. In the first quarter 2019 the share of new NGN products in the revenue made up 36 % of the total relevant revenue, and 49 % of gross profit was already achieved with voice connections. Including additional existing product change orders, new All-IP orders with new contract terms have been successfully concluded for nearly 50 % of the voice revenue. The higher value creation in the NGN product groups had a positive effect on gross profit throughout the entire B2B sector. This increased by € 0.1 million to € 5.9 million (previous year: € 5.8 million).

Revenue in the easybell segment totalled € 4.3 million (previous year: € 4.0 million) in the first quarter 2019. The continued focus on scalable SIP products for small business customers and router leasing transactions continued to have a positive effect, more than compensating for the expected decline in call-by-call transactions. Gross profit in this segment increased to € 1.9 million (previous year: € 1.5 million).

Revenue in the nacamar segment remained constant at € 0.5 million, while revenue in the ecotel Wholesale segment decreased slightly as planned to € 2.9 million (previous year: € 3.2 million). Gross profit in this two segments remained virtually unchanged compared to the previous year, at € 0.3 million and € 0.1 million, respectively.

Consolidated gross profit increased in the first quarter 2019 to € 8.2 million (previous year: € 7.6 million). Higher value creation in the growing NGN product groups, both in the ecotel Business Customers segment and in the easybell segment, is quite evident here.

Consolidated EBITDA increased by € 0.6 million to € 2.4 million. Application of the new accounting standard IFRS 16 »Leases« – obligatory as of 1 January 2019 – had a positive effect of € 0.3 million on EBITDA. Application of the new accounting standard had substantial effects on ecotel's earnings and assets situation. Long-term leasing payments (essentially for office rent and the computer centre) are no longer reported directly as expenses, but are instead split up into an interest share affecting net income and a repayment share not affecting net income. In addition, the leasing contracts must be reported as rights of use and depreciated over the scheduled leasing term.

Depreciations totalled € 1.8 million (previous year: € 1.3 million) in the first quarter 2019. The accounting change in IFRS 16 resulted in an increase of € 0.3 million in this area as well. This change likewise lowered the financial result by € 0.1 million, for a total of € –0.1 million (previous year: € 0.0 million). After deducting taxes and the shares of other shareholders, ecotel achieved a consolidated surplus of € 0.1 million (previous year: € 0.1 million) in the first quarter 2019. This corresponds to earnings per share of € 0.03 (previous year: € 0.04).

The ISDN migration is fully under way in 2019 and we are doing everything possible to take advantage of this market opportunity by providing a comprehensive NGN product pallet for virtually all business customer requirements. That means investments, commitment of resources and also focussing on customer and product groups. Of course, this will temporarily slow down the growth of revenue for the ecotel Business Customers segment, but will also result in higher value creation and a »fresh customer base« with new contract terms.

The Management Board is convinced that ecotel remains on the right path, and therefore reconfirms the forecast for 2019. Accordingly, the Management Board expects revenue in the core segment ecotel Business Customers in a corridor of € 48 to 50 million, in the easybell segment from € 15 to 17 million, and in the nacamar segment from € 2 to 3 million. After EBITDA of € 7.5 million in 2018, EBITDA is expected to continue increasing in 2019, in a corridor of € 8 to 9 million.

Düsseldorf, in May 2019

Peter Zils
Chief Executive Officer

Achim Theis
Management Board

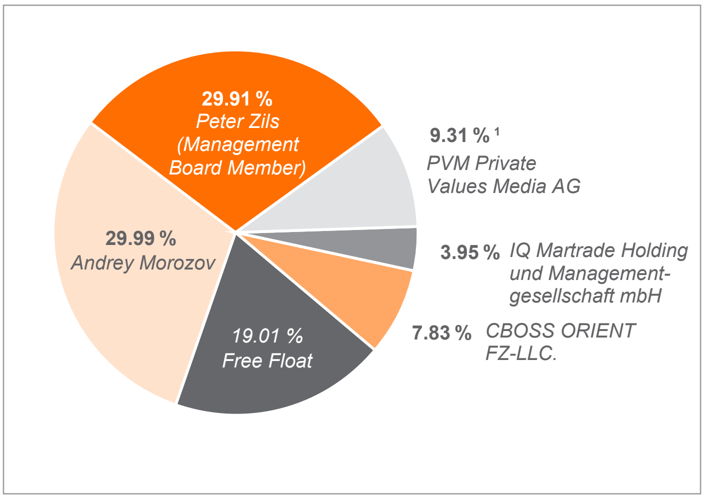
Overview of the ecotel share

The ecotel share started the year 2019 at € 7.20. During the course of the first quarter 2019 the price of the share ranged from € 9.00 to € 7.25. Compared to the German share index DAX and also Tec DAX the development of the ecotel share was much stronger up to the end of February. At the end of the first quarter 2019 the share development was virtually the same as that of Tec DAX and DAX. The ecotel share closed the first quarter at a price of € 8.25. With a total of 3.51 million outstanding shares this results in market capitalization of € 29.0 million (31 March 2018: € 33.9 million). The average trading volume in the first three months totalled 1,436 shares (Q1 2018: 2,186 shares).

Shareholder structure

As of 31 March 2019 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) and Andrey Morozov each hold just under 30 % of the shares. PVM Private Values Media AG holds 9.31 %, CBOSS Orient FZ-LLC holds 7.83 % and IQ Martrade Holding und Managementgesellschaft mbH holds 3.95 %. The diversified holdings remained at approximately 19 %.

Shareholdings (31/03/2019) in percent



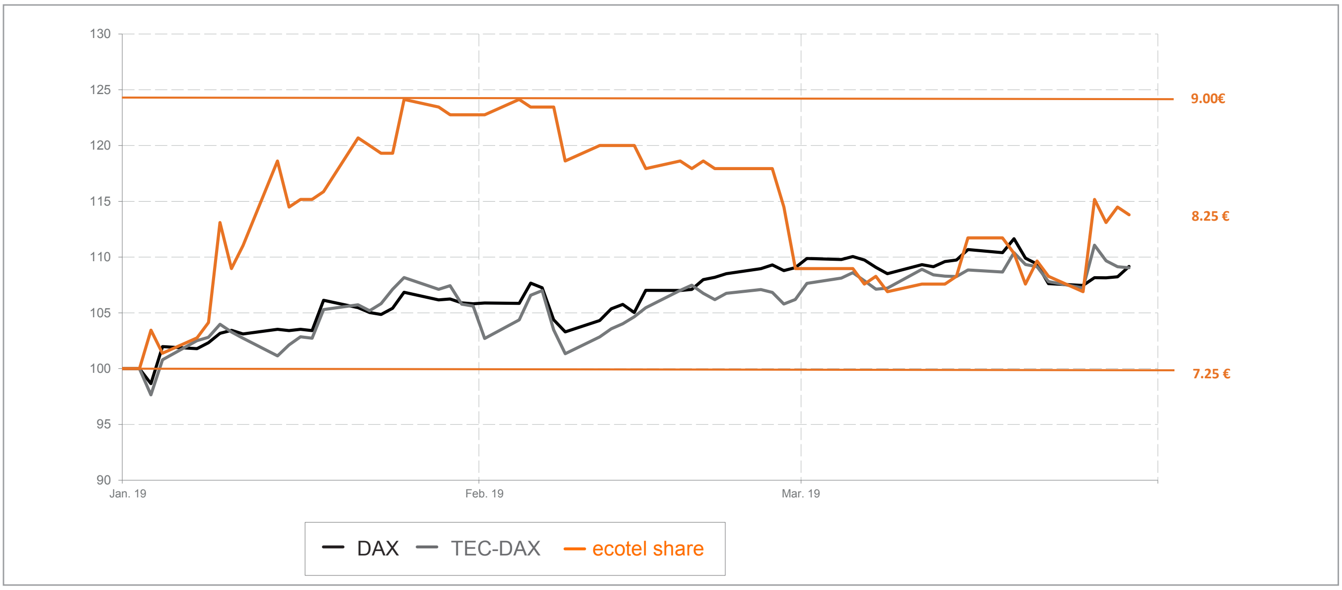
[1] according to the last notice of 07/04/2011 prior to call-in of treasury shares in 2014 (basis: 3,900,000 shares)

Key figures Ø 2019

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 31/03/2019	3,510,000
Average daily trading volume 2019	1,436
High share price 2019 (€)	9.00
Low share price 2019 (€)	7.25
Market capitalisation as of 31/03/2019 (in million €)*	29.0
Designated sponsor	Lang & Schwarz Broker GmbH

** Based on the closing price of € 8.25 per share for 3,510,000 outstanding shares as of 31 March 2019*

Price trend of the ecotel stock in 2019 in percent



Significant developments in the Group in first quarter 2019:

With effect from 1 January 2019 ecotel applied the new rules in **IFRS 16 »Leases«** for the first time. As a result, comparison is possible only to a limited extent, especially in the consolidated balance sheet. There are substantial effects on the earnings, in particular other operating expenses, depreciations and interest expenses. Additional 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 2019«.

The **ecotel Business Customers** segment achieved revenue of € 11.9 million in the first quarter 2019 (Q1 2018: € 11.9 million). This expected revenue development is the result of the continuing transformation of conventional ISDN-based customer contracts to future-sustainable NGN customer contracts. In the same period, gross profit in this segment increased to € 5.9 million (Q1 2018: € 5.8 million).

The **easybell** segment grew in the first quarter 2019 by about 7.0 % to € 4.3 million (Q1 2018: € 4.0 million). Gross profit also continue to increase, now totalling € 1.9 million (Q1 2018: € 1.5 million).

The **ecotel Wholesale** and **nacamar** segments contributed € 2.9 million and € 0.5 million respectively (Q1 2018: € 3.2 million and € 0.5 million, respectively) to consolidated revenue totalling € 19.6 million (Q1 2018: € 19.6 million).

Consolidated **gross profit** increased in the first quarter 2019 to € 8.2 million (Q1 2018: € 7.6 million). The higher value creation and the subsequent higher margins in the NGN products are clearly evident in the **ecotel Business Customers** and **easybell segments.**

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation – totalled € 2,4 million in the first quarter (Q1 2018: € 1.8 million). This development was due in part to the effect of the change in the reporting of leasing contracts (IFRS 16) amounting to € 0.3 million.

Depreciations increased in the first quarter 2019 to € 1.8 million (Q1 2018: € 1.3 million). The accounting changes for leasing contracts (IFRS) also had an effect of € 0.3 million here.

EBIT increased slightly to € 0.6 million (Q1 2018: € 0.5 million). The financial result is affected by the changes in the accounting of leasing contracts by a total of € 0.1 million. The results for the year, after deducting shares of other shareholders, therefore decreased slightly to € 108 thousand (Q1 2018: € 126 thousand) and as a result **earnings per share** decreased to € 0.03 / share (Q1 2018: € 0.04 / share).

Free cash flow in the first three months of 2019 totalled € 0.2 million (Q1 2018: € 0.4 million). With cash flow from operating activities of € 1.7 million (Q1 2018: € 1.6 million) investments totalling € 1.6 million (Q1 2018: € 1.3 million) were made in further growth – primarily in high-performance, individual customer equipment, and infrastructure in the computer centre. In the first quarter, scheduled repayments of long-term loans totalling € 0.5 million (Q1 2018: € 0.3 million) were carried out. Due to the changes in accounting of leasing contracts (IFRS 16) the leasing payments for real estate (office, computer centre, etc.) are divided starting in 2019 into interest and repayment (Q1 2019: € 0.3 million). The new regulations require that these amounts be reported in the cash flow from financing activities.

Due to the accounting changes, the **balance sheet total** increased from € 43.7 million to € 52.4 million. With **equity capital** of € 23.1 million (31/12/2018: € 22.7 million) the **equity ratio** as of 31/03/2019 is 44.1 % (31/12/2018: 52.0 %).

The **net financial assets** of the group were earmarked as planned for investment in necessary growth measures. As of 31/03/2019 the net financial assets totalled € 0.2 million (31/12/2018: € 0.4 million).

Consolidated balance sheet as of 31 March 2019 (unaudited)

€	31/12/2018	31/03/2019
Assets		
A. Non-current assets		
I. Intangible assets	12,964,382	13,722,289
II. Fixed assets	8,976,903	9,002,657
III. Rights of use from leasing agreements	–	9,265,903
IV. Capitalised contract costs	2,799,351	2,722,508
V. Financial assets measured at equity	865,465	911,090
VI. Deferred income tax claims	740,258	872,581
Total non-current assets	**26,377,359**	**36,497,028**
B. Current assets		
I. Trade receivables	7,908,908	6,452,798
II. Contract assets	56,180	52,939
III. Other financial assets	2,073,951	2,714,985
IV. Other non-financial assets	577,581	763,849
V. Actual income tax claims	624,792	440,735
VI. Cash and cash equivalents	6,093,030	5,428,061
Total current assets	**17,334,441**	**15,853,367**
Total assets	**43,671,800**	**52,350,395**

Since 1 January 2019 the new accounting standards IFRS 16 »Leases« is applied. The previous year's figures have not been adjusted.
Differences in the totals can occur due to commercial rounding.

Consolidated balance sheet as of 31 March 2019 (unaudited)

€	31/12/2018	31/03/2019
Liabilities		
A. Equity capital		
I. Subscribed capital	3,510,000	3,510,000
II. Capital reserves	1,833,254	1,833,254
III. Other provisions	14,061,246	14,168,953
Shares of the owners of the parent company	**19,404,500**	**19,512,207**
IV. Shares of other shareholders	3,313,290	3,550,568
Total equity capital	**22,717,791**	**23,062,775**
B. Non-current liabilities		
I. Latent income tax	1,191,182	1,269,136
II. Non-current loans	4,049,999	3,712,497
III. Leasing liabilities	–	8,191,647
IV. Contract liabilities	780,967	744,103
V. Other financial liabilities	–	444,306
Total non-current liabilities	**6,022,148**	**14,361,688**
C. Current liabilities		
I. Actual income tax	672,447	404,125
II. Current loans	1,609,370	1,472,913
III. Leasing liabilities	–	1,161,887
IV. Accounts payable	9,228,576	8,385,312
V. Contract liabilities	957,860	966,616
VI. Provisions	19,850	16,850
VII. Other financial liabilities	1,567,864	1,459,342
VIII. Other non-financial liabilities	875,894	1,058,887
Total current liabilities	**14,931,862**	**14,925,931**
Total liabilities	**43,671,800**	**52,350,395**

Since 1 January 2019 the new accounting standards IFRS 16 »Leases« is applied. The previous year's figures have not been adjusted.
Differences in the totals can occur due to commercial rounding.

Consolidated profit statement

for the first quarter 2019 and for the first three months of 2018 (unaudited)

€		1/1 – 31/03/2018	1/1 – 31/03/2019
1.	Sales revenue	19,578,317	19,554,676
2.	Other operating income	58,645	310,879
3.	Other company-manufactured items capitalised	127,068	153,382
4.	**Total revenue**	**19,764,031**	**20,018,937**
5.	Cost of materials		
	Expenses for services purchased	– 11,961,885	– 11,378,458
6.	Personnel expenses		
6.1	Wages and salaries	– 2,944,295	– 3,229,696
6.2	Social contributions and expenses for pensions and benefits	– 491,466	– 553,683
7.	Depreciations		
7.1	Depreciations on intangible assets and property, plant and equipment	– 1,275,063	– 1,445,132
7.2	Depreciations on rights of use from leasing agreements	–	– 311,856
8.	Other operating expenses	– 2,600,334	– 2,504,446
9.	**Operating result (EBIT)**	**490,987**	**595,666**
10.	Interest income	720	0
11.	Interest expense		
11.1	Interest expenses for loans payable and other financial liabilities	– 36,172	– 67,074
11.2	Interest expense for leasing liabilities	–	– 66,164
12.	Other financial expenses	–	– 5,660
13.	Earnings from financial assets measured at equity	37,759	54,626
14.	**Financial result**	**2,307**	**– 84,272**
15.	**Earnings from normal business activities before income tax**	**493,293**	**511,394**
16.	Taxes on income and earnings	– 147,988	– 166,410
17.	**Surplus (= total consolidated profit)**	**345,305**	**344,984**
18.	Allocation of the surplus to the		
18.1	**Owners of the parent company (consolidated surplus)**	**125,792**	**107,706**
18.2	Shares of other shareholders	219,532	237,278

€	1/1 – 31/03/2018	1/1 – 31/03/2019
Undiluted earnings per share	0.04	0.03
Diluted earnings per share	0.04	0.03

Since 1 January 2019 the new accounting standards IFRS 16 »Leases« is applied. The previous year's figures have not been adjusted.
Due to lack of data, the »other comprehensive income« is not reported.
Differences in the totals can occur due to commercial rounding.

New or changed provisions of the IASB to be applied for the first time in the consolidated financial statement as per 1 January 2019:

For financial years starting on 1 January 2019, the new standard **IFRS 16 »Leases«** must be applied for the first time in the consolidated financial statements.

The standard **IFRS 16 »Leases«** supersedes the previous standard on leasing relations (IAS 17) and IFRIC 4 »Determining whether an arrangement contains a lease«. The standard specifies how leases are to be recognised, measured, presented and disclosed. The standard differentiates between the lessor and the lessee. For the **lessee** a single accounting model is introduced. In the future, all rights and obligations from leasing agreements are to be reported in the balance sheet as a "right of use" or "leasing liability". The right of use is to recognised at the cash value of the future leasing payments plus initial direct costs and depreciated over the planned term of the lease. The leasing liability is likewise to be recognised at the cash value. In the subsequent measurement of the leasing liability the book value is compounded at the applied interest rate and reduced by the payments made. For leases involving assets of low value and for short-term leases (less than twelve months) there are provisions to facilitate application. For the **lessor** the accounting regulations are essentially unchanged. As in the past, the lessor must still differentiate between financing and operating leases.

The analysis of leases within the ecotel Group shows that ecotel is affected as a **lessee** in the following areas: Long-term leasing of real estate for operation of the computer centre, as well as administration, long-term leasing of network infrastructure (backbone) and long-term fleet leasing.

As a **lessor** the analysis of leases shows that the application of IFRS 16 has no effects for ecotel. Although the Group provides customers with hardware components, they do not fulfil the recognition criteria for a lease in accordance with IFRS 16, since the rights of the customer are limited and the customer has no substantial decision-making rights concerning the hardware provided (essentially ecotel business customers), or the economic use remains essentially within the group (essentially easybell).

The standard was first applied as of 1 January 2019 and was not applied according to the modified retrospective method, i.e. the previous year's figures were not modified. The cumulative effect of the change-over was set off with reserves in the equity as not affecting net income. In addition, ecotel will apply the provisions for facilitation of application and continue to recognise the resulting expenses directly.

Application of the new standard, taking into account the existing rental and leasing obligations, as well as exercise of discretion and estimates, affects the consolidated balance sheet as follows:

Balance sheet items	1 January 2019
Rights of use from leasing agreements	9,578
Total assets	**9,578**
Long-term leasing liabilities	8,447
Short-term leasing liabilities	1,131
Total liabilities	**9,578**

In the first quarter 2019 application of the new standard had the following effects:

Long-term leases are no longer reported directly as expenses, but are instead split up into an interest share affecting net income and a repayment share not affecting net income. In addition, the capitalized rights of use throughout the planned term of the lease are recognised as depreciations. This resulted in an increase in depreciations of € 0.3 million and an increase in interest expenses of € 0.1 million in the first quarter 2019. EBITDA was improved by the amount of € 0.3 million. In the cash flow statement the change resulted in an increase in the operative cash flow of € 0.4 million and a decrease in the cash flow from financing activities of € 0.3 million.

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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, under some circumstances, use different definitions for these terms.