2019

Q3 QUARTERLY STATEMENT

ecotel®
all around communication

Profit and loss account (IFRS)		9 months 2018 (IFRS)	9 months 2019 (IFRS)	3rd quarter 2018 (IFRS)	3rd quarter 2019 (IFRS)
Revenue	in million €	**76.4**	**61.8**	**34.2**	**20.8**
ecotel Business Solutions	in million €	35.9	35.2	12.1	11.7
ecotel Wholesale Solutions	in million €	27.3	11.5	17.7	3.7
easybell	in million €	11.9	13.7	4.0	4.9
nacamar	in million €	1.4	1.4	0.4	0.4
Gross profit	in million €	**23.4**	**24.7**	**8.0**	**8.4**
ecotel Business Solutions	in million €	17.5	17.5	5.9	5.8
ecotel Wholesale Solutions	in million €	0.2	0.3	0.1	0.1
easybell	in million €	5.0	6.1	1.7	2.2
nacamar	in million €	0.7	0.8	0.3	0.3
EBITDA [1,2]	in million €	**5.6**	**6.6**	**2.0**	**2.0**
in % of revenue		7.4 %	10.7 %	5.9 %	9.8 %
Operating result (EBIT)	in million €	1.6	1.2	0.6	0.2
Consolidated profit [3]	in million €	0.4	–0.1	0.1	–0.2
Consolidated profit (without effects of IFRS 16)	in million €	–	0.0	–	–0.1
Earnings per share [4]	in €	0.11	–0.04	0.03	–0.06

Cash flow		9 months 2018 (IFRS)	9 months 2019 (IFRS)
Cash and cash equivalents as of 01/01	in million €	6.4	6.1
Cash flow from ongoing business activities	in million €	3.7	6.9
Cash flow from investment activities	in million €	–4.5	–5.0
Cash flow from financing activities	in million €	–2.6	–0.9
Financial resources as of 30/09	in million €	3.0	7.2
Free cash flow	**in million €**	**–0.8**	**1.9**
Free cash flow (without effects of IFRS 16)	in million €	–	0.7

Balance sheet (IFRS)		9 months 2018 (IFRS)	9 months 2019 (IFRS)
Balance sheet total	in million €	51.7	53.3
Equity	in million €	22.4	22.0
in % of the balance sheet total		43.4 %	41.2 %
Net debt	in million €	**–1.1**	**–0.3**

Other key figures		9 months 2018	9 months 2019
Number of shares as of 30/09 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 30/09	Quantity	247	254
Personnel expenses	in million €	–10.5	–11.4

[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 ongoing business activities + cash flow from investment activities. Differences in the totals can occur due to commercial rounding

Dear Shareholders,

Altogether, the first three quarters of 2019 went as planned. The focus of financial year 2019 is clearly on the migration from ISDN to All-IP in the ecotel Business Customers segment. Priority was given to customers whose access would have been affected by the impending discontinuation of their ISDN service by Deutsche Telekom at the end of the year. As of the end of the third quarter 2019, we completed the conversion for about 90 % of the affected customers, the majority with new contract terms.

The slight decline in revenue in the ecotel Business Customers segment to € 35.2 million (previous year: € 35.9 million) was due partially to unusually long delivery times for the new broadband Ethernet products of Deutsche Telekom, and partially to the low prices for customer access within the framework of the ISDN migration. The share of All-IP products at the end of the third quarter constituted about 60 % of the total revenue and 70 % of the total gross profit for voice services. Currently, 70 % of all outgoing voice minutes are generated on our own IP platforms. Higher value creation from the All-IP products automatically results in higher gross profit margins. The fact that the absolute gross profit of € 17.5 million has not yet increased, with a slight decline in revenue, is due exclusively to the temporary high expenses and one-time charges for the provision of new connections.

Revenue in the easybell segment totalled € 13.7 million in the first nine months of 2019 (previous year: € 11.9 million). The continued focus on scalable SIP products and cloud telephone systems for small business customers, as well as router leasing transactions continued to have a positive effect, much more than compensating for the expected decline in call-by-call transactions. Altogether, gross profit increased to € 6.1 million (previous year: € 5.0 million).

Revenue in the nacamar segment remained constant at € 1.4 million, while gross profit increased slightly to € 0.8 million (previous year: € 0.7 million). Revenue in the low-margin Wholesale segment, with a share of € 11.5 million (previous year: € 27.3 million), further decreased as planned, while gross profit increased slightly to € 0.3 million. Consolidated gross profit increased in the first nine months of 2019 to € 24.7 million (previous year: € 23.4 million). Higher value creation in the growing NGN product groups, both in the ecotel Business Customers segment and in the easybell segment, had positive effects.

First-time application of the new IFRS 16 accounting standard “Leasing Relations” – obligatory as of 1 January 2019 – had substantial effects on the earnings and assets situation. This change in accounting had a positive effect of € 1.0 million on EBITDA in the first nine months of 2019. The opposing effects of IFRS 15 for this year are not expected to become manifest until the fourth quarter. Altogether, EBITDA increased by € 1.0 million to € 6.6 million. Depreciations totalled € 5.4 million (previous year: € 3.9 million). The accounting change in IFRS 16 resulted in an increase of € 1.0 million in this area. These changes also had a negative effect of € 0.2 million on the financial result, for a total of € –0.2 million (previous year: € –0.1 million). After deducting taxes and third-party shares, ecotel achieved a consolidated deficit of € 0.1 million (previous year: € 0.4 million) in the first nine months of 2019. This corresponds to earnings per share of € –0.04 (previous year: € 0.11). Without the negative effects of IFRS 16 on consolidated profit, the consolidated profit totals € 0.0 million.

In the first nine months, free cash flow increased to € 1.9 million (previous year: € –0.8 million). Even without the effects of the changes in accounting due to IFRS 16, free cash flow increased to € 0.7 million. Compared to the previous year, the net debt was reduced by € 0.8 million to € 0.3 million.

The Management Board confirms the forecast for 2019 and 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, November 2019

Peter Zils
Chief Executive Officer

Achim Theis
Management Board

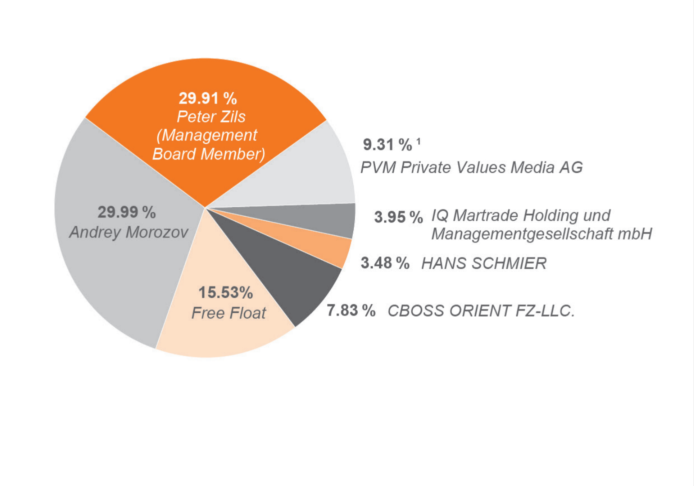
Overview of the ecotel share

The ecotel share started the year 2019 at € 7.20. In the course of the year the share price ranged between € 9.00 and € 6.70. In the third quarter 2019, the development of the ecotel share has been weaker in comparison with the German share index DAX and also TecDAX. As of 30 September 2019 the ecotel share closed at € 6,85. With an unchanged total of 3.51 million outstanding shares this results in market capitalisation of € 24.0 million (previous year: € 27.2 million). The average trading volume was 822 shares (previous year: 1,720 shares).

Shareholder structure

As of 30 September the share capital of ecotel communication ag remained unchanged at 3,510,000 shares. In the third quarter no significant changes occurred in the shareholder structure: Peter Zils (CEO of ecotel) and Andrey Morozov each continue to hold just under 30 % of the shares. PVM Private Values Media AG holds 9.31 %, CBOSS Orient FZ-LLC holds 7.83 %, IQ Martrade Holding und Managementgesellschaft mbH holds 3.95 %, and Hans Schmier holds 3.48 %. The diversified holdings therefore total 15.53 %.

Shareholdings (30/09/2019) in percent



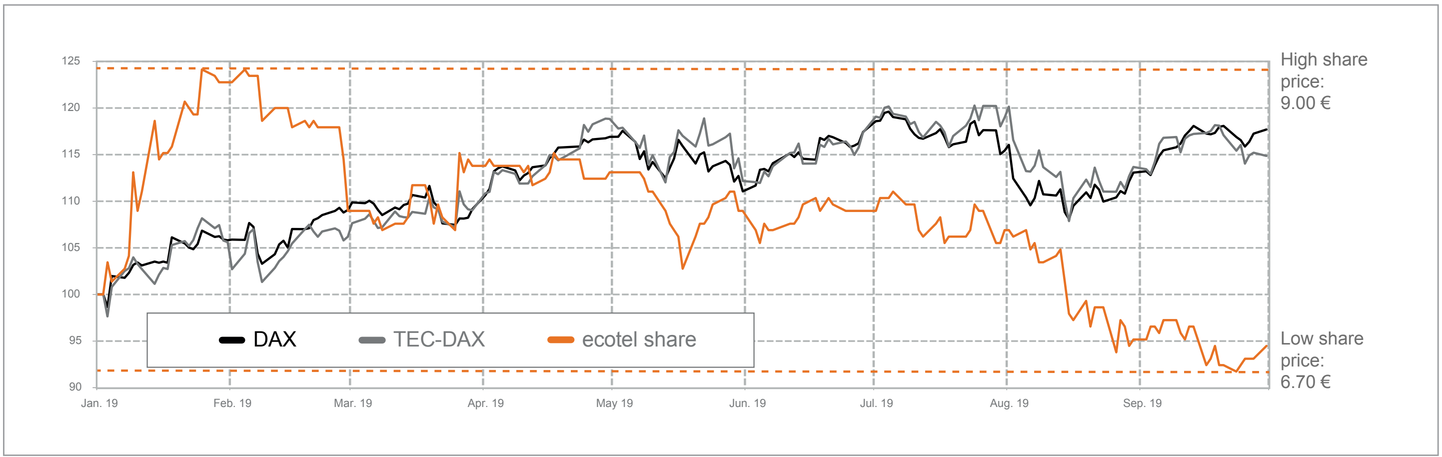
[1] *% rate according to the last voting rights announcement of 07/04/2011 prior to call-in of treasury shares (basis: Share capital in shares: 3,900,000)*

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 30/09/2019	3,510,000
Average daily trading volume 2019	822
High share price 2019 (€)	9.00
Low share price 2019 (€)	6.70
Market capitalisation as of 30/09/2019 (in million €)*	24.0
Designated sponsor	Lang & Schwarz Broker GmbH

** Based on the closing price of € 6.85 per share for 3,510,000 outstanding shares as of 30 September 2019*

Price trend of the ecotel stock in 2019 in percent



Consolidated balance sheet as of 30 September 2019 (unaudited)

€	31/12/2018	30/09/2019
Assets		
A. Non-current assets		
I. Intangible assets	12,964,382	13,358,103
II. Fixed assets	8,976,903	9,668,223
III. Rights of use from a leasing agreement	–	8,737,545
IV. Capitalised contract costs	2,799,351	2,777,436
V. Financial assets measured at equity	865,465	1,024,113
VI. Deferred income tax claims	740,258	1,197,442
Total non-current assets	**26,377,359**	**36,762,863**
B. Current assets		
I. Trade receivables	7,908,908	6,591,512
II. Contract assets	56,180	46,745
III. Other financial assets	2,073,951	1,750,519
IV. Other non-financial assets	577,581	565,152
V. Actual income tax claims	624,792	456,540
VI. Cash and cash equivalents	6,093,030	7,158,001
Total current assets	**17,334,441**	**16,568,468**
Total assets	**43,671,800**	**53,331,331**

Since 1 January 2019 the new accounting standard IFRS 16 “Leases” is applied. The previous year's figures have not been adjusted. For further information, please refer to the section “New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019” on p. 9.

Differences in the totals can occur due to commercial rounding.

Consolidated balance sheet as of 30 September 2019 (unaudited)

€	31/12/2018	30/09/2019
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	13,478,011
Shares of the owners of the parent company	**19,404,500**	**18,821,266**
IV. Shares of other shareholders	3,313,290	3,144,092
Total equity capital	**22,717,791**	**21,965,358**
B. Non-current liabilities		
I. Latent income tax	1,191,182	1,175,693
II. Non-current loans	4,049,999	5,937,493
III. Leasing liabilities	–	7,693,630
IV. Contract liabilities	780,967	901,847
V. Other financial liabilities	–	341,826
Total non-current liabilities	**6,022,148**	**16,050,489**
C. Current liabilities		
I. Actual income tax	672,447	636,982
II. Current loans	1,609,370	1,500,007
III. Leasing liabilities	–	1,188,584
IV. Accounts payable	9,288,576	8,494,477
V. Contract liabilities	957,860	981,615
VI. Provisions	19,850	16,850
VII. Other financial liabilities	1,567,864	1,428,703
VIII. Other non-financial liabilities	875,894	1,068,267
Total current liabilities	**14,931,862**	**15,315,484**
Total liabilities	**43,671,800**	**53,331,331**

Since 1 January 2019 the new accounting standard IFRS 16 “Leases” is applied. The previous year's figures have not been adjusted. For further information, please refer to the section “New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019” on p. 9.

Differences in the totals can occur due to commercial rounding.

Consolidated profit statement

for the third quarter 2019 and the first nine months of 2019 (unaudited)

€		1st – 3rd quarter 2018	1st – 3rd quarter 2019	3rd quarter 2018	3rd quarter 2019
1.	Sales revenue	76,371,574	61,827,619	34,200,596	20,796,618
2.	Other operating income	182,580	629,175	57,681	55,537
3.	Other company-manufactured items capitalised	388,045	366,889	125,192	81,575
4.	**Total revenue**	**76,942,199**	**62,823,682**	**34,383,469**	**20,933,730**
5.	Cost of materials				
	Expenses for services purchased	–52,967,168	–37,124,651	–26,216,547	–12,368,892
6.	Personnel expenses				
6.1	Wages and salaries	–8,949,183	–9,714,848	–3,061,782	–3,279,868
6.2	Social contributions and expenses for pensions and benefits	–1,503,373	–1,691,792	–504,599	–559,290
7.	Scheduled depreciations	–3,903,505	–5,404,812	–1,342,905	–1,836,257
	of which depreciations on rights of use from leases	–	–966,922		–343,846
8.	Other operating expenses	–7,977,677	–7,735,381	–2,630,196	–2,729,265
9.	**Operating result (EBIT)**	**1,641,293**	**1,152,197**	**627,438**	**160,159**
10.	Financial income	782	0	1	0
11.	Interest expenses	–129,497	–376,252	–51,110	–124,810
	thereof interest expenses from leasing liabilities	–	–194,185	–	–63,389
12.	Other financial expenses	–	–8,834	–	–822
13.	Earnings from financial assets measured at equity	30,457	167,648	–10,051	46,214
14.	**Financial result**	**–98,258**	**–217,438**	**–61,160**	**–79,418**
15.	**Earnings from normal business activities before income tax**	**1,543,035**	**934,760**	**566,278**	**80,741**
16.	Taxes on income and earnings	–461,335	–250,493	–196,904	20,917
17.	**Surplus (= total consolidated profit)**	**1,081,700**	**684,267**	**369,374**	**101,658**
18.	Allocation of the surplus to the				
18.1	**Owners of the parent company (consolidated surplus)**	**369,712**	**–126,935**	**111,826**	**–203,113**
18.2	Shares of other shareholders	711,987	811,202	257,548	304,771

€	1st–3rd quarter 2018	1st–3rd quarter 2019	3rd quarter 2018	3rd quarter 2019
Undiluted earnings per share	0.11	–0.04	0.03	–0.06
Diluted earnings per share	0.11	–0.04	0.03	–0.06

Since 1 January 2019 the new accounting standard IFRS 16 "Leases" is applied. The previous year's figures have not been adjusted. For further information, please refer to the section "New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019" on page 9.

Due to lack of data, "other comprehensive income" is not reported.
Differences in the totals can occur due to commercial rounding.

New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statement as of 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	01 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 nine months of 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 € 1.0 million and an increase in interest expenses of € 0.2 million in the first nine months of 2019. EBITDA improved by the amount of € 1.0 million. In the cash flow statement the change resulted in an increase in the operative cash flow of € 1.2 million and a decrease in the cash flow from financing activities of € 1.0 million.

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Disclaimer

Exclusion of liability:

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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.

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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.