

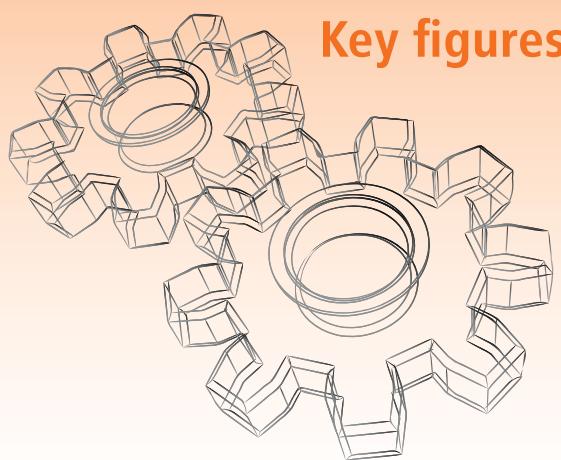
2010

Annual Report





Key figures ►►



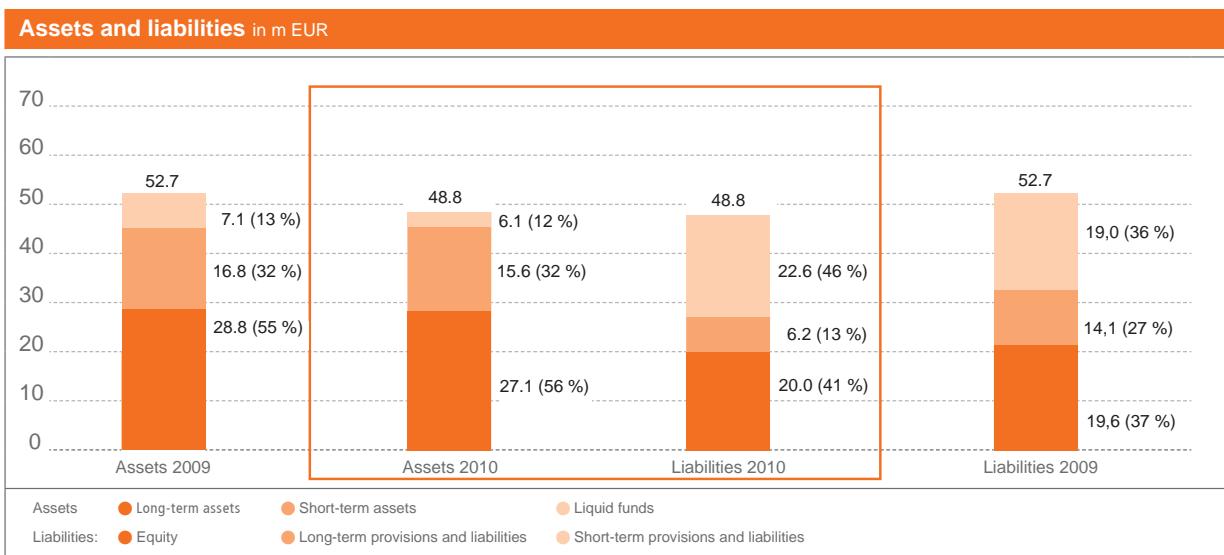
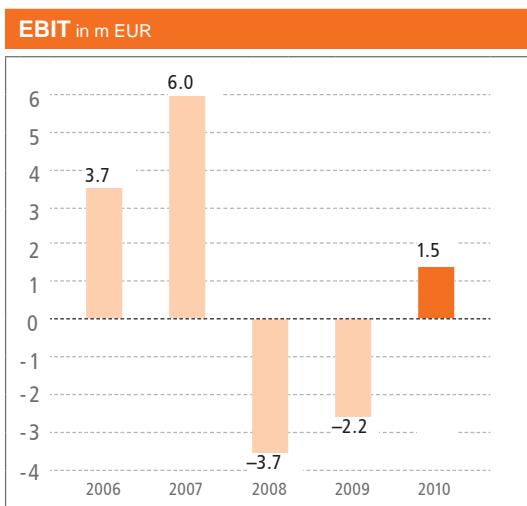
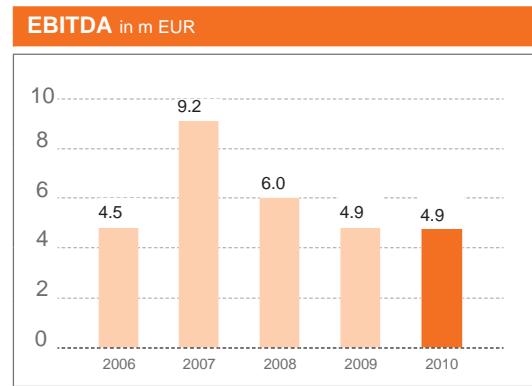
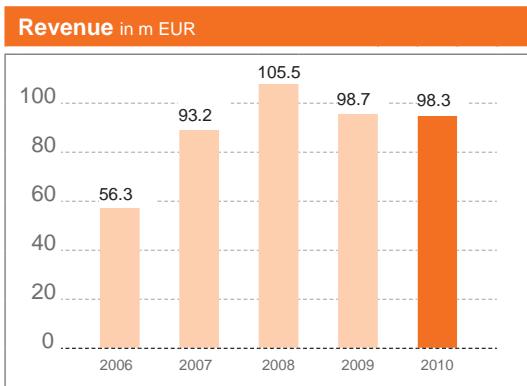


Key figures

	Information in m EUR	2008	2009	2010
Revenue		105.5	98.7	98.3
Business Solutions	58.0	48.2	44.8	
Wholesale Solutions	31.9	34.4	38.7	
New Business	15.6	16.1	14.8	
Gross profit	26.4	22.7	22.9	
Business Solutions	21.6	17.9	17.5	
Wholesale Solutions	1.7	1.2	1.3	
New Business	3.1	3.6	4.1	
EBITDA	6.0	4.9	4.9	
as % of revenue	5.7 %	5.0 %	5.0 %	
EBIT	-3.7 ¹	-2.2 ²	1.5	
as % of revenue	-3.5 %	-2.2 %	1.5 %	
Consolidated earnings	-4.2	-2.2	0.1	
Earnings per share ³ (in EUR)	-1.07	-0.57	0.02	
Balance sheet total	55.0	52.7	48.8	
Equity	22.5	19.6	20.0	
as % of the balance sheet total	40.9 %	37.2 %	41.0 %	
Number of shares as of 12/31 (Outstanding shares)	3,900,000	3,752,500	3,752,500	
Net financial liabilities	11.7	7.4 ⁴	4.6 ⁴	
as a multiple of EBITDA	1.95	1.5	0.9	
Employees as of 12/31	222	193	184 ⁵	

- 1) Includes special depreciation in the amount of 6.1 m EUR
- 2) Includes special depreciation in the amount of 3.2 m EUR
- 3) Diluted and undiluted
- 4) Due to the equity-like character of the subordinated tranche (2.5 m EUR) of the KfW innovation loan, this is not shown as a financial liability
- 5) Without companies (PPRO GmbH, synergyPLUS GmbH, mvneco GmbH)

Essential cash flow data	Information in m EUR	2008	2009	2010
Cash and cash equivalents as of January 1	3.9	3.5	7.1	
Cash flow from current operating activities	6.5	6.1	5.3	
Cash flow from investment activity	-2.5	-3.6	-1.8	
Generated free cash flow	4.0	2.5	3.5	
Cash flow from financing activities	-4.4	1.1	-4.5	
Cash and cash equivalents as of 12/31	3.5	7.1	6.1	



Corporate profile

As a telecommunications Company active throughout Germany, ecotel communication ag has specialised in three business areas.

In the core area, Business Solutions, ecotel supplies approximately 30,000 business customers with an integrated portfolio of voice, data, and mobile services. In this area the B2B business activities of ecotel and of ADTG GmbH, which merged with ecotel in 2010, are brought together.

In the second area, Wholesale Solutions, the ecotel Group markets preliminary products to other telecommunications enterprises and marketers that operate in unrelated industries. Via modern enabling and switching platforms these companies obtain access to the entire ecotel product range, for example, unbundled local loops and broadband access lines or mobile services. Simultaneously, with this area the Company achieves high traffic volumes and thus a deepening of the value creation for the core unit, Business Solutions.

In addition to the wholesale business of ecotel communication ag, i-cube GmbH and mvneco GmbH are also assigned to this area.

New high-growth business sectors and niches of the operatively autonomous subsidiaries and holdings are handled in the New Business area. In addition to easybell GmbH, nacamar GmbH, which is focussed on the new media business, is also part of this autonomous business unit.

The corporate Group is headquartered in Düsseldorf and with its subsidiaries and holdings currently has approximately 210 employees. ecotel is among the fastest growing technology companies in Germany and has been ranked among the 50 best technology companies in Germany five times in the Deloitte "Technology Fast 50" competition.

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Forward of the management board

Dear shareholders,

For ecotel communication ag, financial year 2010 took a positive course, particularly through the successful introduction of the turnaround. Today we are very proud that we apparently succeeded with the turnaround in spite of the stiff competition. Consolidated sales were 98.3 m EUR. With due consideration of the previous year's level adjusted for the deconsolidation of PPRO GmbH, this represents an increase of 7 % compared with the previous year. Moreover in terms of results, gross profit increased by 3 % to 22.9 m EUR.

At 4.9 m. EUR, EBITDA reached the previous year's level and thus was considerably over the forecasted earnings. Profit from operations (EBIT) was 1.5 m EUR, after -2.2 m. EUR in the previous year. The 2010 consolidated net income after minority interests was 0.1 m EUR, after -2.2 m EUR in the previous year. This corresponds to earnings per share of 0.02 EUR, versus -0.57 EUR in the previous year.

Due to regular repayment the Group was able to further reduce net financial liabilities as scheduled, which as of December 31, 2010, were only 4.6 m EUR (previous year: 7.4 m EUR). This corresponds to a reduction of 2.8 m EUR compared with the previous year. Since the beginning of the year liquid funds were reduced from 7.1 m EUR to 6.1 m EUR. The equity ratio increased from 37 % to 41 %.

An overview of the most important events in 2010 is provided below.

Effective January 1, 2010, ADTG GmbH was merged with ecotel communication ag. Thus, the business customer segment will now be served from a single legal unit.

In the first quarter of 2010 the Group was able to conclude conversion of the backbone network infrastructure to the next network generation (project NetMig), which resulted, on one hand, in a variable cost basis, and on the other hand, an improvement in service quality and a significant broadband increase for the customers. In addition, with this project we were able to significantly reduce the long-term cost basis in the infrastructure.

Moreover we were able to execute important optimisations in the IT system landscape. Of the four original existing systems, as of the key date only two IT systems were still in operation. By mid 2011 system consolidation to one IT system will be completed, which will result in a sustainable increase in productivity.

In the business customer area, since the end of 2009 ecotel has been successfully marketing ISDN voice and data connections (so-called full access lines) on the basis of alternative-subscriber network operators (Vodafone D2 GmbH and Versatel AG), and thus with these connections covers more than 70 % of business customers in Germany (so-called on-net areas). Thus, we were able to establish a new basis for business for the B2B area. At the end of 2010 more than 10,000 full access orders had already been booked as incoming orders; of these approximately 6,000 full access lines were relevant to sales. Thus, the transformation process, the process of migrating preselection customers to full access products, is in full swing and significantly contributes to the increase in gross profit in the business customer segment.

The symbiosis arising from the strengthening of customer loyalty, deepening of value creation and optimisation of business processes will enable us to significantly increase profitability in the medium term. Consequently, management assumes that the current EBITDA margin of 5 % can be doubled by 2013.



Left to right Bernhard Seidl, Peter Zils, Achim Theis

For the current financial year the Company pursues the goal of reducing net financial liabilities to below 3 m EUR. By the end of 2012 net financial liabilities should be completely repaid.

For 2011 the Company expects a significant increase in profitability in the business customer area and a resulting increase in EBITDA from 5.5 to 6.5 m EUR at consolidated revenue of approximately 90 m EUR.

Finally we would like to thank all employees of the ecotel Group for their accomplishments and their contribution to the success of the Company, and our customers, business partners and shareholders for the good and dependable collaboration. We are firmly convinced that ecotel will also set innovative accents in the German telecommunications market in 2011.

Bernhard Seidl
Chief Financial Officer

Peter Zils
Chairman of the management board

Achim Theis
Chief Sales Officer



In recent years ecotel has been confronted with major challenges. We had to create a new basis for the core business with our business customers; for our subsidiaries extensive integration and consolidation measures were necessary and at the same time it was necessary to unify our IT system landscape. We have now mastered the majority of the tasks resulting from these challenges. Today we can again look forward with confidence. Our employees have accomplished incredible

Peter Zils
Chairman of the management board

things along the way and therefore I extend to them my special thanks at this point.



ecotel[®]

**"We are back
on track"**

The business model

ALL AROUND COMMUNICATION – SUCCESS FOR YOUR BUSINESS!

Three business areas

In 2010 the business of the ecotel Group also consisted of the three areas: Business Solutions, Wholesale Solutions and New Business.

In the core area, Business Solutions, ecotel supplies approximately 30,000 business customers with an integrated portfolio of voice, data, and mobile communications. In this business area the activities of the B2B business of ecotel and of ADTG GmbH, which merged with ecotel in 2010, bundled.

In the second business area, Wholesale Solutions, the ecotel Group markets preliminary products to other telecommunications enterprises and marketers that operate in unrelated industries. Simultaneously, with this area the Company achieves high traffic volumes and thus a deepening of the value creation for the core unit, Business Solutions.

New high-growth business sectors and niches of the operatively autonomous subsidiaries and holdings are handled in the New Business area.

New growth drivers: Full access and Ethernet products

With the marketing of the new ISDN full access product based on different subscriber-network operators, in 2010 ecotel has established a new basis for business. Since the end of 2009 ecotel has been offering ISDN and DSL full access products via alternative subscriber-network operators (Vodafone, Versatel) in so-called on-net areas. With the aid of these upstream suppliers, ecotel can now serve more than 70 % of business customers in Germany with "genuine" ISDN complete packages. Via the discounts achieved for the voice connection, as well as better purchasing conditions for the connection fees, ecotel is significantly optimising the margin situation. In the remaining regions (off-net) ecotel supplies the full access product on the basis of Deutsche Telekom AG (DTAG), and thus as the first alternative provider, ecotel offers a "genuine" ISDN connection anywhere in Germany.

With product changes at existing customers, as well as through acquisition of new customers, in 2010 the Company was able to generate more than 10,000 full access orders, of which at the end of the reporting period 6,000 connections were relevant to sales.

The three pillars of the business model



We can refer to the development of the ecotel data business as equally gratifying. As the industry's only alternative technology Company, in this area the Company offers Ethernet data connections with bandwidths from 10 Mbit/s to 10 Gbit/s anywhere in Germany. ecotel customers use this product primarily for networking enterprise locations (VPN) and profit in this regard from the doubled network support via two broadband POP locations. In ecotel's own backbone this is additionally assured with redundant line routing. This product is rounded out through our more than 10-years experience in the area of site networking. Thus, ecotel is the first complete B2B provider in the German market that in addition to fixed-line, DSL and wireless communications, also offers high-performance broadband solutions at every location in Germany. In the period under review, the Company was able to connect more than 250 customer locations with high-performance Ethernet lines; including several well-known DAX companies.

Awards for innovative products and services

In the Innovationpreis-IT 2010 competition, the ecotel convergence offering for fixed-line, Internet, and mobile communications was recognised as the second best solution in the telecommunications category. The jury rated the ecotel convergence offering as a solution with a high utility value, innovation content, and particular suitability for medium-sized businesses. Thus, for the third year in a row ecotel was successful in placing in this competition.



Top seller of the ZGV

For more than 10 years now the cooperation with "Der Mittelstandsverbund (ZGV)" (German Federation of Buying and Marketing Groups) has been a success concept. More than 100 buying and marketing groups and numerous buying and marketing group members have profited from the products and services of ecotel via a special framework agreement. In addition ecotel was recognised as one of the top sellers in 2010 by the cooperation partner "Der Mittelstandsverbund (ZGV)" for the special sales achievements in acquiring buying and marketing association group members.

DER MITTELSTANDSVERBUND

(German Federation of Buying and Marketing Groups)



Deloitte Technology Fast 50

Also, compared with other technology enterprises in the telecommunications market and IT arena, ecotel was able to again maintain its position due to above-average growth rates. In the Deloitte competition "Technology Fast 50", in 2010, for the fifth time, ecotel placed among the 50 fastest-growing technology companies in Germany.

Deloitte. 2005
Technology Fast 50
Deutschland

Deloitte. 2006
Technology Fast 50
Deutschland

Deloitte. 2007
Technology Fast 50
Deutschland

Deloitte. 2008
Technology Fast 50
Deutschland

Deloitte. 2010
Technology Fast 50
Deutschland



ecotel has chosen a path that differentiates us from many telecommunications enterprises. A concept with ideas and solutions, characterised by committed, motivated employees and partners that pursue only one goal: To make communication as easy, as convenient, as secure and as reasonably-priced as possible. Currently more than

Achim Theis
Chief Sales Officer

30,000 customers profit from the advantages of ecotel. On the following pages I would like to introduce several reference projects to you in detail.

ecotel®

Customers and partners are our driving force!

TOI TOI & DIXI
SANITÄRSYSTEME GmbH

Schülerhilfe®

DER MITTELSTANDSVERBUND



KOMSA
SYSTEMS
DATA VOICE NETWORKING



eventim The eventim logo graphic consists of five yellow stars arranged in a grid pattern.

pro gros

SH
business communications The SH logo graphic consists of three green hexagons arranged in a triangular shape.



Success factor – partner sales

Throughout Germany more than 30,000 business customers are supported through the ecotel direct sales organisation. In this regard ecotel continues to focus on marketing via sales partners. Thus, in the meantime more than 500 sales partners, active throughout Germany, generate more than 90 % of new orders. The sales partners include IT consultants, telecommunications brokers, ITC system houses and call centres.

SH business communications is one of ecotel's top partners. The decisive advantage offered by the Herbolzheim telecommunications pros: On one hand SH business communications has its own experienced and qualified employees in direct sales. "On the other hand we have direct access to more than 50 reliable and motivated sales partners", explains Frank Hin, one of the managing directors and founders of SH business communications. Consequently, since the beginning of the collaboration in 2004,



together with ecotel we have been able to acquire a 4-digit number of new customers.

Recognising, extending, exploiting common synergy potential: The focus on the B2B business connected the two companies from the very beginning. Thus, SH business communications positions itself on the market as an independent communications expert. Business customers profit from competent consulting, as well as need-oriented and innovative telecommunications concepts, whether fixed-line, mobile communications, TC or IT systems.

"Due to our corporate philosophy, which we have been consistently pursuing for almost twenty years, we always offer our customers the optimal solution. Consequently we work together with all the important and leading providers in the market", emphasizes Frank Hin.

Because ecotel communication ag has positioned itself excellently in the market as an exclusive B2B, provider, ecotel enjoys outstanding priority in the collaboration with SH business communications.



The same interests, complete trust, a common denominator:

The solid basis for a successful partnership!

A single source for your communications: SH business communications

Whether mobile communication, fixed-line, telephony, whether IT or TC systems: SH business communications, founded in 1994 specialises in services and solutions in all areas of telecommunications. Numerous companies of different sizes, as well as municipalities and private customers profit from the competent consulting and need-oriented tailored concepts of the independent communication experts.

With trendsetting technology and market knowledge that is always up-to-date, SH offers more security, clarity, and efficiency in telecommunications to its customers. Expert consultants analyse the actual situation, determine what is necessary and what is superfluous, cost traps and optimisation needs. Then holistic total solutions are developed on this basis.

Always in the centre: SH mobility – an innovative service that provides maximum transparency of rate and cost structures, designs telecommunications processes more rationally, and thus achieves a genuine cost advantage for the customer.

Naturally SH business communications also offers products and rates that precisely fit the individual needs of the customer. The service and support that are required for smooth operation are also offered.

Thus, with this outstanding spectrum, with more than 60 employees at the Offenburg, Hebolzheim, and Karlsruhe locations, and with more than 50 sales partners, SH business communications is one of the largest and strongest communication centres in Germany.

"In its core area, ecotel offers comprehensive solutions, as well as an integrated product portfolio, especially for medium-sized business customers. With this spectrum we have found a clear common denominator – and this also makes ecotel a perfect partner for SH business communication for the future", states Frank Hin.

Frank Hin
Managing director
SH business communications



Strong partnerships with buying and marketing groups

Another focus area in sales is the business with so-called buying and marketing group members. Buying and marketing groups are federations of independent industrial companies and trading companies for the bundling of common procurement measures or marketing measures. For the most part the business activity relative to the members of the buying and marketing groups is based on framework agreements with the Deutschen Genossenschafts- und Raiffeisenverband e.V. (DGRV) and ServiCon Service & Consult eG, the service company in the DER MITTELSTANDSVERBUND (ZGV) federation.



For more than 10 years ecotel has been working together successfully with these umbrella associations and now has more than 100 framework agreements in this arena. In 2010 ecotel received the Top Seller award from the ZVG for the first time.



Die große progrös-Trendstudie

Einkauf in der Hotellerie
2010/2011

Prof. Dr. Michael Henke und Prof. Dr. Christopher Jahns

progrös is one of ecotel's top partners. We have been working together successfully for more than 10 years. The partnership particularly lives from the strong ties and support from the headquarters and billing via centralised settlement.



In addition, with the largest progrös member, Best Western Hotels Deutschland, a common VPN for central use of an innovative booking system for the hotels was successfully implemented.



A high level of competence and custom solutions

in the business with the buying
and marketing groups!

progros is the largest purchasing consultancy in the hotel sector and thus is one of the leading purchasing companies. As a service company it provides measurable purchasing advantages. Thus, the value creation and the market success of hotels are increased; promptly and sustainably.

More than 630 hotels & hotel chains – including Best Western Hotels, Lindner Hotels, QGD Hotelmanagement, Westbridge, Rocco Forte Hotels, Choice Hotels, Upstalsboom or Welcome Hotels, but also private hotels, such as Brenner's Park Hotel & Spa in Baden-Baden, the Traube in Tonbach or the Schindlerhof in Nürnberg – use progros in different ways to achieve better purchasing results.

At progros more than 30 employees are engaged in improving purchasing costs and purchasing procedures in hotels and for hotel chains. Whether processing purchasing enquiries, bids for tender, and negotiation of core product lines, procurement planning for new hotel projects, or the consulting involved for the development of a custom-tailored purchasing strategy.



"ecotel stands out in two areas that are particularly important for us: In the first-class cost results for our hotels that we support in purchasing. But also in the consulting and service that have a high value for us, particularly when difficult tasks are involved."



Jochen Oehler
Managing director
progros Einkaufsgesellschaft mbH

A strong cooperation

ecotel and KOMSA Systems cooperate in marketing voice, data and mobile services.



With KOMSA SYSTEMS, one of the leading service providers in the information and communications technology industry (ICT), ecotel lives a cooperation contract for joint marketing of telecommunications services for business customers. Through this cooperation the partners of KOMSA SYSTEMS obtain access to the complete ecotel product portfolio, including the DSL, Ethernet, housing, and VPN data services. In addition, on a project-specific basis ecotel supports in the planning, preparation of quotations, and consulting for business customers through experienced key-account personnel in the respective sales regions.

"With ecotel, we consistently extend our product strategy and offer our customers an outstandingly positioned provider for business customers that can make all telecommunications services available throughout Germany. Combined with their own communications solutions and services our partners can provide attractive offerings from a single source that are experiencing greater demand from many business customers" states Rolf Mittag, Managing Director of KOMSA SYSTEMS.



Through use of ecotel services, the business customers of KOMSA SYSTEMS partners can develop energy-saving potential that can be used for extending the investment budget for the financing of new IT hardware and software solutions. This means double revenue potential for the partners of KOMSA SYSTEMS.

KOMSA SYSTEMS has 26 employees that support IT system houses throughout Germany in developing telecommunications and network solutions and transitioning these solutions from the development stage to practical implementation. Currently the company serves the areas of TC systems and peripherals, voice over IP, communications software, data communications, networking, security conference technology, as well as wireless LAN.



Together with Komsa/aetka, ecotel has created a special marketing promotion based on a communications package that includes everything at a flat rate, "AllesDrinFlat". A go-to-market special promotion for activation and support of aetka dealers with B2B customer share with everything included at a flat rate ("AllesDrinFlat") that is suitable for this target group. The package consists of a flyer with matching countertop stand, newsletters, ad and posters.

With ecotel **we have a competent partner** on our side.

The worlds of telephony, IP infrastructure and network providers are converging at an ever-increasing rate. With the piece-by-piece integration of the voice infrastructure in the IT world, a platform for new solution possibilities is established for customers.

In addition to the classic strengths of a reliable supplier, which we offer as KOMSA SYSTEMS, through us our partners also get optimal support in all phases of the project business.

Regardless of whether this involves project planning in the presales phase or support in the service case. Moreover we offer complete pre-installation of the communications systems, including test and licensing. This reduces costs and our partners can concentrate on new customer projects.



Company headquarters – KOMSA SYSTEMS

Success-oriented customers

ecotel communication ag was commissioned by CTS EVENTIM AG, Europe's market leader in ticketing, to use innovative rack technology for the housing and management of parts of the IT systems in the ecotel computer centre.



In order to offer ticket sales in a fail-safe and efficient manner via the company's own Internet platform, the long-standing customer has relied on the high-availability services in the ecotel computer centre for provision of its online services since 2002. For the subsequent commissioning of ecotel, the special managed services on the basis of the latest rack technology for the servers of CTS EVENTIM AG in conjunction with the high-performance connection to the Internet, including dedicated support and permanent monitoring of system availability round-the-clock, 365 days a year, were required.

In line with the strong growth of CTS EVENTIM AG the supplemental implementation of innovative blade-capable rack systems for housing the CTS EVENTIM AG server systems was executed. With this innovative technology the requirements imposed on the latest computer systems, which are considered state of the art, are implemented efficiently and in a manner that is fail-safe. The solution for CTS EVENTIM AG continues to be based on an extremely powerful concept with redundantly configured high-performance cooling and power supply. The solution is rounded out through the latest alarm and monitoring systems that additionally assure permanent availability of the systems.

The racks are housed in dedicated customer rooms; options for expansion and scalability of the service are provided.

"With the scalable and sustainable infrastructure, ecotel offers us the highest standards in terms of security and availability for our systems, and thus offers the ideal foundation that is indispensable for operation of our online services", explains Alexander Ruoff, COO of CTS EVENTIM AG, "Since in the extreme case major events, such as the concerts of Madonna or Coldplay, are sold out within a few minutes. For this we require a reliable partner that assures the best possible availability of our services for us."

With ecotel we have secured our telecommunications ticket for the next few years!

CTS EVENTIM AG, listed on the SDAX (ISIN DE0005470306) is Europe's market leader in ticketing and is active in 20 countries. Via the systems of the EVENTIM Group, every year a total of more than 100 m event tickets are marketed for more than 140,000 events. To market the tickets EVENTIM uses a network of more than 20,000 ticket agencies throughout Europe, multiple call centres, and particularly Internet platforms, such as www.eventim.de and www.getgo.de. Together with more than 360 m visitors the websites operated by the EVENTIM Group were by far the most successful European ticket portals in 2010.

In addition the live entertainment segment, with planning, organisation and handling of concert events, concert tours, festivals, and other live events is also part of the EVENTIM Group. Majority interests in many of the most successful concert organisers in Germany, Austria and Switzerland, good and long-standing contacts to national and international artists, successful open-air festivals and numerous other events assure the EVENTIM group an outstanding position as market leader in the European concert and entertainment industry. The direct connection between live entertainment and ticketing within a single group, which was implemented at EVENTIM for the first time worldwide, results in a particularly attractive value creation chain.



Ethernet VPN for K + P logistik

The medium-sized company, K + P Logistik GmbH, has more than 170 years experience in the area of logistics. At eight locations in Northern Germany and Central Germany 350 employees provide qualified services in the areas of transport management, contract logistics and inventory management.

The tradition-rich company places top priority on a particularly economical, safe and environmentally-compatible practices. Consequently, all locations of the K + P Group are certified in accordance with DIN EN ISO 9001 and DIN EN ISO 14001. In addition, the locations at which hazardous substances in a variety of classes are stored, are certified in accordance with the strict regulations of the chemical industry, SQAS Road Transportation and SQAS Packaged Warehouse.

The new data network for the site networking between the headquarters in Schwentinental (near Kiel) and the seven subsidiaries should be just as safe and efficient as the mode of operation of the entire corporate group. The central requirement was a broadband, cost-effective network that can keep up with the growth of the company and that is future proof.

This specification requires stable and intelligent site networking in the form of a virtual private network (VPN) based on modern MPLS technology, with which large data packets can be processed particularly quickly. Reliable and fast data exchange between the locations is vital for the operative activities of the service provider with logistics facilities of more than 100,000 m².

As part of the contract award process, the independent consultancy, CSW Consulting Group from Hamburg engaged by K + P, first issued a call for bids based on a requirements analysis. After evaluation and negotiation of all bids, based on the innovative technology and the good price/performance ratio, the Ethernet VPN from ecotel was favoured and recommended. An essential reason for the final commissioning of ecotel was the Germany-wide availability of the connections.

The progressive Ethernet technology was used for the new enterprise network of K + P. Now with ecotel the locations reach guaranteed symmetric bandwidths of 8 Mbit/s at availabilities of 99.2 %. Absolute reliability is assured through redundancy on the network side in the form of permanent double-supported connections to two ecotel POP locations. A permanent public IP address, unlimited IP traffic transport capacity, i.e. a genuine data flat rate and a router administered by ecotel are included and round out the service.



"The particular challenge was the connection of all locations with the latest Ethernet access technology", explains Martin Teschner, the responsible sales manager at ecotel. Thus, the corporate group gets particularly secure networking that at the same time is also cost-effective.

K + P relies on a secure Ethernet data network from ecotel!

Hartmut Kant, managing director of K + P Logistik GmbH, explains: "For the introduction of our new data network we were looking for a uniform solution for high-quality connection of all locations, some of which are in rural areas, and to increase the previous level of performance in the enterprise network. In this regard the bid from ecotel quickly convinced us. In this area various competitors could only offer us DSL connections at the same price."

"In addition, for our telephone calls at all locations we also use the new complete fixed-line offering from ecotel. Thus, compared to our previous provider we achieve savings of approximately 40 % and enjoy the practical advantage with ecotel of having a single source for all telecommunications services", stated Hartmut Kant.

The professional Internet access, ecotel ethernet access, is particularly suited for enterprises that have a permanent high demand for fast and stable data exchange and that desire to change from the classic leased line to the new innovative Ethernet technology. Likewise it is suitable for all companies that have multiple locations and within the framework of site networking (VPN) are dependent on a constant high level of transmission quality, in the form of guaranteed bandwidths, increased reliability and flexible scalability. The ecotel ethernet access variant offers the possibility of Quality of Service (QoS), in addition to shortened latency. As part of the multi-supplier strategy from ecotel, ecotel ethernet access is available throughout Germany at every location in Germany.



K + P Logistik GmbH headquarters in Schwentental

Convergence solution for TOI TOI & DIXI

When the issue is use of professional telecommunications and data services from a single source, more and more medium-sized business customers are deciding for ecotel. The Düsseldorf telecommunications company provides a bundled offering for fixed-line and mobile communications in conjunction with special voice and data rates.

Based on "genuine" ISDN connections of alternative network operators, ecotel provides reliable and stable solutions with premium service and shorter fault clearance times. As part of its multi-supplier strategy, i.e. independent sourcing of connections from appropriately specialised upstream suppliers, next to Deutsche Telekom AG, ecotel achieves the highest possible footprint (> 70 % within Germany). At the remaining locations (30 %) ecotel executes a transfer of the existing Telekom connections. As the only alternative provider for business customers, in this manner ecotel can implement an appropriate quality connection at any location in Germany. With the associated rate concepts savings up to 50 % can be achieved as compared with individual solutions.

High-quality telecommunications solutions with significant savings potential were also the reason for the leading provider of mobile sanitary systems, TOI TOI & DIXI Sanitärsysteme GmbH, to switch over to the new convergence offering from ecotel.

In addition to the fixed-line connection, more than 100 SIM cards must also provide communication from headquarters to the drivers, or driver to driver, as well as from the drivers to customers in North Rhine-Westphalia. Stable solutions in this area are an important prerequisite for the successful business operations of the market leader.

The conclusion of Susanne Holtmann, Prokurist (authorised signatory) of TOI TOI & DIXI Sanitärsysteme GmbH, is clear: "With the convergence offering from ecotel we lowered our telecommunications costs three times at once. With the basic fee for our primary multiplex connection we now save approximately 65 %, for mobile communications, our savings in base fee and minute prices are more than 40 %. And in addition, with the 'Company Mobile' option we telephone free of charge from fixed-line to our own SIM cards. Overall with ecotel we have reduced our telecommunications costs by approx. 16,000 EUR per year.



The professional support from ecotel in the conversion phases was also manifest in a particularly positive manner: At all times we had a competent partner, and there were no failures whatsoever. With former providers our experiences had been quite different.

Moreover the complete offering from ecotel means a major administrative facilitation, as the effort involved with continuously checking invoices from different providers is dispensed with. From ecotel we get all services from a single source, including a free-of-charge EVN (itemised billing) tool for convenient assignment of internal cost centres.

Our decision to order a 0800 service number, with which interested customers and new customers throughout Germany can contact us free of charge, was made in favour of ecotel, naturally."

Market leader **TOI TOI & DIXI** relies on a communications solution from ecotel!

As core country, Germany has the oldest and greatest significance within Europe. This is where eleven autonomous TOI TOI & DIXI companies, with more than 70 service centres, more than 80,000 toilet cabins and containers for a myriad of applications, guarantee a nationwide presence and thus a seamless service.

For 30 years the service offered by TOI TOI & DIXI combines three essential aspects of our daily life: Hygiene, intimacy, and environmental protection.

Our core business includes the production and rental of mobile sanitary systems, and the regular cleaning and disposal of these systems. On the basis

of autonomous subsidiaries we meet the regional and local requirements of our customers flexibly with custom solutions.

As a supplier of sanitary units, due to our many years of experience we are a competent partner for all occasions.

The TOI TOI & DIXI offering is diverse. In addition to different variants of mobile toilets, such as the original DIXI TOI-Fresh with hand washbasin and fresh-water flush, urinal stands, etc. we also offer modern toilet trailers, as well as toilet, shower, office or sleeping containers in different designs.



Schülerhilfe gives top marks for the provision of ecotel full access lines!

As one of the leading tutoring and training providers, Schülerhilfe commissioned ecotel to equip all 300 GmbH Schülerhilfe locations with the new ecotel full access lines. In addition, for the more than 700 Schülerhilfe franchise locations a framework agreement was agreed with special conditions for use of the ecotel full access lines. The decision to change to ecotel was particularly based on the fact that ecotel as the only alternative provider in Germany can make a genuine ISDN location available at all locations in Germany based on different upstream providers.

In addition to optimisation of fixed-line charges the installation of a business ADSL connection was also a top priority. Moreover the LSN forwarding set up in the network was to be taken over functionally, so that the calls coming into the telephone numbers of the office after business hours can be forwarded to the service centre as before.

Conversion of the connections to ecotel was fast and virtually frictionless, and even after a short time the savings for Schülerhilfe were visible.

Bernd Schäper, director – IT & organisation for Schülerhilfe GmbH & Co.KG, draws a positive conclusion: "With ecotel, we feel that we are in good



hands. In addition to the attractive rates, we profit from professional support exclusively for business customers, round-the-clock, 365 days a year. The high rate of agreement among our partners – at this point 170

franchise partners use the ecotel offering – underlines the performance of ecotel."

Schülerhilfe®

For more than 35 years, Schülerhilfe has been providing a tutoring and test preparation offering for all forms (grades) and types of schools. With more than 1,000 locations Schülerhilfe is the largest franchisor in the area of education in Germany and Austria.

Schülerhilfe offers individual instruction in small groups of three to five students. Qualified and motivated tutors focus on the needs of each individual student. This concept demands social competence as well as capacity for teamwork and responsibility. The intensive and individual support provided by Schülerhilfe is effective: Grades improve, and the children and youth gain a new level of self-confidence. A quality management system, certified in accordance with DIN EN ISO 9001, is used to achieve maximum quality and customer orientation. With success: 94 percent of customers are satisfied and would recommend Schülerhilfe.



A daughter (company) grows up ecotel subsidiary easybell establishes itself!

Success story – easybell

easybell relies on integrated offerings in the growth markets, voice over IP, mobile communications and DSL. The target group consists of private customers who are looking for high-quality, and at the same time, price-effective solutions.

easybell

From easybell customers get a complete telephone connection including local number without a contract term, that is optimised for today's mobile lifestyles. easybell enables worldwide use of the telephone connection, for example on smartphones or other Internet-capable devices. The offerings are supplemented through innovative features, such as Fax2Mail or Voice2Mail.

easybell offers rate-adaptive ADSL2+ connections which, in comparison with conventional DSL offerings, provide higher real connection speeds. Through high-quality offerings and good service, as a young company, easybell is already one of the top 5 German broadband providers, as determined by the 2010 study of the Deutsches Institut für Servicequalität.

Since 2010 easybell has also been a mobile communications service provider. The offerings will first be marketed as a bundle with DSL connections, however, they will be consistently extended.

easybell has been successful for some time in the classic Call-by-Call- and Internet-by-Call business. For the important price portals easybell leads the rate comparisons and convinces with fair rates aimed at long-term customer loyalty. The high growth was financed exclusively from the operative cash flow in a highly-competitive environment. This was enabled through consistent automation of all business processes so that easybell works with extremely competitive costs. In addition, easybell was able to keep customer acquisition costs low through intelligent price and marketing strategies. This accomplishment has also been recognised; the company won the 2010 "Pricing Excellence Award" given by the consultancy Batten & Company.





"My top goal is to reduce net debt at ecotel to zero and in the medium-term bring the

Bernhard Seidl

Chief Financial Officer

EBITDA margin into the double-digit area."

ecotel[®]
The numbers are
fun again!

Cashflow
EBITDA
Net income

EBIT
Aktiva
Passiva

The ecotel stock

ecotel stock has been listed on the Frankfurt Stock Exchange since March 29, 2006. On August 6, 2007 it moved from Entry Standard to Prime Standard. The capital stock is 3,900,000 shares. Of which the Company holds 147,500 of its treasury shares. Thus, as of December 31, 2010 there were 3,752,500 shares outstanding.

Price trend 2010

The stock market, as well as the indices, showed a lateral movement until the 3rd quarter 2010, and ended the year with a strong 4th quarter with gains. Thus, the DAX as representative of the Large-Cap companies rose by 14 % in 2010; the TecDAX as representative of the technology stocks improved by 2 %.

ecotel stock opened the year at 4.3 EUR. After the stock had developed over the course of the year until the 3rd quarter virtually identically to the TecDax trend, in September the stock rose briefly to more than 5 EUR, however, it could not sustain this advance and closed the year at 3.3 EUR.

Average daily trading of the stock in 2010 was 1,100 shares per day compared with 3,700 shares per day in the previous year. At year end ecotel showed market capitalisation of 12.4 m EUR, at a share price of 3.3 EUR and 3,752,500 outstanding shares.

Investor relations

ecotel maintains a continuous dialogue with investors, analysts, and journalists; however, in 2010 only had limited investor relations activities, these included an analyst telephone conference at the end of 2010. Starting in 2011 the Company intends to again increase IR activities and also plans to support these activities with research coverage. Current information on the Company, such as quarterly reports, press releases, and financial calendar, as well as analyst presentations can be accessed on the Internet by all investors, immediately after they are published.

Shareholder structure

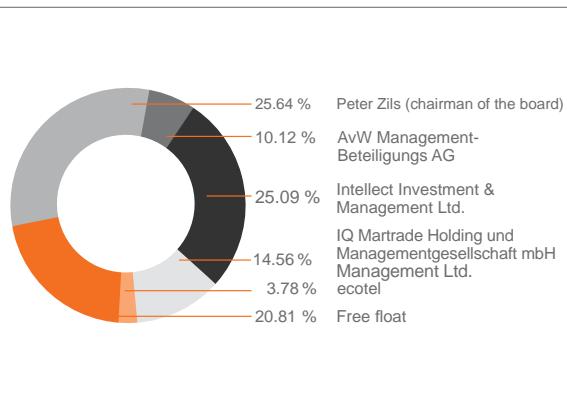
In 2010 there were two significant changes in ecotel's shareholder structure. Peter Zils (CEO of ecotel) at the beginning of 2010 ceded 5.41 % of the voting shares to IQ Martrade Holding und Managementgesellschaft mbH and now holds 25.64 % of the voting shares of the Company. The other major investors in the Company are still Intellect Investment & Management Ltd. with 25.09 % of the voting rights, IQ Martrade Holding und Managementgesellschaft mbH with 14.56 % of the voting rights, as well as AVW Management-Beteiligungs AG with 10.12 % of the voting rights. Free float is 20.81 %.

Key indicators Ø 2010

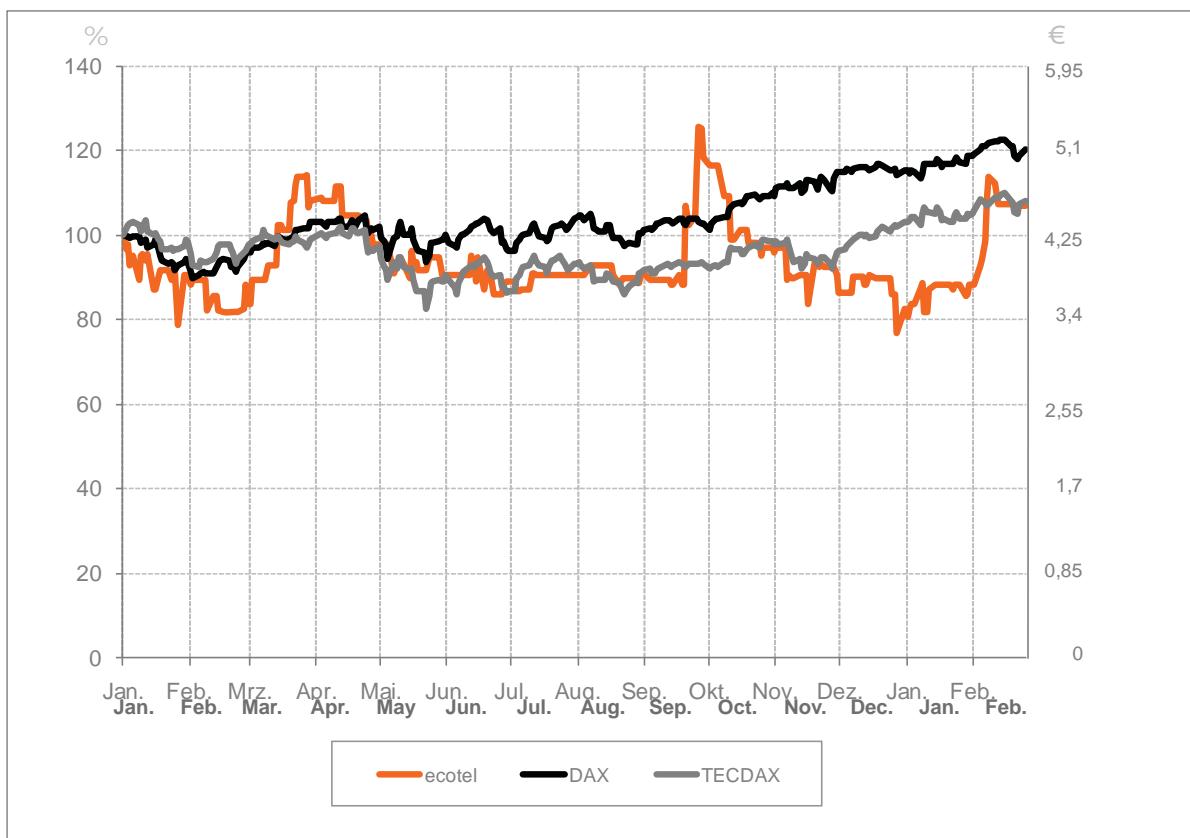
ISIN	585434	First listed	29.03.2006
ISIN	DE0005854343	Number of shares	3,752,500
Symbol	E4C	Daily trading volume	1,117
Market segment from August 8, 2007	Prime Standard	High share price 2010 (€)	5.4
		Low share price 2010 (€)	3.3
Index membership	CDAX, Prime All Share Technology All Share	Market capitalisation as of December 31, 2010 (€ m)*	12.4
Class	Shares without par value	Designated sponsor	Close Brothers Seydlar Bank AG

*Based on the closing price as of December 31, 2010 of 3.3 EUR per share and 3,752,500 outstanding shares

Stock ownership (12/31/2010) in percent



Price trend of the ecotel stock in 2010 in percent and euro



Business and general conditions

1. ECOTEL – OVERVIEW

The ecotel Group ("hereinafter ecotel"), is a telecommunications company that has been active throughout Germany since 1998, that specialise in meeting the requirements of business customers. ecotel markets products and services via three divisions: Business Solutions, Wholesale Solutions and New Business

Business Solutions

In core division, Business Solutions, ecotel offers small and medium-sized enterprises, as well as large customers throughout Germany an integrated product portfolio of voice, data and mobile services from a single source.

In the area of voice services ecotel has a complete portfolio of connection, telephony and value-added services. For the data products the offering extends from data connections such as ADSL, SDSL, leased lines, and Ethernet to secure enterprise networking via VPN, as well as the housing server farms and hosting of shared services (software as a service, cloud computing). Since 2008 ecotel has also been marketing its own mobile communications products and offers business customers

voice rates in conjunction with options for mobile data use.

Over the last three years, as part of the product expansion strategy, the "revenue mix" of the business solutions division has changed considerably. In 2006, 96 % of business customer revenues were earned with voice and added-value services, this area declined to just over 50 % of the overall picture in 2010. The other product areas, voice and full access lines (18 %), VPN and data services (19 %), as well as housing/hosting (7 %) and mobile communications (3 %) now account for 47 % of business customer revenues. In addition, the declining voice revenues of the classic preselection business are increasingly compensated with new revenues in the area of full access lines, data and mobile communications.

Depending on the target group, sales in the Business Solutions division are made via direct sales or partner sales with a total of 500 active sales partners. Thus, ecotel obtains broad access to its target group of small and medium-sized business customers. In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 buying associations and buying and marketing groups.

Business Solutions product portfolio of the ecotel Group

Fixed-line	Voice	Voice connection		<ul style="list-style-type: none"> Full access lines (ISDN) or line transfer (ISDN) or unbundled TAL with VoIP
		Telephony		<ul style="list-style-type: none"> Minute rates, minute packages or flat rates
		Value-added services		<ul style="list-style-type: none"> Service telephone numbers (0800, 0180x, 0900)
	Data	Data connection		<ul style="list-style-type: none"> via ADSL, SDSL, Ethernet or leased line
Mobile communications	Voice	VPN/security		<ul style="list-style-type: none"> Secure enterprise networking via IP VPN
		Hosting/housing		<ul style="list-style-type: none"> Housing of server farms as well as hosting of shared services in the Company's own computing centre
	Data	Voice		<ul style="list-style-type: none"> Attractive mobile communications rates, incl. convergence products (fixed-line-to-mobile)
		Data		<ul style="list-style-type: none"> Data flat rates and BlackBerry solutions / iPhone solutions

In the Business Solutions area the Company supplies approximately 30,000 small and medium-sized companies from all industries with standardised and custom telecommunications solutions, throughout Germany.

Wholesale Solutions

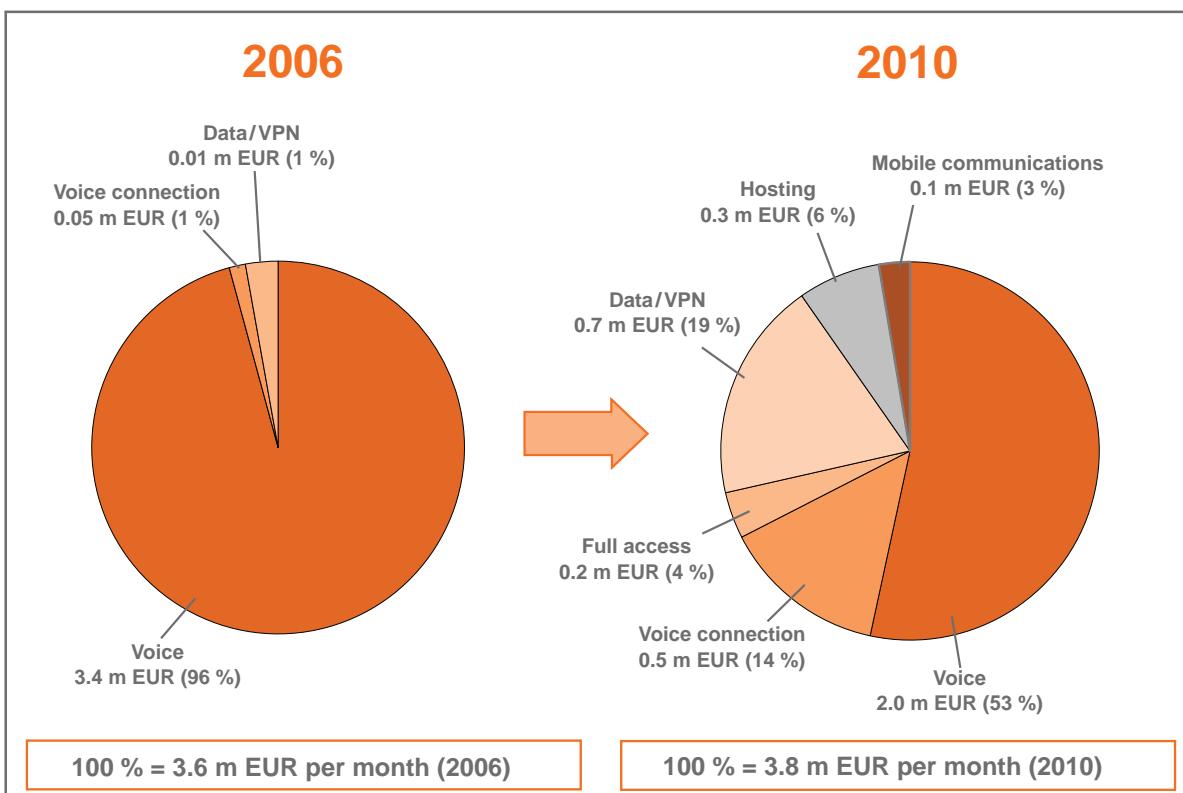
In the Wholesale Solutions division ecotel integrates the offerings for other telecommunications companies and marketers of telecommunications services that operate in unrelated industries. In addition, the Company is active in cross- network trading of telephone minutes (wholesale) for national and international carriers, and thus simultaneously achieves a deepening of value creation for the core unit, Business Solutions. For this ecotel maintains network interconnections with approximately 100 international carriers.

This segment includes the equity holding, mnveco GmbH, which is also active as a technical service provider for mobile communications offerings, and i-cube GmbH, which is active as a technical service provider for unbundled DSL and voice over IP products for other resellers.

New Business

The new high growth business segments of ecotel are combined in the New Business division. These include nacamar GmbH with its new media business, as well as easybell GmbH with the private customer business. In addition, ecotel holds a minority share in PPRO GmbH, a company that is active in the area of Internet-based payment systems.

Shift of sales distribution in the business customer segment



Infrastructure

ecotel maintains its own components of a telecommunications infrastructure, including an IP backbone with locations in Frankfurt am Main and Düsseldorf, its own computer centre, a voice switch, as well as central dial-in platforms. For the new media business the Group maintains various server farms. mvneco GmbH operates a central mobile communications platform.

On the IT side, ecotel maintains its own systems for order management and billing. As part of system consolidation, the Group was able to migrate the four existing systems to two systems in 2010.

2. LEGAL FRAMEWORK OF THE COMPANY

The voting shares issued by ecotel communication ag are approved on the regulated market of the Frankfurt Stock Exchange (subsegment Prime Standard). The regulated market of the Frankfurt Stock Exchange is an organised market as defined in Section 2, Paragraph 7 of the German Securities Acquisition and Takeover Act (WpÜG).

Management body

The legal management and representative body of ecotel communication ag is the management board of the Company. In accordance with Section 5 of the articles of association of the Company, the management board consists of at least two persons. In all other aspects the supervisory board determines the number of members of the management board. The supervisory board can appoint a chairman of the management board as well as a deputy chairman of the management board. Deputy members of the management board can also be appointed. Members of the management board are appointed for a maximum of five years. A repeat appointment or extension of the term of office is permitted for a maximum of 5 years. The supervisory board can revoke the appointment as member of the management board and the appointment as chairman of the

board if there is an important reason. According to the articles of association of the Company the supervisory board issues rules of procedure for the management board. This has been done by the supervisory board.

According to Section 6, Paragraph 1 of the articles of association of the Company ecotel is legally represented by two members of the management board, or by one member of the management board together with a Prokurist (signatory authority). The supervisory board has availed itself of its authorisation and determined that each member of the management board has the right to represent the Company alone. Currently the management board of the Company is comprised of Mr. Peter Zils (CEO), Mr. Bernhard Seidl (CFO) and Mr. Achim Theis (CSO).

Remuneration of executive bodies

The members of the management board of ecotel are remunerated on the basis of Section 87 of the German Stock Corporation Act (AktG) and Management Board Remuneration Act (VorstAG); remuneration includes a fixed annual base compensation, as well as a variable component. The target requirements (including incoming orders, EBITDA, EBIT) for the variable component are specified annually by the supervisory board. Payment of the variable portion is coupled with sustainable enterprise development over 3 years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. ecotel has taken out a directors and officers insurance policy (D&O insurance) with an appropriate deductible for the members of the management board.

In addition, two members of the management board participate in the Company's stock options program.

Members of the supervisory board receive fixed and a variable annual remuneration. In addition ecotel has also taken out a directors and officers insurance

policy (D&O insurance) with an appropriate deductible for members of the supervisory board.

The total remuneration of the executive bodies, as well as the individual remuneration of the members of the management board and advisory board are listed in the notes to the consolidated financial statement (comment [29], "Executive body remuneration").

Changes in the articles of association

Every change to the articles of association in accordance with Section 179 requires a resolution of the Annual General Meeting. Exceptions to the above are changes in the articles of association that only affect their wording; for such changes the supervisory board is authorised.

If mandatory statutory regulations specify nothing to the contrary, shareholders' resolutions are made with a simple majority of votes cast and, if the law prescribes a capital majority in addition to majority of votes, with the simple majority of the capital stock as represented for the resolution.

Capital structure

Share capital

The capital stock of the Company is 3,900,000.00 EUR. The capital is divided into 3,900,000 bearer shares. The shares are issued as no-par value shares with a proportional amount of the capital stock of 1.00 EUR. The capital stock of 3,900,000.00 EUR is completely paid in. Each no-par value share grants one vote in the Annual General Meeting. Voting right restrictions do not exist. Currently ecotel holds 147,500 treasury shares so that the subscribed capital is 3,752,500 EUR in the balance sheet. Different voting rights relative to the shares do not exist. The Company's management board is not aware of any restrictions that affect voting rights or transfer of shares, as can occur, for example, due to agreements between shareholders.

Authorised capital

With shareholders' resolution of July 27, 2007 the management board of the Company is authorised with the consent of the supervisory board to increase the capital stock one time or multiple times by a total of up to 1,750,000.00 EUR against cash and/or investments in kind through the issue of new no-par value bearer shares, until July 26, 2012. The number of shares must increase in the same ratio as the capital stock increases. In the 2010 business year the management board did not avail itself of this authorisation.

Conditional capital

The Annual General Meeting of July 27, 2007 resolved on the conditional increase of the capital stock by up to 1,500,000.00 EUR through issuing up to 1,500,000 no-par value bearer shares (conditional capital I). The conditional increase in capital serves the sole purpose of enabling the Company or a directly or indirectly associated company to issue shares to the holders of options and/or convertible bonds based on the authorisation of the Annual General Meeting held on July 27, 2007 in return for cash paid in by July 26, 2012. In the 2010 business year the management board did not avail itself of this authorisation.

Moreover the Annual General Meeting of July 27, 2007 voted to authorise the creation of conditional capital to serve the 2007 stock option plan. Under this resolution the capital stock of the Company may be increased by up to 150,000.00 EUR through the issue of up to 150,000 no-par value bearer shares. The conditional increase in capital serves exclusively to fulfil subscription rights that were granted by the authorisation of the Annual General Meeting of July 27, 2007, which last until July 26, 2012. In financial year 2010 no stock options were granted to the management board or executive officers of ecotel.

Authorisation to acquire treasury shares

With the resolution of July 30, 2010, the Annual General Meeting authorised the Company to acquire treasury share up to a total of 10 % of the capital stock existing at the time the resolution was passed. The authorisation may not be used by the Company for the purpose of trading in treasury shares. In combination with the other shares owned by the Company or shares that are allocated to the Company in accordance with Section 71a ff. of the German Stock Corporation Act (AktG), at no point in time may the acquired shares amount to more than 10 % of the capital stock. The authorisation to purchase treasury shares runs until July 29, 2015. In the 2010 financial year the Company did not avail itself of the authorisation to acquire and use treasury shares. As of December 31, 2010 ecotel held 147,500 treasury shares.

Capital holdings and control rights

The table below shows the names of the shareholders, who owned more than 10 % of the capital stock at the end of 2010. Different voting rights relative to the shares do not exist.

Shareholder	Share ownership (in %)
Peter Zils	25.64 %
Intellect Investment & Management Ltd.	25.09 %
IQ Martrade Holding und Managementgesellschaft mbH	14.56 %
AvW Management-Beteiligungs AG	10.12 %
Total	75.41 %

There are no owners of shares with special rights that grant control authority. There is no voting right control for the case that employees hold Company shares and do not directly exercise their control rights.

Effects of potential takeover bids

There are no material agreements between eco-

tel and other persons who could be affected by a change of control as a result of a takeover bid. For the members of the ecotel management board there are no agreements that foresee compensation in the event of a takeover bid.

In the event of a change of control at ecotel communication ag or ecotel private GmbH, the second shareholder of easybell GmbH, Consultist GmbH, has the right to acquire up to a 51 % investment in easybell GmbH from ecotel communication ag or ecotel private GmbH. The purchase prices must correspond to the market value of the partial investment.

3. STRUCTURE AND HOLDINGS OF THE COMPANY

As parent company ecotel communication ag is headquartered in Düsseldorf. In 2010 the Company employed 157 staff members, including the management board and trainees without its subsidiaries; this was 21 more employees than at the end of 2009. The increase in the number of employees was essentially due to the merger of ADTG Allgemeine Telefondienstleistungs GmbH with ecotel.

The subsidiaries of ecotel communication ag are located in Germany and in 2010, including managing directors and interns employed an average of 52 employees (compared with 57 employees at the end of 2009).

nacamar GmbH

nacamar GmbH was originally founded in 1995, traded under the name World Online, and later as Tiscali Business GmbH, before the B2B business was merged with ecotel. The company, which has been trading again under the name nacamar GmbH since 2007, is an autonomous full-service new media provider. In addition, the wholly-owned subsidiary of ecotel communication ag offers new media, as well as more extensive Internet and data services to major companies from the media industry. naca-

mar prepares radio and TV content for the Internet and subsequently supplies it live, on demand or as podcast/vodcast to Internet users via the Internet. nacamar operates its own streaming platform in the Group's own computer centre with connection to all important national and international networks. nacamar GmbH is headquartered in Düsseldorf and in 2010 employed an average of 17 employees (previous year: 16 employees).

ecotel private GmbH

ecotel private GmbH is a wholly-owned subsidiary of ecotel. The company was founded in 2003 to market white label services and primarily sells voice services to private customers via marketers who operate in other industries. ecotel private GmbH is headquartered in Düsseldorf. ecotel private GmbH holds 51 % of the shares of easybell GmbH.

easybell GmbH

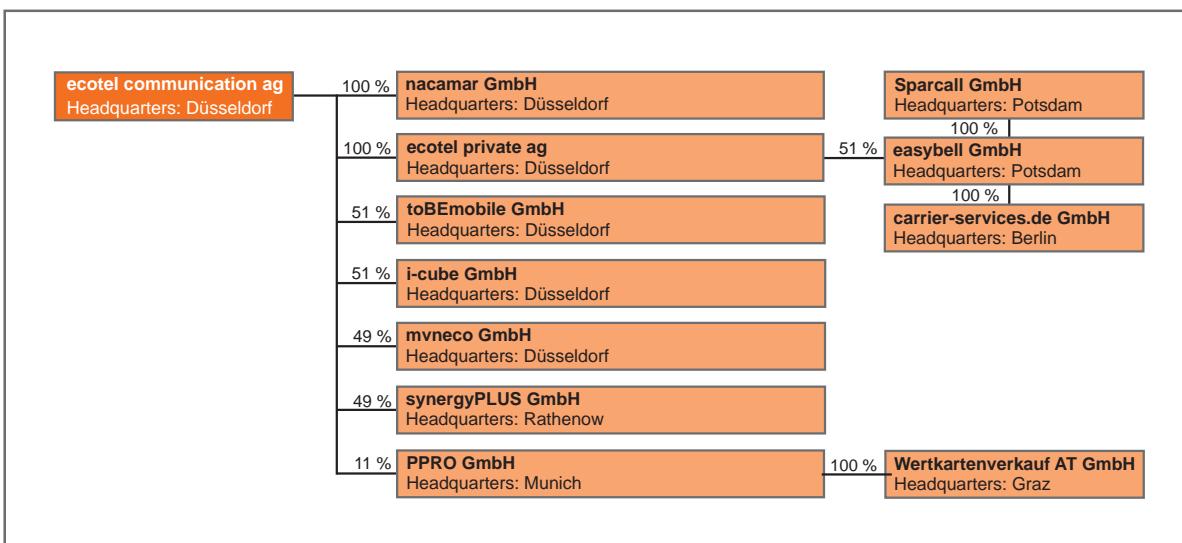
easybell GmbH is headquartered in Düsseldorf and in 2010 employed an average of ten full-time employees. The company offers aggressively-priced telecommunications products to technically oriented private customers. Presently easybell GmbH is active in the area of "narrowband services and ADSL".

Sales are primarily executed via telecommunications price portals. In addition, the enterprise holds 100 % of the shares of Sparcall GmbH, which markets the Call-by-Call number "01028" to carrier-services.de GmbH, which offers the Call-by-Call number "010010".

toBEmobile GmbH

ecotel communication ag holds 51 % of the shares of toBEmobile GmbH, which was founded in 2006. The enterprise is active as a mobile virtual network operator (MVNO) in the mobile communications market. toBEmobile GmbH is headquartered in Düsseldorf.

Structure and holdings of ecotel



i-cube GmbH

i-cube GmbH, headquartered in Düsseldorf offers ecotel, other telecommunications companies and marketers that operate in other industries the complete portfolio of unbundled DSL services and voice over IP. Thus, via a standard interface, customers can gain access to upstream services from various providers, such as Telefonica, QSC or Deutsche Telekom (DTAG) without take obligation. ecotel holds 50.1 % of the shares of i-cube GmbH.

mvneco GmbH

Together with other consortia partners ecotel founded mvneco GmbH in April 2007; the company is headquartered in Düsseldorf. ecotel holds 49 % of the shares of the company. In 2010, the mvneco GmbH employed nine employees on average. The company functions as a technical service provider and as a so-called virtual network enabler (MVNE) enables entry into the mobile communications market for other telecommunications companies, such as ecotel communication ag. In this regard the technical platform of mvneco GmbH is connected to the switching network of a mobile communications network operator (e.g. E-Plus), which makes it possible for the company to offer its own mobile communications services.

synergyPLUS GmbH

synergyPLUS GmbH was founded in February 2009. synergyPLUS GmbH acts as the exclusive sales partner of ecotel and in particular markets the new full access products in conjunction with the supplementing ecotel mobile services as a convergence product via telesales and trade representatives. The telesales and trade representative concept makes it possible to keep fixed costs low and simultaneously have access to a sales organisation that can be directly controlled. At the end of 2010, synergyPLUS GmbH employed ten employees. ecotel holds 49 % of the company's shares.

PPRO GmbH

PPRO GmbH, headquartered in Bad Heilbrunn, is a company that specialises in Internet-based payment processing. In this regard the essential products are a virtual pre-paid credit card (paysafecard) and a commercial interface for the online payment process "giropay" for dealers that are active via the Internet. In 2010 the company employed an average of six employees. ecotel holds 11.2 % of the company's shares.

4. CORPORATE MANAGEMENT OF THE GROUP

ecotel manages the three business units in accordance with the overall strategic alignment of the Group. There is overall budget planning, into which the annual budgets of the business areas, as well as the Group companies flow. Planning is on the product level in accordance with the cost-driver process. In this process direct variable costs are allocated to the earnings types per product and a gross margin is determined for each product. Product-overlapping direct costs, as well as personnel costs are planned separately. Reporting during the year occurs monthly on the sales, earnings, and cash flow level per area with detailed analysis of the deviations relative to planning and the previous year, as well an analysis of the deviations to a regularly updated forecast to the end of the financial year. In addition there is continuous monitoring of liquidity and working capital. Area-specific key indicators (e.g. minute volume, price per minute, purchasing margin) that are mapped in a reporting system, are used for control.

5. RESEARCH AND DEVELOPMENT

In 2010 development expenses of ecotel mainly relate to in-house developed software solutions and product developments. At ecotel communication ag these were primarily the order processing system for fixed-line, data and mobile communications, as well as the customer portal. For nacamar GmbH these were essentially developments related to the media delivery network (MDN), of the video asset management system (medianac), and of the customer portal.

6. MARKET AND COMPETITIVE ENVIRONMENT

The German economy was able to recover significantly more quickly than many experts assumed. According to the German Statistical Office (Statistisches Bundesamt), in 2010 the growth of German economic performance was 3.6 %, compared to a decline of 4.7 % in the previous year. For 2011 the leading economic research institutes expect growth in excess of 2 %.

Telecommunications market volume also dropped in 2010

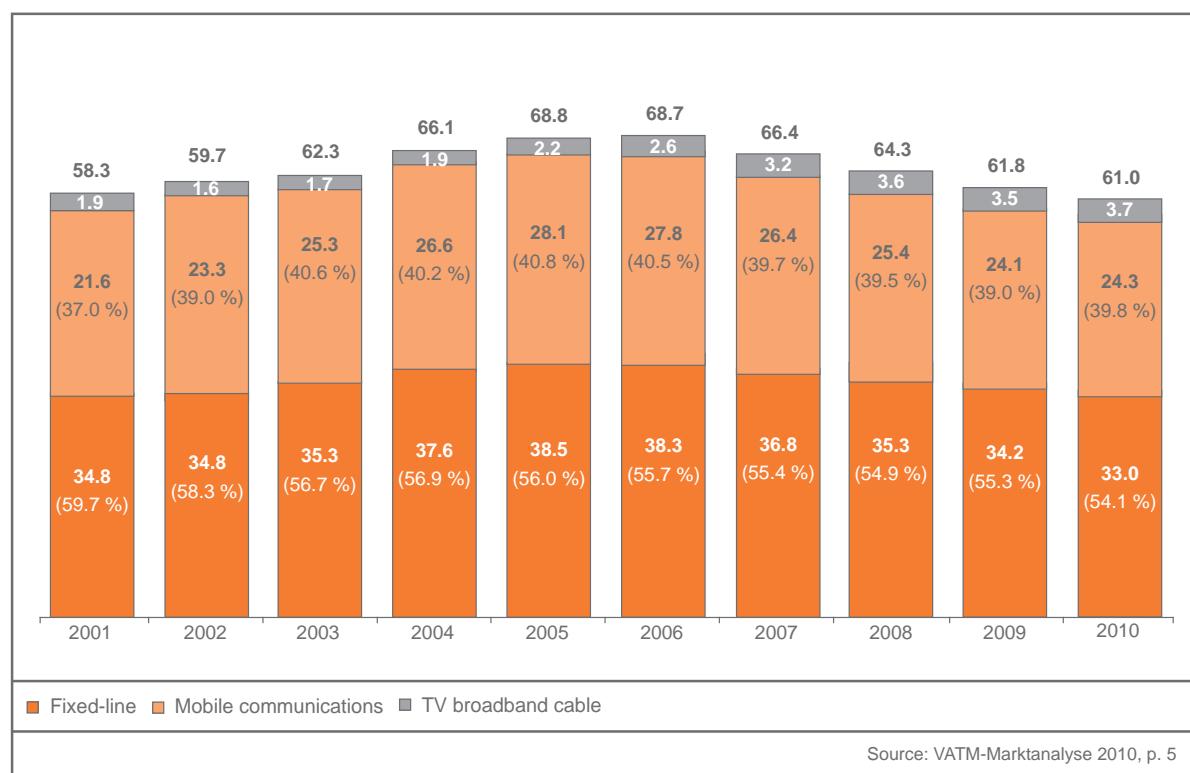
In 2010 the total market for telecommunications services (including cable networks) in Germany declined by 1.3 % from 61.8 b EUR to 61.0 b EUR (source: VATM-Marktanalyse 2010, p. 5).

At the same time the proportion of alternative competitors on the total market increased from 56 % to 58 %.

The fixed-line market, consisting of access, voice and data services with external sales of 33 m EUR represents 54 % of the total market for telecommunication services.

Noteworthy in this regard is that in the meantime cable network operators also have significantly increased their revenues in the telecommunications area. Thus, in 2010 the cable network operators share of sales was 6 % the total TC market.

Total market for telecommunications services in Germany in b EUR



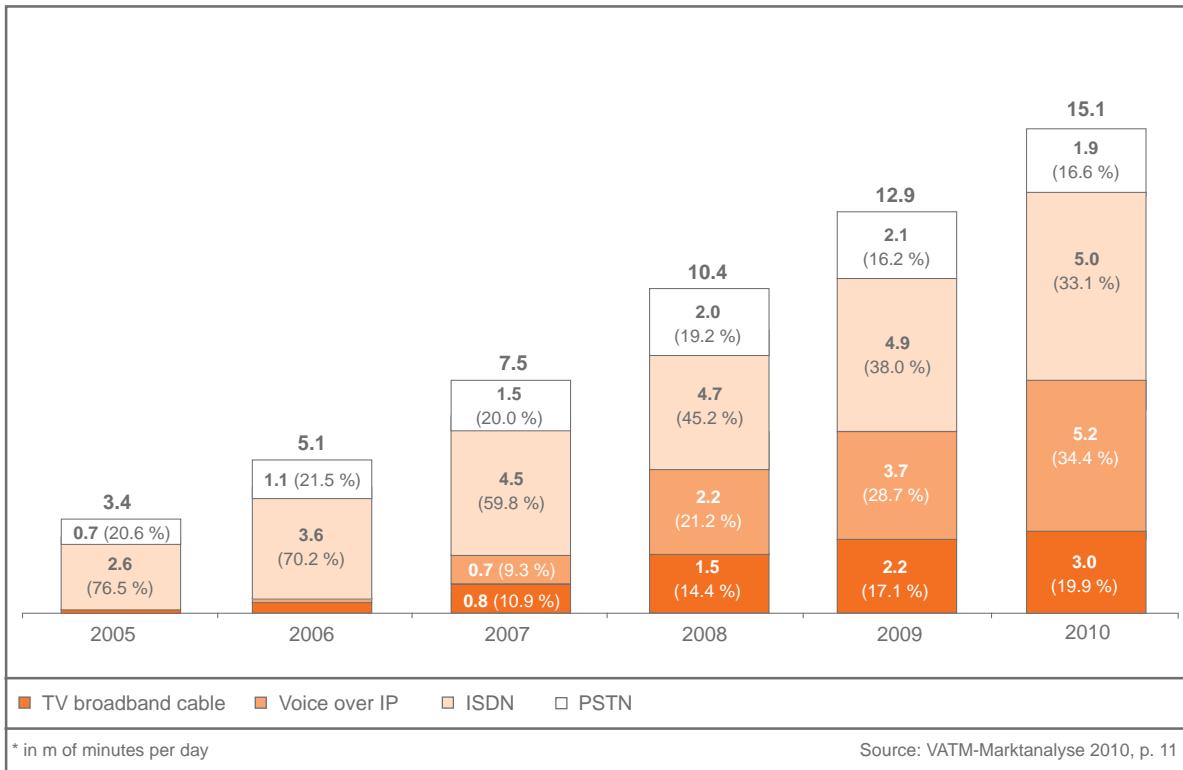
In 2010 mobile communications revenues increased from 24.1 b EUR to 24.3 billion EUR, essentially driven by the increase in data service revenues with the new generation of mobile communications devices, the so-called smartphones. At the end of 2010 the number of activated SIM cards was the same as that of the previous year, approx. 108 m SIM cards.

In the meantime the alternative competitors have switched more than 15 m of their own telephone connections (including the voice accesses via cable TV networks) and thus with 35 m telephone connections have a market share of 43 % (source: VATM-Marktanalyse 2010, p. 11). However, while the number of classic fixed-line connections is still only increasing slightly, significant growth is observed for unbundled voice over IP connections and for cable TV full access lines.

At the end of 2010 in Germany there were almost 27 m broadband connections, compared with 25 m broadband access lines at the end of 2009. In this regard 9.0 million connections (33 %) were for unbundled subscriber access, 1.9 m connections (7 %) were for resale DSL/wholesale DSL/IP bitstream, 12.1 m connections (45 %) were provided by Deutsche Telekom AG (DTAG), as well as 3.9 m connections (15 %) to other access types, such as cable TV. Thus, DTAG's competitors have a market share of 55 %.

The share of competitors to DTAG in the traffic volume for voice services, particularly for the full access lines has significantly increased in recent years. On the other hand the volume for Call-by-Call and preselection declined sharply (source: VATM-Marktanalyse 2010, p. 10). In the meantime the proportion of voice connection minutes via full access lines of the total volume of fixed-line minutes that are realised by the competitors was more than 80 %.

Fixed-line telephone full access connections of competitors



In addition there is a substitution of fixed-line through mobile communications, as well as a substitution of PSTN (Public Switched Telephone Network) through VoIP (voice over IP).

Trends in the B2B market

Similar to the situation in the previous year, in the business customer segment (B2B) in Germany the revenue trend declined, essentially driven by the continuing high intensity of competition. In addition the traditional voice technology is increasingly being replaced by voice over IP solutions.

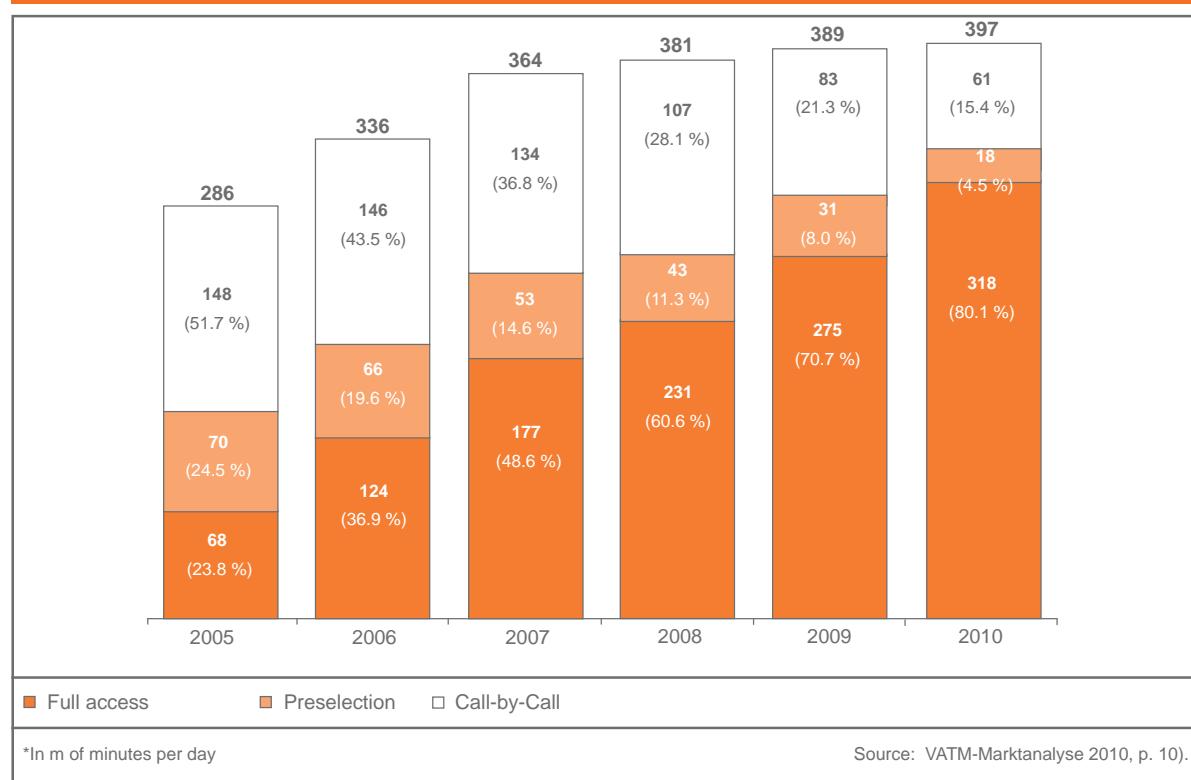
Important TC trends for the future in the business customer area are the continuous extension of broadband Internet accesses, both via fixed-line (VDSL, FFFH), as well as via mobile communications (HSPA + LTE), the shift of telephone systems into the network (hosted PBX/IP Centrex), as well

as the strong convergence of telecommunications and IT. This also includes the trend theme "cloud computing" with its forms, infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS). Essentially this involves the shifting of local computing services (hardware) and application programs (software), as well as data storage (content) into secure computer centres on the Internet, that the user accesses via secured broadband connections.

Regulatory trends

As a telecommunications company, ecotel is subject to oversight by the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and Railroad (BNetzA). The BNetzA promotes the liberalisation and the opening of the market in the telecommunications sector.

Overall market – competitors – voice services in Germany by product*



Important current topics are:

- Acceleration of the extension of high-performance public telecommunications networks of the next generation, including improved basic conditions for web-conformant infrastructure investments
- Assurance of a full-coverage basic supply of the same type of telecommunications services (universal services) in urban and rural areas, including broadband connections, at affordable prices
- Network neutrality (i.e. equal and unchanged transmission of data packets through carriers, regardless of where these packets come from, or which applications have generated these packets)
- Strengthening consumer protection relative to the length of time that data traffic is saved
- Regulation of free-of-charge on-hold loops

In the mobile communications area the BNetzA resolved on December 1, 2010 to significantly lower termination rates; this resolution is in force until November 30, 2012. As part of the EU roaming ordinance it is expected that in coming years voice and data roaming rates will be further reduced.

7. BUSINESS DEVELOPMENT 2010

A brief overview of the most important events in the ecotel financial year 2010 is provided below.

Successful marketing of full access lines

Since the end of 2009, ecotel has been marketing ISDN voice and data connections (so-called full access lines) (ISDN + DSL) based on the infrastructure of Versatel AG and Vodafone D2 GmbH, and thus with these connections covers more than 70 % of the business customers in Germany (so-called on-net areas).

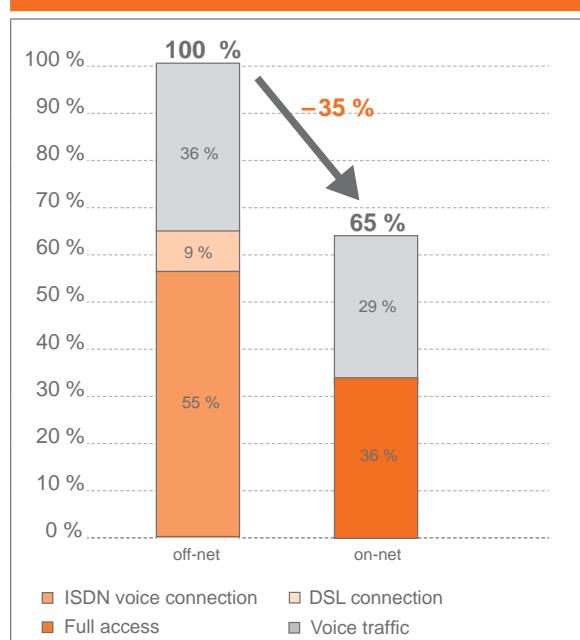
With the purchase of these full access lines ecotel procures the voice and data connections with an

attractive wholesale discount and thus reduces its cost basis in on-net areas by 35 % compared with purchase via Deutsche Telekom AG (DTAG); the quality is the same. In addition, costs for the delivery of the voice traffic are dispensed with, because delivery occurs in the TNB network. On one hand these savings increase ecotel's profitability and on the other hand they mean that ecotel can market new products at attractive conditions. This involves the additional challenge of converting as many existing customers as possible to the new products and further increasing customer loyalty through additional discounts.

At the end of 2010 the Company was able to book more than 10,000 full access orders as incoming orders. Of these approximately 6,000 full access lines were active by the end of 2010.

Thus, the full access product represents a new basis of the ecotel business and significantly contributes to the increase in gross profit in the business customer segment.

**Average improvement in the purchasing costs
for full access orders**



Merger of ADTG GmbH and /bin/done GmbH with ecotel

Effective January 1, 2010 ADTG Allgemeine Telefondienstleistungs GmbH, and /bin/done digital solutions GmbH were merged with ecotel communication ag. Thus, the business customer segment will now be served from a single legal unit.

Conclusion of the “NetMig” project

In the first quarter of 2010 the Group was able to conclude conversion of the backbone network infrastructure to the next network generation (project NetMig), which resulted, on one hand, in a variable cost basis, and on the other hand, an improvement in service quality and a significant broadband increase for the customers. In addition, with this project we were able to reduce the long-term cost basis in the infrastructure.

System consolidation successfully started

Presently ecotel is migrating its IT landscape from four existing systems to one system. To this point the Company was able to execute two system migrations and shut down two IT systems; by mid 2011 system consolidation to one IT system will be concluded.

Introduction of new mobile communications products

With introduction of the “AllnetFlat Mobile” product the mobile communications portfolio has been extended with an attractive flat-rate product, with which the connections to the Internet, to the fixed-line and to other German mobile communications networks (Deutsche Telekom, Vodafone, O₂ und E-Plus) are included in the flat rate. The AllnetFlat Mobile product is marketed in packages with either three, five, or ten SIM cards, the costs per SIM card are between 30 EUR and 50 EUR based on the size of the package. Thus, the customer has complete transparency, cost control and planning security for his mobile communication costs.

Earnings, financial and assets position

1. EARNINGS

In 2010 the Group achieved revenue of 98.3 m EUR (previous year: 98.7 m EUR). With due consideration of the previous year's level adjusted for the deconsolidation of PPRO GmbH, this represents a revenue increase of 6.1 m EUR or an increase of 7 % relative to the previous year. Gross profit (sales revenue minus cost of materials) increased relative to the comparable period of the previous year by 1 %, from 22.7 m EUR to 22.9 m EUR. With due consideration of the previous year's level adjusted for the deconsolidation of PPRO GmbH, gross profit increased by 0.7 m EUR, i.e. by 3 %. Compared with the previous year period the gross profit margin remained constant at 23 %.

Declining sales with increased margin in the business customer segment

The Business Solutions segment achieved a share of 46 % (previous year: 49 %) of total gross profit and a share of 76 % (previous year: 79 %) of the gross earnings of the ecotel Group. Sales in the business customer segment were 44.8 m EUR, compared with 48.2 % m EUR in the previous year. The 7 % decline in sales relative to the previous year period is due to the continuing loss of customers in the classic preselection business, which in 2010 could not be adequately compensated through new business with full access lines and mobile communications products. In 2010 gross earnings were 17.5 m EUR – after 17.9 m EUR in the previous year. Compared with the previous year the gross profit margin increased from 37 % to 39 %.

Growing business in the reseller segment

The business unit Wholesale Solutions, with 39 % (previous year: 35 %) contributed to total revenue and with 6 % (previous year: 6 %) to total gross earnings. Sales in this segment increased by 13 % from 34.4 m EUR to 38.7 m EUR, similar to the previous year gross earnings were 1.3 m EUR. This corresponds to a gross profit margin of 3 %.

Continued growth in the New Business unit

The business unit New Business contributed with 15 % (previous year: 16 %) to total revenue and with 18 % (previous year: 16 %) to total gross earnings. With due consideration of the previous year's level adjusted for the deconsolidation of PPRO GmbH, New Business sales increased by 54 % from 9.6 m EUR to 14.8 m EUR, gross earnings increased from an adjusted 3.1 m EUR to 4.2 m EUR. This corresponds to a gross margin of 28 %.

Lower personnel expenses and other operating expenses

Personnel expenses declined slightly in 2010 by 0.1 m EUR, from 9.6 m EUR to 9.5 m EUR. The number of employees of all consolidated companies increased to 206 (previous year: 193).

Other operating expenses declined slightly from 9.8 m EUR to 9.7 m EUR.

Same EBITDA as in the previous year, positive EBIT and consolidated net income

Earnings before interest, taxes, and depreciation (EBITDA) in 2010 as in the previous year were 4.9 m EUR. This corresponds to an EBITDA margin of 5.0 %.

Scheduled depreciation decreased in 2010 from 4.0 m EUR to 3.3 m EUR. Of which 0.6 m EUR was scheduled depreciation of the client bases of the companies that were acquired. In addition, there was unscheduled depreciation of non-current assets in the amount of 0.1 m EUR.

Profit from operations (EBIT) was 1.5 m EUR, after –2.2 m. EUR in the previous year.

The financial result in 2010 was –0.7 m EUR after –0.1 m EUR in the reference period 2009. It includes interest expenses in the amount of 0.5 m EUR, as well as a loss allocation of the shareholder loan against mvneco GmbH in the amount of 0.2 m EUR.

The tax expense for 2010 was 0.4 m EUR. The 2010 consolidated net income after minority interests was 0.1 m EUR, after –2.2 m EUR in the previous year. This corresponds to earnings per share of 0.02 EUR, versus –0.57 EUR in the previous year.

2. FINANCIAL POSITION

Cash flow from operating activities for 2010 was 5.3 m EUR, compared with 6.1 m EUR in the previous year. Working capital (the difference between receivables and liabilities) remained constant.

Cash flow from investing activity in 2010 was –1.8 m EUR after –3.6 m EUR in the previous year. It is essentially comprised of investments of 0.5 m EUR in software licenses and in-house developed software, as well as investments of 1.2 m EUR for servers, network and computer centre infrastructure. This is offset against payments received due to the first-time consolidation of carrier-services.de GmbH, payments from asset disposal, as well as interest received in the amount of 0.3 m EUR.

Cash flow from financing activity in 2010 was –4.5 m EUR (previous year: 1.1 m EUR) and is comprised of repayment of financial credits in the amount of 3.5 m EUR, repayment of leasing liabilities in the amount of 0.3 m EUR and interest payments in the amount of 0.7 m EUR.

Cash and cash equivalents decreased by 1.0 m EUR from 7.1 m EUR at the beginning of 2010 to 6.1 m EUR at the end of 2010.

ecotel has revolving credit facility of 2.9 m EUR. Of which, at the end of 2010, 1.9 m EUR was used as surety for payment and thus 1.0 m EUR is still open.

As in previous years the Company was able to honour its payment obligations without restriction and on time.

3. ASSET POSITION

As of December 31, 2010 the balance sheet total was 48.8 m EUR, which corresponds to a reduction of 7 % relative to 52.7 m EUR as of December 31, 2009. The decline in the balance sheet total is essentially due to depreciation in the total amount of 3.5 m EUR as well as repayment of the financial credits.

On the assets side the non-current assets were reduced by 6 %, from 28.8 m EUR to 27.1 m EUR. Goodwill is 12.1 m EUR. The value of the customer relations was reduced due to the ongoing depreciation of 4.5 m EUR to 3.8 m EUR. Current assets (without net cash) were reduced from 16.8 m EUR to 15.6 m EUR.

On the liabilities side equity increased by 2 % from 19.6 m EUR to 20.0 m EUR. Thus, the equity ratio rose from 37 % at the end of 2009 to 41 % at the end of 2010. Non-current provisions and financial liabilities decreased from 14.1 m EUR to 6.2 m EUR, of which 0.1 m EUR were due to deferred income tax. Non-current provisions and liabilities increased from 19.0 m EUR to 22.6 m EUR, due to the final amortisation payment of the investment loan in the amount of 4.6 m EUR at the end of 2011. Net financial obligations (financial liabilities minus net cash) with consideration of the equity-like nature of the KfW subordinate tranche (2.5 m EUR) were 4.6 m EUR, which is equivalent to a reduction by 2.8 m EUR compared with the previous year.

Supplementary report

After conclusion of the financial year there were no noteworthy changes in the boundary conditions. The economic environment did not change in a degree that had an effect on the business activities of ecotel, nor has the industry situation become different than it was as of December 31, 2010.

Risk report

1. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

For early identification and evaluation of entrepreneurial risks and risks that threaten the existence of the risk, as well as for correct handling of such risks ecotel uses an appropriate risk management system.

Group-wide responsibility for early identification of risks and implementation of measures to counter these risks rests with the management board. For continuous identification and evaluation of risks in the Company, the managing directors of the subsidiaries, as well as the members of the ecotel management team assist the management board in this regard.

With the aid of a quarterly risk report, the management board and the supervisory board track the identified risks with reference to planned earnings throughout the entire year. In this regard the focus is on identification of the need for action and the status of the measures implemented for systematic control of the identified risks. All material risks are listed that could jeopardise earnings and the existence of the Company, in the form of a risk matrix. All potential risks are evaluated according to their probability and the possible extent of damage. In addition the risks are quantified relative to the planned earnings of the Company as potential deviation from the plan. Finally, after every potential risk the control measures implemented are included.

ecotel maintains an internal control system (ICS) to assure the effectiveness and profitability of the business activity, the correctness and reliability of the internal and external accounting, as well as for compliance with the statutory regulations that are authoritative for the enterprise, the internal control system is revised at regular intervals. The risk of financial reporting is that our annual reports and interim reports could contain incorrect presentations that could possibly have a material influence on

the decisions of those to whom these reports are addressed. Our accounting-based internal control system is designed to identify possible error sources and to limit the risks resulting from these error sources. To assure the correctness and reliability of the accounting, the internal control system is designed in such a manner that for all material business transactions the dual-control principle is used and that a functional separation between the departments is maintained (creditors, debtors) in the bookkeeping. Account assignment guidelines are used for correct accounting. External service providers are used for the IFRS preparation of financial statements as well as for more complex accounting issues. The same applies for preparation of the tax return. In addition the central key financial figures are monitored by a regular target/actual comparison with deviation analysis.

2. RISKS OF FUTURE DEVELOPMENT

As part of the business activity ecotel is confronted with operative risks, financial risks, strategic risks, and with risks of the market environment.

Operative risks

Operative risks are of a more short-term nature and for ecotel are concentrated on possible failures, errors and capacity bottlenecks of the infrastructure (e.g. backbone, computer centre, switching technology, server farms) as well as on correct and prompt handling of processes that are critical for the enterprise in the areas of provisioning, invoicing, receivables management, as well as customer support.

Assurance of the highest possible availability of infrastructure through appropriate system redundancies is one of the most important measures that ecotel consistently implements to prevent risks. Through the "project NetMig" the risk of a failure of the backbone infrastructure could practically be eliminated. The implications of a possible failure of the switching technology are minimised in that only

the international B2B traffic, as well as the wholesale traffic is terminated via the Group's own switching systems, and the major portion of the B2B voice traffic remains in the networks of the upstream suppliers. For mobile communications traffic there is a fall-back scenario that routes the traffic via the network of the upstream supplier, if our own network fails. In the area of availability of the server farms of the nacamar media delivery network in 2010, the server farms were completely duplicated in separate facilities.

In the area of computer centre infrastructure, modernisation and maintenance measures are continuously executed. There are potential risks in external capacity bottlenecks for the power supply of the computer centre in Frankfurt am Main, which can possibly cause hindrances for future customer growth. Consequently, the focus of expansion measures of the computing centre for 2011/2012 continues to be the capacity expansion of the power supply and the establishment of additional redundancies in the emergency power supply area.

Other operative risk factors are the interfaces to the uniform order entry and processing with DTAG (WITA) as well with Vodafone. Although the WITA interface worked faultlessly in 2010 the interface with Vodafone will presumably only be placed in service in the second quarter of 2011, due to a system-side delay. Both circumstances resulted in considerable hindrances in order processing and thus customer satisfaction and partner satisfaction in the period under review.

The dependency of ecotel on DTAG could be reduced in the area of the connection transfer, if ecotel uses the connection transfer via DTAG only in so-called Off-Net regions where alternative subscriber operators (Vodafone, Versatel) do not have their own network (approx. 30 % of German business customers). Now since DSL connections as

part of the connection transfer can only be transferred from DTAG for an additional and significant added expense, ecotel relies on a new solution with direct order of standalone DSL connections. In the future these connections can be used as the basis for migration to an ecotel voice over IP solution.

In the meantime ecotel has migrated a larger portion of its existing customer base to full access lines of alternative upstream suppliers. Because migration is typically associated with risks (e.g. process and interface problems), as part of the migration, under unfavourable circumstances an increased readiness to change on the part of the customers can occur, which could sustainably impact the earnings position of the Company. To this point higher change rates for the customer base have not occurred.

In addition, ecotel strives to distribute the know-how for handling enterprise-critical processes over multiple employees to avoid generating an excessive dependency on individual key persons.

Presently, a legal dispute is underway that has been initiated against nacamar GmbH for the non-acceptance of hardware equipment. The disputed value is 166 TEUR. ecotel considers the result of the legal proceedings as open.

Financial risks

For ecotel financial risks include credit risks, liquidity risks, as well as interest risks.

As part of the acquisition financing ecotel has agreed with the financing credit institutions on financial covenants that are usual in the market, that are based on the relationship of specific financial key indicators. A violation of the covenants could possibly result in cancellation and premature payback of the investment loans and revolving credit facilities and thus could entail a significant worsening of the liquidity position of ecotel, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. For two or the three current covenants (equity ratio (TARGET: >25 %; ACTUAL: 40 %), net financial liabilities EBITDA (TARGET: <2.5; ACTUAL: 1.0)) ecotel is clearly within the intervals specified by the financial covenants. For the third covenant (EBITDA in accordance with the covenant agreement / net sales (TARGET: >5 %; ACTUAL: 4.7 %)) in 2010 ecotel achieved the agreed threshold value as part of a temporary covenant adaptation. The enterprise assumes that in 2011 all covenant threshold values will be complied with.

At year end 2010 ecotel had net cash in the amount of 6.1 m EUR. Net liabilities at year end were 4.6 m EUR (after 7.4 m EUR in the previous year) and thus were below the EBITDA from 2010. In 2011, in addition to the ongoing loan repayment in the amount of 3.6 m EUR at year end 2010, the last tranche of an investment loan in the amount of 4 m EUR must also be repaid. Basically, these repayments can be made from existing cash and cash equivalents, the ongoing cash flow and the existing credit line. However, to keep the effects on the liquidity buffer as insignificant as possible ecotel plans to refinance this tranche, payable at term. A credit institution has already signalled willingness to provide this refinancing. Irrespective of the above, the Company

assumes that the available cash on hand and the anticipated capital accrual from the ongoing business activity suffice to finance the further enterprise strategy and at the same time reduce the net debt. As an additional liquidity reserve ecotel has a revolving credit facility of 2.9 m EUR. Of which, at the end of 2010, 1.9 m EUR were used as surety for payment and thus 1.0 m EUR are still open.

Possible payment fluctuations for interest due to changes in the interest rate will be limited by the fact that ecotel has concluded interest swaps for a large portion of the outstanding loan amounts.

Strategic risks

Strategic risks are more of a medium-term nature and are based on the strategic enterprise alignment of purchasing, products, sales, technology and IT.

Dependence on suppliers is reduced by the fact that a two-supplier strategy is maintained for essential products.

One strategic risk continues to be the high level of willingness of preselection customers to change to bundle products of other providers and the associated decline in the customer base that could not yet be adequately compensated through our own new products. Should ecotel not succeed, for example in more strongly binding its customers through its own competitive bundle offerings and thus show a lower attrition rate, this can also have significant disadvantageous effects on the asset, financial, and earnings situation of ecotel.

ecotel, mvneco and nacamar supply, in addition to a number of medium-sized business customers, individual large customers with telecommunications, mobile communications, and streaming services. The risk exists that ecotel enterprises in the year 2011 and also in the following years could lose large customers as well as smaller customers to competitors.

Risks of the market environment

Other essential risks that could entail a significant worsening of the economic position of ecotel are market-related and industry-related.

The telecommunications industry is characterised by intensive and price-aggressive competition. The existing cut-throat competition in the private customer segment could expand with even more intensity into the business customer segment. A significant consolidation of the telecommunications industry could have negative effects on the asset, financial and earnings position of ecotel, as dependence on individual suppliers would increase.

For one subsidiary of ecotel there is a possible risk that business operations cannot be maintained with one of the upstream suppliers. In this case it may be necessary to procure an alternative technology solution on short notice in order to avert damage from our own company.

Moreover, due to the rapid pace of technological change, new products and business models are created. The possibility cannot be excluded that in this manner the ecotel products will become less competitive and thus less in demand. Consequently, ecotel continuously monitors the market environment in order to react quickly and effectively to technology changes.

The existing general regulatory conditions could also change to the disadvantage of ecotel's business activities and bring about negative business-relevant changes.

Overall risk can be calculated

In summary, ecotel is convinced that the material risks cited above neither individually nor collectively concretely jeopardise the continued existence of the Company and that ecotel, through the flexible business model and the monitoring system, can quickly recognise risks, react to them, and implement counter measures in 2011 as well.

3. OPPORTUNITIES FOR FUTURE DEVELOPMENT

In addition to the risks there are a number of opportunities that can sustainably affect the business development of the ecotel Group.

Marketing of full access lines to existing customers and new customers

To date ecotel has marketed more than 20,000 voice connections and 10,000 DSL data connections. Until 2009 ecotel purchased the voice connections almost exclusively from Deutsche Telekom, but did not receive any concessions, in the form of wholesale discounts. When purchasing the voice connections but also the data connections from alternative service providers, such as Vodafone and Versatel, ecotel procures these connections at attractive wholesale prices. In addition, costs for the supply of the voice traffic are dispensed with, because the supply occurs in the TNB network. Germany-wide availability of the alternative upstream suppliers is greater than 70 %.

With due consideration of hindering reasons, e.g. connection for alarm systems, fire alarm systems and fax devices, accordingly more than half of the connections are potentially migratable. Moreover, sales will execute successive product changes for preselection existing customers to full access products. Via the discounts achieved for the voice connections, as well as better purchasing conditions of the connection fees, ecotel can considerably optimise the margin situation. Concurrently, for ecotel the new full access lines form the basis for competitive products and for new growth perspectives. By mid 2011 ecotel plans to have concluded the migration of the available and suitable existing customers to the networks of the alternative upstream suppliers.

Improvement of the cost basis through lower mobile communications termination rates

On February 24, 2011 the German Federal Network Agency (BNezA) announced its final rate approv-

als for mobile termination fees, which are valid from December 1, 2010 and will remain in effect until November 30, 2012. The resulting halving of mobile termination fees, on one hand increases ecotel's profitability, and on the other hand means that ecotel can offer new products at attractive conditions, and can increase the loyalty of existing customers through discounts.

Marketing of fixed-line/mobile communications convergence products

Since 2010 ecotel has been marketing integrated fixed-line, Internet and mobile services to business customers and thus is leading the way in the market. Currently, with "AllesDrinFlat", as one of the first providers in the market, ecotel offers a flat rate for calls in all networks, whether from the fixed-line connection or from the mobile phone unlimited Internet access and data transmission, whether per DSL or mobile with the smartphone. This new transparency with full cost control and planning security of communication costs for business customers enables additional potential for sales growth for ecotel, particularly for smaller business customers. In addition, ecotel plans to supplement its existing mobile services offering with a D-network product (Vodafone, T-mobile) in order to present its customers a rounded and attractive offering for broadband services.

New market developments in the areas of cloud computing and hosted PBX

An important telecommunications trend topic is the shifting of telephone systems onto the Internet (hosted PBX/IP Centrex). In addition, there is the stronger convergence of telecommunications and IT and the shifting of IT infrastructures (e.g. computing capacity, data storage, software, and programming environments) from the end user into the data network. This change has only been made feasible through nationwide availability of broadband Internet accesses. ecotel is carefully observing these developments and as an ITC provider with stand-

ardised "all-round worry-free" ecotel office products considers itself particularly well positioned for the SME target group (1–20 workstations). The growing area of data services offers the best basis in this regard.

Marketing of new private customer products

In 2010 easybell GmbH successfully established additional business areas that have offset the decline in the classic dial-in business. With the marketing of call-by-call telephone numbers "01028" and "010010", within a short time easybell GmbH became one of the largest and best known call-by-call providers in Germany. In addition, easybell offers its customers unbundled connection products for voice and DSL (Double Play) and since 2010 also flanks these products with its own mobile services offerings (Triple Play). New features, such as fax-to-mail (worldwide fax reception per email) complete the offering.

Additional growth of the new media business of nacamar GmbH

The market for audio/video applications on the Internet, in which nacamar GmbH is active, is one of the strongest growth areas in the ITC (IT + telecommunications) market segment. Large customers, such as ZDF-Mediathek formed the basis of the subsequent expansion of the Media Delivery Network (MDN) of nacamar GmbH. State of the art server farm infrastructure, combined with a revised back-office/customer portal create a good starting position for further growth in coming years. In addition to the classic mainstays of audio and video streaming, as well as advertising, with its Video Asset Management solution "medianac" nacamar has developed an additional attractive B2B business segment for the future.

Efficiency increases of internal and external business processes

Conclusion of the system consolidation to one IT system by mid 2011, and commissioning of the provisioning interface with Vodafone will result in more efficient order processing. Simultaneously, customer support will improve. We anticipate additional efficiency-increasing effects from optimisation of billing processes and further development of the ecotel customer and partner portal. Moreover, in the future other processes will be paperless.

4. COMMENTS ON FORECASTS

This management report also includes future-oriented statements and information, i.e. statements concerning events that are in the future. These future-oriented statements can be identified through formulations such as "expect", "intend", "plan", "estimate" or similar terms. Such forward-looking statements are based on present expectations and specific assumptions. Consequently, they are associated with a number of risks and uncertainties.

A number of factors, of which many are beyond the control of the ecotel Group, influence the business activities, the success, the business strategy, and the results of ecotel. As a result of these factors the actual results, successes, and performances of the ecotel Group may significantly or implicitly deviate from the information on results, successes or performances contained in the future-oriented statements.

Outlook

Increase in profitability and EBITDA margin

Improvement of the cost basis through migration of existing customers to full access lines of alternative upstream suppliers and lower mobile termination fees on one hand, and optimisation of internal and external business processes on the other hand, enable ecotel to significantly increase the profitability of the Company in the medium term. Management pursues the goal of bringing the EBITDA margin from the current 5 % into a double-digit percentage range by 2013.

Further reduction of net financial liabilities

For 2011 the Company strives to reduce net financial liabilities to below 3 m EUR. The Company plans to reduce net financial liabilities to zero by the end of 2012.

Forecast 2011 and 2012

For 2011 the Company anticipates revenue of approximately 90 m EUR. Currently the Company assumes that revenue of the low-margin wholesale business will be significantly below the level of the previous year, due to the reduction of mobile termination fees in 2011. Simultaneously, ecotel anticipates a significant increase in profitability and plans EBITDA of 5.5 to 6.5 m EUR, due to the new sales mix, as well as the new cost structure for 2011.

For 2012 the enterprise expects an increase in the EBITDA margin to 8 % at constant revenue.

Declarations

Statement on corporate governance

The management board and supervisory board of ecotel communication ag have issued the required statement on corporate governance in accordance with Section 289a of the German Commercial Code (HGB), including the statement prescribed in accordance with Section 161 of the German Stock Corporation Law (AktG), and have made these statements permanently available to the public on the Internet (www.ecotel.de under Investor Relations/Corporate Governance).

Statement of the legal representatives

To the best of our knowledge, in accordance with the applicable principles for financial reporting we assure that the consolidated financial statement conveys an appropriate view of the Group's asset, financial and earnings position that corresponds to the actual conditions, and in the Group management report the development and performance of the Group, including the business results and the position of the Group are presented in a manner that conveys a view that corresponds to the actual conditions, and that the essential opportunities and risks of the presumable development of the Company are described.

Düsseldorf, March 25, 2011
ecotel communication ag

The management board
Peter Zils Bernhard Seidl Achim Theis

Group balance sheet

as of December 31, 2010

Assets	Information in EUR	(Notes)	12/31/2009	12/31/2010
A. Non-current assets				
I. Goodwill and other intangible assets		(1)	19,758,791.64	18,501,999.45
II. Property, plant, and equipment		(2)	6,305,178.23	5,860,123.80
III. Financial assets accounted for using the equity method		(3)	1,602,490.63	1,523,272.09
IV. Other financial assets		(3)	219,529.19	112,000.00
V. Non-current receivables		(4)	171,275.01	521,674.29
VI. Deferred tax assets		(7)	775,339.01	537,390.46
Total non-current assets			28,832,603.71	27,056,460.09
B. Current assets				
I. Inventories		(5)	107,297.91	133,698.55
II. Trade receivables		(6)	14,726,109.55	14,391,255.89
III. Other receivables and current assets		(6)	1,745,051.74	817,722.63
IV. Current tax assets		(7)	222,743.79	222,743.79
V. Cash and cash equivalents		(8)	7,071,935.85	6,133,176.51
Total current assets			23,873,138.84	21,698,597.37
Total assets			52,705,742.55	48,755,057.46

Liabilities	Information in EUR	(Notes)	12/31/2009	12/31/2010
A. Equity				
I. Subscribed capital		(9)	3,752,500.00	3,752,500.00
II. Capital reserve		(9)	17,602,454.58	1,661,096.69
III. Other reserves			-2,078,362.24	13,974,231.78
Total equity attributable to Group shareholders			19,276,592.34	19,387,828.47
IV. Minority interests		(9)	314,233.94	585,190.90
Total equity			19,590,826.28	19,973,019.37
B. Non-current provisions and liabilities				
I. Deferred tax liabilities		(10)	852,910.26	792,328.39
II. Non-current loans		(11)	12,750,000.00	5,331,604.17
III. Other non-current financial		(11)	473,766.82	69,913.17
Total non-current provisions and liabilities			14,076,677.08	6,193,845.73
C. Current provisions and liabilities				
I. Current tax liabilities		(10)	18,603.26	351,854.69
II. Financial liabilities		(11)	3,963,256.81	7,918,409.12
III. Trade liabilities		(11)	14,077,264.19	12,801,971.24
IV. Liabilities to associated companies		(11)	115,793.42	130,797.79
V. Other liabilities		(11)	863,321.51	1,385,159.52
Total current provisions and liabilities			19,038,239.19	22,588,192.36
Total liabilities			52,705,742.55	48,755,057.46

Consolidated statement of comprehensive income

for the financial year 2010

	Information in EUR	(Notes)	01/01-12/31 2009	01/01-12/31 2010
1. Sales revenue		(14)	98,698,796.43	98,314,011.76
2. Other operating income		(15)	1,131,734.48	1,045,276.34
3. Other own work capitalised			469,511.82	116,812.78
4. Total revenue			100,300,042.73	99,476,100.88
5. Cost of materials and services				
Expenses for purchased services		(16)	-75,963,307.99	-75,369,415.34
6. Personnel expenses		(17)		
6.1 Salaries and wages			-8,391,866.01	-8,242,959.50
6.2 Contributions to social insurance, pension plans and other benefits			-1,217,384.28	-1,235,132.51
7. Scheduled depreciation and amortisation		(18)	-3,922,655.84	-3,238,395.12
8. Impairment		(18)		
8.1 of non-current assets		(18)	-2,953,049.89	-135,812.55
8.2 of current assets		(18)	-216,002.61	-85,004.17
9. Other operating expenses		(19)	-9,785,917.59	-9,702,968.32
10. Earnings before interest and tax (EBIT)			-2,150,141.48	1,466,413.37
11. Financial income			2,209,052.76	139,638.07
2. Financial expenses			-1,388,658.60	-670,432.64
13. Result of companies accounted using the equity method			-910,297.61	-205,117.08
14. Financial result		(20)	-89,903.45	-735,911.65
15. Result of ordinary business activity before income taxes			-2,240,044.93	730,501.72
16. Taxes on income and earnings		(21)	-31,369.42	-392,168.65
17. Consolidated net income (= consolidated comprehensive income)			-2,271,414.35	338,333.07
18. Net income attributable to minority interests		(22)	116,765.56	-281,871.36
19. Net income attributable to ecotel communication ag shareholders			-2,154,648.79	56,461.71
Undiluted earnings per share		(23)	-0.57	0.02
Diluted earnings per share		(23)	-0.57	0.02

Consolidated cash flow statement

for the financial year 2010

Information in EUR	(Notes)	2009	2010
Consolidated net income before taxes and minority interests	(24)	-2,240,044.93	730,501.72
Net interest income	(24)	667,597.51	455,044.88
Amortisation/depreciation of non-current assets	(24)	7,091,708.29	3,425,336.86
Amortisation/depreciation of current assets	(24)	0.00	85,004.17
Result of companies accounted for using the equity method	(24)	910,297.61	205,117.08
Cashflow		6,429,588.48	4,901,004.71
Other non-cash expenses (+) and income (-)	(24)	299,397.41	43,860.00
Profit (-)/loss (+) on disposals of non-current assets	(24)	12,482.01	-9,331.32
Increase (-)/decrease (+) in trade receivables	(24)	-337,586.08	1,792,080.86
Increase (+)/decrease (-) in receivables and other assets	(24)	-82,245.10	770,121.18
Increase (+)/decrease (-) in trade liabilities	(24)	157,404.37	-2,874,444.46
Increase (+)/decrease (-) in liabilities (excl. financial liabilities)	(24)	60,722.54	531,798.47
Taxes paid (-)/received (+)	(24)	-434,167.89	115,924.00
Cash flow from operating activities		6,105,565.74	5,271,013.44
Proceeds from disposals of property, plant, and equipment and intangible non-current assets	(24)	0.00	21,891.85
Payments for investments in property, plant, and equipment and intangible non-current assets	(24)	-3,639,435.77	-1,666,495.91
Proceeds from disposal of financial assets	(24)	135,761.15	0.00
Payments for investments in financial assets	(24)	-149,700.00	-20,016.80
Changes due to the initial consolidation of subsidiaries	(24)	0.00	233,271.15
Payments to companies accounted for using the equity method	(24)	0.00	-350,399.28
Interest received	(24)	32,545.83	31,328.71
Cash flow from investing activities		-3,620,828.79	-1,750,419.66
Proceeds from the assumption of credit facilities	(24)	5,587,090.00	0.00
Payments for loan repayments	(24)	-3,681,172.14	-3,790,060.21
Interest paid	(24)	-784,871.06	-669,292.91
Cash flow from financing activities		1,121,046.80	-4,459,353.12
Cash changes in cash and cash equivalents		3,605,783.75	-938,759.34
Cash and cash equivalents at beginning of period		3,466,152.10	7,071,935.85
Cash and cash equivalents at end of period		7,071,935.85	6,133,176.51

Consolidated statement of changes in equity

Information in TEUR Notes (9)	Subscribed capital	Capital reserve
As of January 1, 2009	3,900	17.914
Change due to purchase or sales	0	0
Retention of the Company's own shares	-148	-390
Reclassification due to EAV easybell GmbH	0	0
Transfer of prior-year result	0	0
Equity changes recognised in income	-148	-390
Stock option plan	0	79
Consolidated net income 2009	0	0
Equity changes recognised in income	0	79
As of December 31, 2009	3,752	17,603
Change due to initial consolidation	0	0
Reclassification due to EAV easybell GmbH	0	0
Withdrawal capital reserves ecotel communication ag	0	-15,985
Transfer of prior-year result	0	0
Equity changes recognised in income	0	-15,985
Stock option plan	0	44
Consolidated net income 2010	0	0
Equity changes recognised in income	0	44
As of December 31, 2010	3,752	1,662

	Retained earnings				Total
	Other retained earnings	Consolidated net income	Equity attributable to shareholders of ecotel communication ag	Shares of other shareholders	
	4,235	-4,188	21,861	594	22,455
0	0	0	0	-134	-134
0	0	0	-538	0	-538
29	0	0	29	-29	0
-4,188		4,188	0	0	0
	-4,159	4,188	-509	-163	-672
0	0	0	79	0	79
0	-2,154	0	-2,154	-117	-2,271
0	-2,154	0	-2,075	-117	-2,192
76	-2,154	19,277	314	19,591	
-21	0	0	-21	21	0
32	0	0	32	-32	0
15,985	0	0	0	0	0
-2,154	2,154	0	0	0	0
	13,842	2,154	11	-11	0
0	0	0	44	0	44
0	56	0	56	282	338
0	56	0	100	282	382
13,918	56	19,388	585	585	19,973



Notes to the consolidated financial statement of ecotel communication ag

Principles of financial accounting

GENERAL INFORMATION

ecotel communication ag is a company headquartered in Germany (Prinzenallee 11, 40549 Düsseldorf) and is active throughout Germany as a telecommunications firm specialising in meeting the requirements of medium-sized enterprises in three business areas.

In its core unit, Business Solutions, the ecotel Group offers medium-sized enterprises, as well as large customers, an integrated product portfolio of voice, data and mobile services as a complete package from a single source. Throughout Germany ecotel supplies approx. 30,000 business customers with standardised and custom telecommunications solutions.

In the second business unit, "Wholesale Solutions", the ecotel Group markets preliminary products to other telecommunications enterprises and marketers that operate in unrelated industries. Via modern enabling and switching platforms these companies obtain access to the entire ecotel product range, for example, unbundled local loops and broadband access lines or mobile services. Simultaneously, with this area the Company achieves high traffic volumes and thus a deepening of the value creation for the core unit, Business Solutions. In addition to the wholesale business of ecotel communication ag, i-cube GmbH and mvneco GmbH are assigned to this business unit.

New high-growth business sectors and niches of the subsidiaries and holdings, which remain operationally autonomous, are the focus area of the New Business unit. These include nacamar GmbH with its new media business, as well as easybell GmbH with the private customer business. In addition, ecotel holds a minority share in PPRO GmbH, a company active in the area of Internet-based payment systems.

In compliance with Section 315a, Paragraph 1 HGB, all standards valid and applicable in the EU on the balance sheet date are applied. In addition the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) have been complied with.

The International Accounting Standards Board (IASB) has adopted a number of amendments in the existing International Financial Reporting Standards (IFRS) as well as several new IFRS standards, that must be applied (mandatory) since January 1, 2010. The standards and interpretations below which must be applied for the first time in the financial year do not have a material effect, or in the absence of relevant circumstances, do not have any effect at all on the ecotel consolidated financial statement:

- Amendments to IFRS 1 – changes relative to the oil and gas segment and determination of whether an agreement contains a leasing relationship
- Amendment to IFRS 2 – changes relative to group cash-settled share-based payment transactions
- Amendment to IAS 28 and IAS 31 – subsequent changes arising from changes in IFRS 3
- Amendment to IAS 39 – changes relative to permissible underlying transactions as well as embedded derivatives in the reclassification of financial assets

- Various improvements of the IFRS (Improvement Projects) relative to
 - IFRS 1 "First-Time Adoption of the International Financial Reporting Standards"
 - IFRS 2 "Share-Based Payment"
 - IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"
 - IFRS 8 "Business Segments"
 - IAS 1 "Presentation of Financial Statements"
 - IAS 7 "Presentation of Cash Flows"
 - IAS 17 "Leases"
 - IAS 36 "Impairment of Assets"
 - IAS 38 "Intangible Assets"
 - IAS 39 "Financial Instruments: Recognition and measurement"
 - IFRIC 9 "Reassessment of Embedded Derivatives"
 - IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
 - IFRIC 17 "Distributions of Non-Cash Assets to Owners"
 - IFRIC 18 "Transfers of assets from customers"

Amendment to IFRS 3 – Comprehensive revision on applying the acquisition method, as well as subsequent changes in IAS 27 arising from changes in IFRS 3:

In January 2008 the IASB published the revised standards IFRS 3, Business Combinations (IFRS 3 (2008)), and IAS 27, Consolidated and separate financial statements IFRS (IAS 27 (2008)), which were accepted by the EU in financial year 2009. The revised standards must be applied (are mandatory) for financial years that begin on or after July 1, 2009, and must always be applied from financial year 2010, including appropriate adaptations in IFRS 2, IFRS 7 and IAS 39.

In IFRS 3 (2008) the application of the acquisition method for corporate mergers has been newly regulated. Material changes affect the valuation of non-controlling shares, the recording of successive acquisitions, and the handling of contingent considerations and incidental acquisition costs. According to the new regulation, the valuation of non-controlling shares can be executed either at the fair value (full goodwill method) or for the pro-rated fair value of the identifiable net asset. For successive acquisitions, remeasurement at fair value of shares held at the time of the control transition, is intended. An adaptation of contingent considerations that are shown as a liability at the time of acquisition, in the future must be recognised as income or expenses. Incidental acquisition costs will be recorded as expense at the time they occur.

Essential amendments to IAS 27 (2008) affect the accounting of translations without transfer of control, as well as transactions with change of control. Transactions that do not result in a loss of control, must be recognised directly as equity transactions. On the other hand remaining shares must be recognised at fair value at the time control changed. According to the revised standard for non-controlling shares, recognition of negative balances is permitted, as profits as well as losses in the future can be attributed in a manner that is proportional to the holding and unlimited.

At the time the consolidated financial statement was drawn up, as of December 31, 2010 the following new and changed standards and interpretations were adopted. However, these will be put into effect later and have not been prematurely applied in this consolidated financial statement. Their effects on the consolidated financial statement of ecotel communication ag have not yet been completely analysed so that the effects to be anticipated, as presented at the bottom of the table, merely represent an initial assessment.

Standard/ interpretation	FN	To be applied for financial years after	Planned first-time application after
IFRS 1 First-Time Adoption of the International Financial Reporting Standards – change relative to the exceptions of the IFRS disclosure obligations	1	July 1, 2010	January 1, 2011
IFRS 1 First Time Adoption of the International Financial Reporting Standards – change relative to the fixed times in the exception for de-recognitions	1,3	July 1, 2011	January 1, 2012
IFRS 1 First-Time Adoption of the International Financial Reporting Standards – change relative to the extremely high inflation	1,3	July 1, 2011	January 1, 2012
IFRS 7 Financial instruments: Information – changes for illustrating notes information that must be disclosed	1,3	January 1, 2011	January 1, 2011
IFRS 7 Financial instruments: Disclosures – changes for improving the information for transfers of financial assets	1,3	July 1, 2011	January 1, 2012
IFRS 9 Financial instruments – classification and valuation	1,3	January 1, 2013	January 1, 2013
IAS 12 Income taxes – limited change relative to the recovery of the underlying assets	1	January 1, 2012	January 1, 2012
IAS 24 Related party disclosures (revised definition of related parties)	1	January 1, 2011	January 1, 2011
IAS 32 Financial instruments: Presentation (revised) – changes relative to the classification of pre-emptive rights	1	February 1, 2010	January 1, 2011
IFRIC 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction – changes of November 2009 relative to voluntary prepayments	1	January 1, 2011	January 1, 2011
IFRIC 19 Extinguishing of financial liabilities through equity instruments	1	July 1, 2010	January 1, 2011
Diverse Improvements to IFRSs	1,3	diverse	January 1, 2011

FN

1 No significant effects on the consolidated financial statement of ecotel communication ag are expected.

2 Primarily additional or modified disclosures in the Notes to the consolidated financial statement of ecotel communication ag are expected.

3 Pronouncement of the IASB/IFRIC has not yet been accepted by the EU.

In addition to the balance sheet and the comprehensive income statement, a cash flow statement and a statement of changes in equity are shown.

To improve the clarity of presentation various items of the consolidated balance sheet and the consolidated statement of comprehensive income are summarised. These items are appropriately broken out and explained in the notes. The income statement has been prepared according to the total cost method.

The financial year of ecotel communication ag and its fully consolidated subsidiaries corresponds to the calendar year. The consolidated financial statement is prepared in Euro. All amounts, including the previous year's numbers are specified in thousands of EUR (TEUR).

In addition to the Group management report, the audited consolidated financial statement are filed in the electronic version of the German Federal Gazette, the consolidated financial statement will presumably be released for publication by the supervisory board of ecotel communication ag on March 28, 2011.

PRINCIPLES OF CONSOLIDATION

For subsidiaries that are included in the consolidated financial statement for the first time, capital consolidation is executed in accordance with the acquisition method in the form of the new valuation method at the pro-rated fair value of the identifiable net assets (IFRS 3). In this method the acquisition costs of the purchased shares are offset against the newly assessed share of equity in the subsidiaries. A difference between the acquisition costs and the newly assessed share of equity is allocated to the assets and debts of the subsidiary. Subsequently, any positive differences are shown as goodwill under non-current intangible assets. Negative differences are shown immediately with an effect on net income. As part of the deconsolidation, the residual carrying amounts of the goodwill, as well as the negative differences will be considered in the calculation of the result of the disposal.

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

The shares in associated companies are accounted for using the equity method. According to the equity method the shares in an associated company are shown in the balance sheet at acquisition cost plus post-acquisition changes in the Group's equity holdings. The goodwill related to the associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income includes group's participation in the success of the associated company. Changes shown directly in the equity of the associated company are recognised proportionally and presented in the statement of changes in equity. The financial statements of the associated companies are prepared on the same balance sheet date as the financial statement of the parent company, with one exception. To the extent required adjustments are made the Group's uniform accounting and valuation methods.

CONSOLIDATED GROUP

In addition to ecotel communication ag, in the consolidated financial statement, all (previous year: Except for two) subsidiaries are included, for which ecotel communication ag directly or indirectly controls the majority of voting stock. The Ukrainian subsidiary Phase Five R&D was not included in the consolidated financial statements in the previous year for reasons of materiality. In the 2010 financial year the holding in Phase Five R&D Ltd. was sold.

carrier-services.de GmbH, which previously was not consolidated, is included in the consolidated financial statement for the first time, effective as of January 1, 2010. This company was purchased 100 % on July 1, 2009 as part of the purchase of easybell, at a purchase price of TEUR 56. Due to the marginal business activity, the economic conditions as of January 1, 2010 were used as the basis for the initial consolidation. The assets, debts and contingent liabilities of carrier-services.de GmbH had the following carrying amount at the time of initial consolidation on January 1, 2010, which due to a lack of hidden reserves also corresponded to their fair value:

carrier-services.de GmbH Information in TEUR	Carrying amount	Adjustment amount to the fair value	Fair value
Goodwill	0.0	17.3	17.3
Intangible assets	1.1	0.0	1.1
Receivables and other assets	1,411.4	0.0	1,411.4
Liquid funds	233.3	0.0	233.3
Provisions	-5.0	0.0	-5.0
Other current liabilities	-1,599.2	0.0	-1,599.2
Deferred taxes	-2.5	0.0	-2.5
Purchase price	39.1	17.3	56.4

Initial consolidation or deconsolidation always occurs at the time of acquisition of control or loss of control.

In the reporting and comparison periods ecotel communication ag had the following direct and indirect holdings:

	Share of capital in % ²⁾	Equity in TEUR ²⁾	Earnings in TEUR ²⁾	Revenue in TEUR ²⁾	Employees ¹⁾ (average) ²⁾
ecotel private GmbH, Düsseldorf	100.0 (100.0)	781 (579)	47 (24)	31 (42)	0 (0)
easybell GmbH, Potsdam	50.98 (50.98)	446 (342)	116 (61)	2,258 (2,738)	10 (5)
carrier-services.de GmbH, Berlin (formerly: 010010 Telecom GmbH)	100.0 (100.0)	130 (33)	91 (3)	2,158 (340)	0 (0)
sparcall GmbH, Potsdam	100 (100.0)	474 (23)	438 (-2)	5,892 (1,598)	0 (0)
i-cube GmbH, Düsseldorf	50.1 (50.1)	79 (133)	-54 (-3)	2,245 (543)	0 (0)
Phase Five R&D Ltd./ Ukraine, Kharkiv (Sold in the financial year)	100.0 (100)	0 (28)	0 (1)	0 (184)	0 (1)
/bin/done digital solutions GmbH (Merged with ecotel communication ag)		0 (29)	0 (-35)	0 (227)	0 (3)
toBEmobile GmbH, Düsseldorf	51.03 (51.03)	96 (27)	-14 (-48)	16 (102)	0 (1)
nacamar GmbH, Düsseldorf	100.0 (100.0)	5,375 (5,000)	-46 (-690)	4,935 (5,223)	17 (30)
ADTG Allgemeine Telefon- dienstleistungen GmbH, Düsseldorf (Merged with ecotel communication ag)		0 (22)	0 (545)	0 (6,320)	0 (16)
PPRO GmbH, München	11.2 (11.2)	308 (304)	4 (-33)	9,254 (6,543)	6 (2)
mvneco GmbH, Düsseldorf	48.65 (45.0)	-3,446 (-2,931)	-515 (-1,465)	2,033 (1,466)	9 (9)
synergyPLUS GmbH, Rathenow	49.9 (49.9)	-383 (-107)	-276 (-407)	184 (23)	10 (1)

1) Without management board members/managing directors and trainees

2) Previous year's figures in parentheses

Consolidated financial statement key date for preparation of the consolidated financial statement is December 31, which is also the key date of the individual financial statement of the parent company and all fully-consolidated subsidiaries.

Acquisitions and disposals of equity interests

In financial year 2010 the previously fully-consolidated subsidiaries ADTG Allgemeine Telefondienstleistungs GmbH and /bin/done digital solutions GmbH were merged with ecotel communication ag as of the key date, January 1, 2010. There were no effects in the Group in this regard. Moreover all shares in the affiliated enterprise Phase Five R&D Ltd. were sold.

toBEmobile GmbH has been fully consolidated since 2006. Since the purchase, also as of the balance sheet date, December 31, 2010, ecotel has held a share, unchanged, of 51.03 % and has a purchase option to acquire the minority shares of 48.97 %. ecotel could exercise the purchase option as of December 31, 2008 for the first time. The option purchase price in this case would be based on the total of the enterprise value determined at the time of purchase. ecotel had not exercised this option when the consolidated financial statement 2010 was prepared. As of December 31, 2010 due to the lack of positive results of toBEmobile GmbH, no material value can be ascribed to the option.

Accounting and valuation methods

The annual financial statements of the companies consolidated in the Group are prepared in accordance with uniform accounting and valuation methods. The valuations in the consolidated financial statements are not influenced by tax regulations; they are determined solely by the economic presentation of the asset, finance, and earnings position in accordance with IFRS regulations.

In addition, for the consolidated financial statements the supplementary provisions of Section 315a of the German Commercial Code (HGB) were complied with.

Assets are capitalised if the Group is entitled to all essential opportunities and risks associated with their use. Valuation is executed at historical cost acquisition costs or manufacture with the exception of specific financial assets.

Acquisition costs include all considerations, that have been completed to acquire an asset and to place it in operational condition. Manufacturing costs include all costs that can be directly allocated to the manufacturing process as well as appropriate portions of the production-related overhead costs. Borrowing costs related to the purchase or manufacture of an unqualified asset are not capitalised.

Purchased **intangible assets** are valued at cost of acquisition, self-provided intangible assets from which most likely a future benefit will flow to the Group, and which can be reliably valued, are assessed at cost of manufacture and amortised using the straight-line method over their presumable economic useful life, unless in exceptional cases a different amortisation method more closely corresponds to the course of their use.

Research costs are treated as current expenses. **Development costs** are capitalised and amortised linearly if a newly developed product or procedure can be clearly delimited, is technically feasible and either is intended for the Company's own use or marketing. In addition capitalisation has for its prerequisite that clear expense allocation is possible and that costs are covered through future flow of funds with sufficient probability.

Goodwill from consolidation is subject to an impairment test if there are indications of an impairment, at least, however, once a year. As a rule, in this regard the use value is determined on the assumption of the going-concern. If there are specific intentions to sell, then fair value less cost to sell applies.

The following useful lives are regularly used as the basis of the valuation:

Concessions and commercial property rights	3–5 years
Development costs	5 years
Software	3 years

If there are indications of impairment and if the recoverable amount is under the historical cost of acquisition or manufacture, the intangible assets are amortised. The recoverable amount of an asset corresponds to the higher value net sale proceeds and cash value of the payment flows that must be allocated to the asset (value in use).

Items of property, plant, and equipment are valued at cost of acquisition or cost of manufacture, reduced by use-related scheduled depreciation and if necessary written down. Property, plant and equipment are always depreciated over the presumable useful life using the straight line method, unless in exceptional cases a different depreciation method better corresponds to the course of the useful life. Property, plant, and equipment is regularly depreciated over the following economic useful lives:

Other equipment, plant and office equipment	3–7 years
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If there are indications of impairment and if the recoverable amount is under the historical cost of acquisition or cost of manufacture, items of property, plant, and equipment are written down. If the reasons for write-downs carried out in previous years do not apply, appropriate write-ups are carried out. For reasons of simplicity and materiality, low-value capital goods are completely written down in the year of acquisition and are shown as disposals.

Inventories are assessed at cost of acquisition or the net sale value.

Receivables and other assets are initially recognised at cost of acquisition with due consideration of transaction costs incurred and correspondingly carried forward. Receivables bearing no interest or little interest with a term over one year are discounted. All identifiable individual risks and the general default supported on experiential values are carried at appropriately impaired values. Receivables denoted in foreign currency are evaluated at the exchange rate on the balance sheet date.

Prepaid rent and insurance premiums are recognized as **prepaid expenses and accrued income** and is shown under other assets.

Borrowing costs are recognise as an expense in the period in which they are incurred. Qualified assets as defined by IAS 23 are not present in the ecotel Group.



Other **provisions** take into account all obligations identifiable on the balance sheet date that are based on past transactions or past events, and for which the amount or date of settlement are unclear. The provisions are recognised with the probable settlement amount. Offsetting with positive profit contributions does not occur. Provisions are only formed if they are based on a legal or actual obligation to a third party. Non-current provisions are accounted for with their settlement amount on the balance sheet date if the interest effect resulting from discounting is material. The settlement amount also includes the cost increases that must be considered on the balance sheet date in accordance with IAS 37.

Liabilities are always recognised at the time they are incurred with the amount of the consideration received; transaction costs incurred in this regard are taken into account. Liabilities are subsequently valued at the historical cost of acquisition. Non-current liabilities are discounted. Liabilities denoted in a foreign currency are valued at the exchange rate on the balance sheet date.

Deferred taxes are formed at different assessment of the assets and liabilities in the consolidated balance sheet and the tax balances of the individual companies, if these different assessments result in income that must be taxed at a higher or lower rate than would have been the case under the standard of the consolidated balance sheet. Deferred tax assets also include claims for tax reductions, that arise due to the expected future use of tax loss carryforwards, and whose realisation is ensured with adequate certainty. Deferred taxes are determined on the basis of the tax rates that apply or are expected in the individual countries at the time of realisation. Deferred taxes on corporation tax carryforwards of domestic Group companies have been calculated as in the previous year at 15 %, plus 5.5 % solidarity surcharge, and on trade tax loss carryforwards at 13–16 %. These rates have been used appropriately for determination of deferred taxes on temporary differences if these differences reverse in the future.

Derivative financial instruments are only used in the ecotel Group to a limited extent, and exclusively for hedging interest rate risks arising from the operative business. In accordance with IAS 39 derivative financial instruments are valued at fair value, the change in fair value is shown with effect on net income in the finance result. Fair value is determined by relying on publicly noted market prices on the capital market that are sampled at the appropriate financial institutions as of the balance sheet date. Derivative financial instruments with a positive fair value are accounted for under other financial assets; derivative financial instruments with a negative fair value are accounted for under the other financial liabilities. Initial booking in occurs on the settlement date, which as a rule is a few days after the date the debt was incurred (transaction date). The interest rate swap contracts used by ecotel communication ag fall under the financial instrument category "Financial instruments held for sale" (IAS 39.9) and are recognised in the balance sheet at their market values until they are booked out in the case of expiration or dissolution.

Securities are held as current assets and are assigned to the category "Held for sale". Thus, they are valued at fair value on the balance sheet date.

Investments in non-consolidated companies are recognised in the balance sheet at cost of acquisition due to the lack of availability of market prices.

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

Recognition of **sales revenues and other operating income** always occurs when the service is provided or the assets have been delivered and thus the transfer of risk has taken place. Provisions for warranties are formed at the time of realisation of the corresponding sales revenues. If the conditions for realisation of service revenues are satisfied in accordance with IAS 18.20 ff., on the level of completion of the transaction on the balance sheet date, the corresponding revenue is recognised on the basis of the assessment of the services provided according to this method.

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

Interest income and expense are recognised in the period in which they occur. Dividends are always collected when the claim legally occurs. Within the **finance result** the costs of capital procurement that cannot be offset against equity, such as the costs for supporting the share price, are shown. The result of companies accounted for at equity is shown separately within the finance result.

When preparing the consolidated financial statement discretionary decisions and assumptions are made and estimates have been applied, that have an effect on the amount and disclosure of the recognised assets and liabilities, earnings and expenses as well as the contingent liabilities. The discretionary decisions, assumptions and estimates essentially refer to the uniform Group determination of economic useful lives, the reporting of provisions, the possible realisation of future tax relief, as well as the verification of the intrinsic value of cash-generating units and of underlying parameters for assets. The assumptions upon which the respective estimate is based are explained for the individual items of the balance sheet, as well as for the consolidated comprehensive income statement. The actual values may deviate in some cases from the assumptions and estimates made. Such deviations are considered with effect on net income at such a time when improved knowledge makes this necessary. Considerable risks as defined in IAS 1.129, that could be inherent in the assumptions and estimates were not identified at the time the consolidated financial statement was prepared.

Explanations for the consolidated balance sheet

(1) Goodwill and other intangible assets

The intangible assets developed in the financial year 2010 as follows:

Development 2010	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relationships	Total
Information in TEUR					
Acquisition costs and manufacturing costs as of 01/01/2010	14,649	6,359	2,730	9,424	33,162
Change to the consolidation group	17	1	0	0	18
Additions	0	183	289	0	472
Transfers	0	10	0	0	10
Disposals	0	0	0	0	0
As of 12/31/2010	14,666	6,553	3,019	9,424	33,662
Write-downs as of 01/01/2010	2,534	4,641	1,341	4,887	13,403
Change to the consolidation group	0	0	0	0	-46
Scheduled additions	0	472	477	727	1,676
Unscheduled additions	0	0	81	0	81
Disposals	0	0	0	0	0
As of 12/31/2010	2,534	5,113	1,899	5,614	15,160
Carrying amounts as of 12/31/2009	12,115	1,718	1,389	4,537	19,759
Carrying amounts as of 12/31/2010	12,132	1,440	1,120	3,810	18,502

In the previous year 2009 intangible assets developed as follows:

Development 2009	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relationships	Total
Information in TEUR					
Acquisition and manufacturing costs as of 01/01/2009	16,711	5,565	2,183	9,263	33,722
Change to the consolidation group	0	-74	0	0	-74
Additions	0	868	547	164	1,579
Disposals	-2,062	0	0	-3	-2,065
As of 12/31/2009	14,649	6,359	2,730	9,424	33,162
Write-downs as of 01/01/2009	3,240	3,928	496	2,444	10,108
Change to the consolidation group	0	-46	0	0	-46
Scheduled additions	0	759	495	843	2,097
Unscheduled additions	1,003	0	350	1,600	2,953
Disposals	-1,709	0	0	0	-1,709
As of 12/31/2009	2,534	4,641	1,341	4,887	13,403
Carrying amounts as of 12/31/2008	13,471	1,637	1,687	6,819	23,614
Carrying amounts as of 12/31/2009	12,115	1,718	1,389	4,537	19,759

Recognised development costs in financial year 2010 were TEUR 290 (previous year: TEUR 547). At ecotel communication ag these essentially related to set up of a uniform order processing system for fixed-line, data and mobile services, as well as the new full access product (TEUR 155). In addition, at ecotel communication ag development costs for further development of the sales partner billing tool (TEUR 25) and of the online customer portal (TEUR 22) were capitalised. At nacamar GmbH the capitalised development costs in the amount of TEUR 88 essentially include further developments of the Media Delivery Network (TEUR 21), the Video Asset Management System "medianac" (TEUR 43), and of the customer portal (TEUR 24).

Moreover, customer bases purchased in 2007 at nacamar GmbH (TEUR 2,421, previous year: TEUR 2,631) and at ecotel from the merged ADTG Allgemeine Telefondienstleistungs GmbH (TEUR 563, previous year: TEUR 788) are accounted for in the balance sheet. This customer base is amortised over a useful life of 6 years, the "nacamar" is customer base is amortised over a useful life between 10 and 18 years depending on the customer segment. The customer relationships relative to DSLCOMP GmbH purchased in 2006 as of the balance sheet date are shown at TEUR 783 (previous year: TEUR 983) they are amortised over 10 years in a linear manner. Other customer relationships are recognised as of the balance sheet date at easybell GmbH (TEUR 43, previous year: TEUR 135) they are amortised over 6 years or 2 years in a linear manner.

In the reporting year 2010 there were write-downs of non-current assets at capitalised development costs at toBEmobile GmbH (TEUR 81) as well on assets under construction at ecotel communication ag (TEUR 54). The write-downs on non-current assets in the amount of TEUR 85 refer to the IP transit transmission volume that was previously not called up via T-Net, which expired at the end of 2010.

In the previous year intangible assets (without goodwill) in the amount of TEUR 1,300 were written down on the "nacamar" customer base, and in the amount of TEUR 300 on the "DSLCOMP" customer base, and there were write downs on development costs (project "Balloon") with an amount of TEUR 350 to be considered.

The goodwill shown is comprised as follows with consideration of write-downs carried out in 2009 due to reduced recoverability:

Cash-Generating Unit (CGU) Information in TEUR	Carrying amount 12/31/2009	Write-downs 2010	Disposal due to deconsolidation 2010	Carrying amount 12/31/2010
Business customers (DSLCOMP/ecotel)	8,732	0	0	8,732
i-cube	25	0	0	25
nacamar	3,234	0	0	3,234
easybell	124	0	0	124
carrier-services	0	0	17	17
Total	12,115	0	17	12,132

In accordance with the IAS 36 impairment tests were performed in the financial year just ended, according to the discounted cash flow method for verification of the recovery of the goodwill shown. The data of the respective company planning serves as the basis in this regard (forecast period: 5 years). In the reporting year 2010, a need to recognise an impairment was not determined.

In the previous year write-downs on goodwill occurred in the total amount of 1,003 TEUR, as well as amortisation and a disposal due to deconsolidation in the amount of TEUR 353 occurred.

The following assumptions served as the basis for performing the impairment tests:

Capitalisation interest rate 6.2 % (previous year: 8.6 %) after taxes or 8.4 % (previous year: 11.7 %) before taxes, beta factor 0.9 (previous year: 1.3), debt ratio 46 % (previous year: 41 %). The growth rates for the first five years at nacamar were 8 % (previous year: 3 %) and all other CGUs 0 % (previous year: Between 0 % and 5 %). For the perpetual annuity at nacamar a growth rate of 2 % (previous year: 0 %) as well as for all other CGUs a growth rate of 1 % (previous year: 0 %) is used. The income tax rate used was the same as that used in the previous year, 31 %.

(2) Property, plant, and equipment

Property, plant, and equipment developed in financial year 2010 as follows:

Development 2010	Land, land rights and buildings, includ- ing buildings on third-party land	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Information in EUR				
Costs of acquisition and manufacturing as of 01/01/2010	5,179	7,155	182	12,516
Change to the consolidation group	0	0	0	0
Additions	306	770	118	1,194
Transfers	34	0	-44	-10
Disposals	-11	-161	0	-172
As of 12/31/2010	5,508	7,764	256	13,528
Write-downs as of 01/01/2010	1,598	4,613	0	6,211
Change to the consolidation group	0	0	0	0
Scheduled additions	538	1,025	0	1,563
Unscheduled additions	0	0	54	54
Disposals	-11	-149	0	-160
As of 12/31/2010	2,125	5,489	54	7,668
Carrying amounts as of 12/31/2009	3,581	2,542	182	6,305
Carrying amounts as of 12/31/2010	3,383	2,275	202	5,860

In financial year 2009 development of property, plant, and equipment of the Group was presented as follows:

Development 2009 Information in TEUR	Land, land rights and buildings, includ- ing buildings on third-party land	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Costs of acquisition and manufacturing				
As of 01/01/2009	4,926	5,665	109	10,700
Change to the consolidation group	0	-57	0	-57
Additions	330	1,658	73	2,061
Transfers	0	0	0	0
Disposals	-77	-111	0	-188
As of 12/31/2009	5,179	7,155	182	12,516
Write-downs as of 01/01/2009	861	3,724	0	4,585
Change to the consolidation group	0	-21	0	-21
Additions	771	1,055	0	1,826
Disposals	-34	-145	0	-179
As of 12/31/2009	1,598	4,613	0	6,211
Carrying amounts as of 12/31/2008	4,065	1,942	109	6,116
Carrying amounts as of 12/31/2009	3,581	2,542	182	6,305

In the reporting period 2010 there were write-downs on assets under construction of TEUR 54 at ecotel communication ag.

Future lease payments

The outstanding leasing obligations from operating and finance leasing contracts as of December 31, 2010 are presented as follows:

Information in TEUR	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2010
Operating and office equipment (leasing)	134	141	0	275
Other rental contracts	1,126	1,986	0	3,112
	1,260	2,127	0	3,387

The leasing obligations essentially result from leasing contracts of technical equipment and software, of company vehicles, as well as from rental obligations arising from rented office furnishings. The other rental contracts essentially include the rent of office space, and of the computer centre and framework agreements for line deliveries.

From finance leasing relationships of nacamar, as of December 31, 2010 liabilities in the amount of TEUR 219 (of which TEUR 149 are short-term), and of ecotel in the amount of TEUR 93, exist, which are completely of a short-term nature. The carrying amounts accounting for in the balance sheet in this regard total TEUR 307.

As of December 31, 2009 the following financial obligations arising from operating leasing contracts existed:

Information in TEUR	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2009
Operating and office equipment (leasing)	147	94	0	241
Other rental contracts	1,161	2,679	98	3,938
	1,308	2,773	98	4,179

(3) Financial assets

Financial assets valued in accordance with the equity method at TEUR 1,523 (previous year: TEUR 1,594) essentially involve a loan from ecotel communication ag to the company, mvneco GmbH, valued at equity, with an annual interest rate of 5 %, and a qualified subordinated claim. In the amount of the negative equity value of mvneco GmbH, as of December 31, (TEUR 946) an additional write-off of the loan in the amount of TEUR 177 (previous year: TEUR 769) was undertaken.

The carrying value of the holding in mvneco GmbH, valued at equity was TEUR 0 as of December 31, 2010, which was the same as that of the previous year, as the original acquisition costs of this holding of TEUR 234, as well as the addition in the reporting period of TEUR 20 due to the pro-rated accumulated net losses of the company, had to be written off completely. The carrying value includes pro-rated goodwill of TEUR 131 (previous year: TEUR 45). As of the balance sheet date the company showed assets in the amount of TEUR 1,530 and liabilities in the amount of TEUR 4,975.

The carrying value of the holding in synergyPLUS GmbH, valued at equity was TEUR 0 as of December 31, 2010, (previous year: TEUR 8) as the original acquisition costs of this investment of TEUR 150 had to be further written off due to the pro-rated accumulated net losses of the company in 2010. As of the balance sheet date the company showed assets in the amount of TEUR 223 and liabilities in the amount of TEUR 605. As of the balance sheet date the negative equity value was TEUR –88.

In addition in the financial assets the minority interest in PPRO GmbH (TEUR 112) is shown.

(4) Non-current receivables

The non-current receivables at TEUR 522 (previous year: TEUR 171) refer to other receivables and loans to associated companies.

(5) Inventories

The inventories shown essentially relate to data terminal equipment and SIM cards. A devaluation to the net disposal value did not occur.

(6) Trade receivables and other receivables and current assets

	Information in TEUR	Residual term over 1 year	Total 12/31/2009	Residual term over 1 year	Total 12/31/2010
Trade receivables from					
third parties	0	13,244	0	0	14,335
affiliated companies	0	1,475	0	0	0
associated companies	0	7	0	0	56
	0	14,726	0	0	14,391
Other receivables and current assets					
Securities	0	0	0	0	0
Prepaid expenses	0	323	0	0	143
Remaining other receivables and current assets	0	1,422	0	0	675
	0	1,745	0	0	818

Trade receivables from affiliated companies shown in the previous year in the amount of TEUR 1,475 existed against carrier-services.de GmbH, which has been fully consolidated since the beginning of the year. The effect on results of the increase of the provision for losses on trade receivables is shown in the other operating expenses that include the release of provisions in other operating income. The receivables do not bear interest and thus are not subject to an interest rate risk. The carrying amounts correspond to the fair values.

(7) Current and deferred taxes on earnings

	Information in TEUR	31.12.2009	31.12.2010
Deferred tax assets		775	537
Current tax assets		223	223
	998	998	760

Deferred tax assets with TEUR 537 (previous year: TEUR 656) refer to deferred tax claims due to existing corporation tax and trade tax carryforwards at two (previous year: Two) subsidiaries. In the previous year an additional TEUR 119 referred to deferred taxes due to temporary differences at subsidiaries. As of December 31, 2010, TEUR 388 deferred tax assets arising from temporary differences of nacamar due to the income tax group were balanced with deferred tax liabilities of ecotel. The effective income tax claims relate to claims for reimbursement of taxes on earnings from trade tax, corporation tax and interest income tax credits.

(8) Cash and cash equivalents

	Information in TEUR	31.12.2009	31.12.2010
Deposits in banks		7,045	6,119
Cash on hand and checks		27	14
	7,072	7,072	6,133

(9) Equity

The changes in Group equity are presented in the statement of changes in equity.

The number of shares of ecotel communication ag in circulation as of December 31, 2010 was 3,752,500 (after offsetting the 147,500 shares held by the Company itself). The shares are issued as no-par value bearer shares with a pro-rated amount of the capital stock of 1.00 EUR.

The capital reserves were TEUR 17,646 (previous year: TEUR 17,603). The change resulted from the proportional consideration of the expense from the stock option plan with TEUR 44.

Share-based remuneration

The stock option plan is based on the resolution of the Annual General Meeting of ecotel communication ag, held July 27, 2007. For 45,000 shares of this option plan that were issued prior to 2007 the exercise price to receive a share of the Company corresponds to the 30-day average market price of a share prior to the day of issuance (EUR 13.45). The term of the option plan is five years. The share option may be exercised for the first time after a waiting period of two years after the day of issuance. After the waiting period elapses, one third of the options can be exchanged per year. Options can only be exercised after the waiting period elapses if the average market price of the stock has increased at least 5 % per year compared to the exercise price, and has developed at least two percentage points better than the HDAX (includes the values of all 110 companies from the DAX, MDAX and TecDAX indices).

The fair value amount of the obligation arising from the share-based remuneration agreement has been assessed on the basis of a binomial model. In this process the following parameters were used:

Dividend yield	0.00 %
Risk-free interest rate	3.90 %
Volatility of the ecotel shares	35.97 %
Volatility of HDAX indices	15.96 %

The exercise price to receive a share of the Company stock also corresponds to the 30-day average market price of a share prior to the date of issuance (EUR 12.27) for the 100,000 stock options that were additionally issued on the grant date of October 1, 2007. In accordance with IFRS 2 for the valuation of the old 45,000 share options, an exercise price of EUR 13.45 was maintained. The underlying volatility for all options is based on historically annualised volatility according to Bloomberg listings for a 260-day period. The expected exercise period is 3 to 5 years.

The 145,000 options existing at the end of 2010 were granted to two board members (120,000 options, market value upon issuance total TEUR 282), and to an additional executive of ecotel communication ag, for which the expense for the addition to the capital reserve was TEUR 6 (previous year: TEUR 11) (25,000 options, market value upon issuance: TEUR 36). A listing of the market values per person of the market values is included in Note 29. The features of the newly granted options are the same as those of the previously granted options. However, due to the values at the time of issuance October 1, 2007, determination of the fair value of these newly granted options was also based on binomial model; the following parameters were used:

Dividend yield	0.00 %
Risk-free interest rate	4.15 %
Volatility of the ecotel shares	36.00 %
Volatility of HDAX indices	15.13 %

The underlying volatility is based on historically annualised volatility according to Bloomberg listings for a 260-day period. The expected exercise period is 3 to 5 years.

The addition to the capital reserve (TEUR 44; previous year: TEUR 79) proportionate to the period and is recognised in the personnel expenses. As of December 31, 2010 in the capital reserve an amount of TEUR 301 (previous year: TEUR 257) is included for the existing share options.

Minority interests

The minority interests refer to the minority interests in the equity of toBEmobile GmbH (TEUR 47; (previous year: TEUR 54), i-cube GmbH (TEUR 39; (previous year TEUR 66) and easybell GmbH (TEUR 219, (previous year: TEUR 194) as well as the indirect minorities in sparcall GmbH (TEUR 220, previous year TEUR 0) and carrier-services.de GmbH (TEUR 60).

Share ownership

The following material stakes in excess of 10 % are held in the Company:

	%
Peter Zils	25.64 %
Intellect Investment & Management Ltd.	25.09 %
IQ Martrade Holding und Managementgesellschaft mbH	14.56 %
AvW Gruppe AG	10.12 %

During the financial year 2010 the following reports were submitted, which in conjunction with Section 20, Paragraph 1 or Paragraph 4 of the German Stock Corporation Law (AktG) or in conjunction with Section 21, Paragraph 1 or Paragraph 1a of the German Securities Trading Law (WpHG) resulted in disclosures in accordance with Section 160, Paragraph 1 no. 8 of the AktG:

11. January 2010

Notification from IQ Martrade Holding und Managementgesellschaft mbH, Düsseldorf, that its share in the voting rights of ecotel communication ag exceeded the threshold of 10 % on January 5, 2010 and on this day amounted to 14.56 % (number of voting rights: 567.879). The voting stock is held by the following companies who have more than 10 % of the voting rights: (1) MARTRADE Logistic GmbH & Co. Kommanditgesellschaft, Düsseldorf, (2) MARTRADE Logistic Verwaltungs GmbH, Düsseldorf, (3) Günther Hahn, Deutschland.

11. January 2010

Communication from pisaZ GmbH, Düsseldorf, that the share in the voting rights of ecotel communication ag exceeded the voting right threshold of 3 % and 5 % on July 7, 2008 and on this day amounted to 5.41 % (number of voting rights: 210,896, total number of voting rights: 3.900.000). Additional notification from pisaZ GmbH, Düsseldorf, that the share in the voting rights of ecotel communication ag underranged the voting right threshold of 5 % and 3 % on January 5, 2010 and on this day amounted to 0.0 % (number of voting rights: 0, total number of voting rights: 3.900.000).

11. January 2010

Communication from Mr. Peter Zils, Germany, that his share in the voting rights of ecotel communication ag underranged the threshold of 30 % on January 5, 2010 and on this day amounted to 25.64 % (number of voting rights: 1,000,000, total number of voting rights: 3.900.000).

Capital management

The ecotel Group manages its capital with the primary goal of supporting the business activity and to assure that the Company remains a going concern in the long term. Capital management includes equity as well as borrowings. The important goal is compliance with the financial covenants agreed with the banks. Consequently compliance is continuously monitored. In this process future developments relative to their effects on the financial covenants are analysed in order to implement measures in a timely manner, if necessary.

(10) Current and deferred income taxes

Information in TEUR	Initial level 01/01/2010	Change to the con- solidation group	Consump- tion	Reversal	Allocation	Transfers	End level 12/31/2010
Effective earnings tax	19	0	17	0	350	0	0
Deferred tax liabilities	853	2	0	102	427	-388	-388
Provisions for income taxes	872	2	17	102	777	-388	-388
of which with a term of up to 1 year	19	0	17	0	350	0	352

(11) Other financial liabilities, trade liabilities and other liabilities

	Information in TEUR	Residual term to 1 year	Total 12/31/2009	Residual term to 1 year	Total 12/31/2010
Credit liabilities	3,963	16,713	7,918	13,250	
Other	0	474	0	70	
Financial liabilities	3,963	17,187	7,918	13,320	
Trade liabilities	14,077	14,077	12,802	12,802	
Liabilities to associated companies	116	116	131	131	
Other taxes	459	459	314	314	
Social security	21	21	36	36	
Wages and salary to be paid	0	0	395	395	
Other personnel-related liabilities	87	87	365	365	
Annual audit/supervisory board	98	98	105	105	
Other	198	198	170	170	
Other liabilities	863	863	1,385	1,385	

The financial liabilities are to financial institutions. From the valuation of an interest swap at fair value financial liabilities of TEUR 98 (previous year: TEUR 175) resulted. The change in the fair value is included in the finance result.

Borrowings essentially refer to the residual amount of two acquisition loans taken out in 2007, and a KfW innovation loan taken out in 2009. The loans taken out in 2007 have a term of 5 years, the interest rate is determined according to a reference rate plus a margin. The company shares of nacamar GmbH were pledged to the lending bank. One half of the loan taken out in 2009 consists of an outside capital tranche, the other half consists of a subordinated tranche. Both tranches have a term of 10 years; the interest rate is fixed. Current borrowings are essentially the repayment due in 2011 for the two acquisition loans taken out in 2007.

(12) Reporting of financial instruments

In the course of the usual business activity the Group is confronted with risks associated with exchange rate change, interest rate change and changes in the cost of credit that could have an influence on the asset, finance, and earnings position.

Exchange rate risk: Exchange rate risks occur due to receivables, liabilities, liquid funds and planned transactions that occur or will occur in a currency that is not the functional currency of the Company. The Company reviews the use of derivative financial instruments to hedge the foreign currency risks. Because the exchange rate risk was low in the financial year just ended, no derivative financial instruments were used to hedge exchange rate risks.

Interest rate risk: In the ecotel Group interest rate risks exist primarily due to the financial liabilities and the interest-bearing assets of the Group. Hedges through primary and derivative financial transaction are executed to hedge against negative value changes due to unexpected interest rate movements. At the end of 2010 there were two interest rate swaps. The two interest rate swaps have a nominal volume of TEUR 5,000 or TEUR 2,750. All derivative financial instruments are valued as financial assets or financial liabilities at fair value as of the key date. For interpretation of the positive or negative fair values of the derivative financial instruments it must be

noted that, as a rule, they are balanced out by underlying transactions with compensating risks. The term of the interest rate derivatives concluded is oriented to the term of the underlying transactions and thus for the most part is in the short-term to medium-term range.

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

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

Adjustments for receivables 2010	Trade receivables	Other receivables and other assets	Total 12/31/2010
Information in TEUR			
As of 01/01/2010	489	0	489
Adjustments in the reporting period	22	85	107
Disposals	70	0	70
As of 12/31/2010	441	85	526

Adjustments for receivables 2009	Trade receivables	Other receivables and other assets	Total 12/31/2009
Information in TEUR			
As of 01/01/2009	393	110	503
Adjustments in the reporting period	256	216	472
Disposals	160	326	486
As of 12/31/2009	489	0	489

The adjustments relate to complete financial assets in the valuation category "Loans and receivables".

As of December 31, 2010, overdue unadjusted receivables existed in the following amount:

Past-due unadjusted receivables Information in TEUR	Gross value 12/31/2010	Past-due adjusted receivables	Unadjusted receivables due in the following time periods				
			to 30 days	31–60 days	61–90 days	91–120 days	over 120 days
Financial receivables	522	0	0	0	0	0	0
Trade receivables	14,832	441	237	495	172	10	378
Other receivables and other current assets	903	85	0	0	0	0	0
	16,257	526	237	495	172	10	378

Individual value adjustments are considered on past-due financial assets threatened by default if the fair value of these receivables is below the carrying amount shown due to unrecoverability or impairment.

Of the stated unadjustable trade receivables that are more than 120 days past due, TEUR 250 (previous year: TEUR 250), TEUR 126 (previous year: TEUR 126) relate to services provided for the product "line transfer" of ecotel communication ag on the key date. These are revenues that are undisputed, but that have not yet been billed. Services provided as of the key date but not yet billed in the form of commission claims do not exist in the current financial year (in the previous year TEUR 904). Additional TEUR 37 (previous year: TEUR 37) relate to the barter transaction of nacamar GmbH; for which liabilities for outstanding invoices are shown corresponding to the missing counterclaims.

As of December 31, 2009 the following situation existed:

Past-due unadjusted receivables Information in TEUR	Gross value 12/31/2009	Past-due adjusted receivables	Unadjusted receivables due in the following time periods				
			to 30 days	31–60 days	61–90 days	91–120 days	over 120 days
Financial receivables	171	0	0	0	0	0	0
Trade receivables	15,215	489	279	309	83	4	250
Other receivables and other current assets	1,745	0	0	0	0	0	0
	17,131	489	279	309	83	4	250

In the consolidated balance sheet financial instruments assessed at fair value can be categorised in the following valuation hierarchy, which reflects the extent to which the fair value can be observed:

Level 1: Assessments at fair value based on prices listed (unadjusted) on active markets for identical assets or liabilities.

Level 2: Assessments at fair value based on either directly (as prices) or indirectly (derived from prices) observable input data for the asset or liability, that do not represent any listed prices according to level 1.

Level 3: Assessments at fair value via input data referenced for the asset or liability that is not based on observable market data (unobservable input data).

ecotel uses level 1 and 2 financial instruments exclusively. During the financial year 2010 there were no reclassifications between level 1 and level 2. All financial assets in the presentation as of December 31, 2010 below, are assessed at fair value and assigned to level 1. For the financial liabilities, current financial liabilities in the amount of TEUR 98 belong in level 2. As of December 31, 2010, these refer to the negative market value of the interest rate swaps held by ecotel communication ag.

Financial assets as of 12/31/2010	Fair value	Carrying amounts					Total carrying amounts
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Financial assets available for sale		
<i>Information in TEUR</i>							
Liquid funds	6,133	6,133	0	0	0		6,133
Trade receivables	14,391	0	14,391	0	0		14,391
Other current receivables and assets	818	0	818	0	0		818
Financial assets	1,635	0	0	0	1,635		1,635
Non-current financial assets	522	0	522	0	0		522
Total	23,499	6,133	15,731	0	1,635		23,499

Financial liabilities as of 12/31/2010 Information in TEUR	Fair value	Carrying amounts			Total carrying amounts
		Other current liabilities	Financial instruments measured at fair value through profit and loss		
Current financial liabilities	3,963	3,788	175		3,963
Trade liabilities	14,077	14,077	0		14,077
Other liabilities current	863	863	0		863
Non-current loans	12,750	12,750	0		12,750
Other non-current financial liabilities	474	474	0		474
Total	32,127	31,952	175		32,127

As of December 31, 2009 the following breakdown existed:

Financial assets as of 12/31/2009 Information in TEUR	Fair value	Carrying amounts				Total carrying amounts
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Financial assets available for sale	
Liquid funds	7,072	7,072	0	0	0	7,072
Trade receivables	14,726	0	14,726	0	0	14,726
Other current receivables and assets	1,745	0	1,745	0	0	1,745
Financial assets	1,822	0	0	0	1,822	1,822
Long-term financial assets	171	0	171	0	0	171
Total	25,536	7,072	16,642	0	1,822	25,538

Financial liabilities as of 12/31/2009 Information in TEUR	Fair value	Carrying amounts			Total carrying amounts
		Other current liabilities	Financial instruments measured at fair value through profit and loss		
Current financial liabilities	3,963	3,788	175		3,963
Trade liabilities	14,077	14,077	0		14,077
Other liabilities current	863	863	0		863
Non-current loans	12,750	12,750	0		12,750
Other non-current financial liabilities	474	474	0		474
Total	32,127	31,952	175		32,127

The derivative financial instruments held for trading purposes, were recognised in the Group income statement based on the assessment of fair value on the respective balance sheet date, as TEUR –77 (previous year: TEUR –175). The effects result exclusively from the interest rate swaps.

Liquidity risk: As rule refinancing of the ecotel Group companies occurs centrally through ecotel communication ag. Here the risk exists that the liquidity reserves do not suffice to satisfy the financial obligations in a timely manner. In 2011 repayments are due with a nominal value of EUR 7.6 m EUR. To cover the liquidity requirement, cash and cash equivalents of EUR 6.1 m are available. In addition ecotel communication ag has a contractually agreed revolving credit facility in the amount of EUR 2.9 m, which after subtracting credit fees in the amount of EUR 1.9 m, as of December 31, 1010, is EUR 1.0 m (previous year: EUR 3.7 m). So-called financial covenants exist relative to the bank loan taken out by ecotel communication ag (EUR 23 m) and to the available credit line. A violation of the covenants could possibly result in notice of cancellation and premature repayment of the loans and credit limit, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. Overall the liquidity risk is estimated as moderate.

The following (non-discounted) payments will presumably result from the financial liabilities in coming years:

Repayments/interest payments for financial liabilities information in TEUR	Carrying amounts 12/31/2010	Repayments			Interest payments		
		2011	2012 to 2015	from 2016	2011	2012 to 2015	from 2016
Liabilities to banks	12,750	7,578	1,500	3,672	370	744	349
Liabilities from finance leasing	322	251	71	0	12	1	0
Derivative financial liabilities	98	0	0	0	97	1	0

As of the previous year's key date the following presentation occurred:

Repayments/interest payments for financial liabilities Information in TEUR	Carrying amounts 12/31/2009	Repayments			Interest payments		
		2010	2010 to 2014	from 2015	2010	2010 to 2014	from 2015
Liabilities to banks	16,250	3,500	8,766	3,984	120	990	510
Liabilities from finance leasing	610	288	322	0	28	13	0
Derivative financial liabilities	175	0	0	0	155	99	0

(13) **Contingent receivables and liabilities and other financial obligations**

As of December 31, 2010 contingent liabilities due to guarantees and other commitments existed in the amount of TEUR 1,878 (previous year: TEUR 2,532) for surety obligations.

Presently a legal dispute is underway that has been initiated against ecotel communication ag for the non-acceptance of hardware equipment. For litigation costs associated with the legal dispute a provision in the amount of TEUR 50 has been formed.

Contingent receivables resulting from a legal action that is still in process. The action involves a claim for damages against ancotel GmbH due to property damage to ecotel IT equipment in the computer centre of ancotel GmbH. Future claims from the proceedings are considered likely, currently, however, they cannot be reliably quantified.

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

Notes to the consolidated income statement

(14) Sales revenue

	Information in TEUR	2009	2010
Domestic		82,260	84,434
Foreign		16,439	13,880
	98,699	98,314	

Distribution of sales revenue across the business units, Business Solutions, Wholesale Solutions and New Business is shown in the segment reporting. Sales revenue is earned exclusively through the provision of services.

(15) Other operating income and other own work capitalised

Other operating income consists of the following:

	Information in TEUR	2009	2010
Dissolution of liabilities		571	80
Recharging of fees and expenses		189	119
Reversal of provisions for losses on receivables		19	75
Exchange rate gains		13	17
Disposal of intangible assets, property, plant, and equipment and financial assets		2	22
Other		338	732
	1,132	1,045	

The other own work capitalised shown in 2010 refers to programming projects that were offset within the Group, as in the previous year.

(16) Cost of materials and services

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

(17) Personnel expenses

	Information in TEUR	2009	2010
Wages and salary		8,392	8,243
Social security contributions		1,217	1,235
Of which expenses for pensions and support		636	632
	9,609	9,478	

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

Staff	2009	2010
Full-time employees	174	171
	174	171

(18) Scheduled depreciation and unscheduled impairment

In addition the number of management board members or managing directors for the consolidated companies was 5 (previous year: 8) and the number of trainees was 8 (previous year: 12). For the companies valued at equity, 17 (previous year: 12) full-time employees and 2 (previous year: 2) managing directors were employed. In 2010, at PPRO GmbH in addition to the managing director, 5 (previous year: none) full-time employees were employed.

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

In financial year 2010 after execution of the impairment tests there were unscheduled write-downs on goodwill of the cash-generating units totalling TEUR 0 (previous year: TEUR 1,003), on other non-current intangible assets of TEUR 81 (previous year: TEUR 1,950), as well as on property, plant, and equipment of TEUR 55 (previous year: TEUR 0).

In addition, in 2010 other current assets in the amount of TEUR 85 (previous year: TEUR 216) were depreciated.

(19) Other operating expenses

	Information in TEUR	2009	2010
Costs of delivering goods	3,951	3,866	
Legal and consulting costs	1,421	1,089	
Rents, leases, premises expenditure	946	728	
EDP costs	842	920	
Other administrative costs	505	1,831	
Vehicle costs	436	430	
Marketing expenses	345	446	
Change in provisions for losses on receivables	256	24	
Insurance premiums	161	187	
Repairs and maintenance	46	0	
Leasing	38	29	
Loss on disposal of intangible asset items of property, plant, and equipment	1	0	
Other	838	153	
	9,786	9,703	

(20) Finance result

	Information in TEUR	2009	2010
Interest income			
Interest income from bank deposits/fixed-term deposits		3	3
Other interest income and similar earnings		315	134
	318	137	
Interest expense			
Interest expense on credit liabilities		-669	-615
Result from derivative financial instruments		-202	77
Other interest and similar expenses		-114	-54
	-985	-592	
Net interest income		-667	-455
Other financial expenses and income			
Purchase price reimbursement for nacamar		1,650	0
Purchase price reimbursement for ADTG		173	0
Miscellaneous other financial income		68	2
Costs of supporting the share price and other financial expenses		-404	-78
Result of companies valued at equity		-910	-205
	577	-281	
Finance result		-90	-736

(21) Taxes on income and earnings

	Information in TEUR	2009	2009
Effective earnings tax		-6	-218
Deferred tax liabilities		-25	-174
Income tax expense	-31	-392	

A reconciliation of the expected to actual tax expense is shown below. To determine the expected tax expense, the result before income taxes is multiplied by a flat income tax rate of 32 % specified by the Group (previous year: 32 %). This consists of a tax rate of 15 % (previous year: 15 %) for corporation tax, plus 5.5 % for the solidarity surcharge, and 16 % (previous year: 16 %) for trade tax. The expected tax expense is compared with the actual tax expense.

	Information in TEUR	2009	2010
Result before taxes		-2.240	731
Group tax rate		32.0 %	32.0 %
Expected tax income		717	-234
Differences due to tax rates differing from the Group tax rate		-31	14
Tax reductions due to tax-exempt earnings		278	240
Tax increases due to expenditures that are not tax-deductible		-306	-400
Previous year's taxes		0	27
Valuation adjustment of deferred tax assets on loss carryforwards		-373	24
Earnings from equity holdings		-286	-64
Other tax effects		-30	1
Tax expense according to the income statement (expense -/income +)		31	-392
Effective tax rate in %		-1.4 %	-53.6 %

Deferred taxes are determined using the balance-sheet oriented liability method. According to this method, tax reliefs or burdens that are likely to come to bear in the future are balanced to account for temporary differences between the carrying amounts listed in the consolidated financial statement and the taxable amount of assets and liabilities that are recognised. If the temporary differences refer to items that directly increase or reduce equity then the associated deferred taxes are also set off directly against equity. Offsetting without effect on net income did not occur as of December 31, 2010 and December 31, 2009.

The deferred taxes must be allocated to the following items:

Information in TEUR	2009 assets	2009 liabilities	2010 assets	2010 liabilities
Tax loss carryforwards	656	0	537	0
Property, plant, and equipment/intangible assets	770	1,407	461	1,218
Trade receivables	0	38	0	66
Other financial assets	0	114	0	0
Other provisions/liabilities	0	0	0	0
Financial liabilities	55	0	31	0
Other items	0	0	0	0
Balance of assets/liabilities	-706	-706	-492	-492
Value adjustment	0		0	
	775	853	537	792

Deferred tax assets in a single tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction and of the same tax payer, in so far as the terms correspond.

All tax loss carryforwards that are taxable as of the balance sheet dates were taken into account in the recognition of deferred tax assets, since in subsequent years there will presumably be enough taxable earnings available for their use. As of December 31, 2010 at ecotel communication ag the corporation tax loss of TEUR 1,994 (previous year: TEUR 2,002) and the trade tax loss as of December 31, 2010 of TEUR 823 (previous year: TEUR 1,327) were fully taken into account for the tax group of companies with nacamar GmbH and ADTG Allgemeine Telefondienstleistungs GmbH, including the tax adjustments to be considered for 2010 for the recognition of deferred tax assets. For ecotel private GmbH, overall an existing income tax loss carryforward of TEUR 352 was considered.

No deferred taxes are created for the taxable temporary differences in conjunction with shares in subsidiaries and companies accounted for using the equity method, if the conditions are met for an exemption from IAS 12.39.

**(22) Profit share
of other share-
holders**

The earnings to which other shareholders are entitled of TEUR 282 (previous year: TEUR –117) refers to the pro-rated annual net income of easybell GmbH (TEUR 57; previous year: TEUR 10), sparcall GmbH (TEUR 214) and carrier-services.de GmbH (TEUR 45) as well as the pro-rated losses of toBEmobile GmbH (TEUR –7; previous year: TEUR –42) and i-cube GmbH (TEUR –27; previous year: TEUR –45).

**(23) Earnings
per share**

The undiluted earnings per share are determined in accordance with IAS 33 as the quotient of the annual group net profit to which the shareholders of ecotel communication ag are entitled and the weighted average number of no-par value bearer shares in circulation during the financial year.

A dilution of earnings per share occurs when the average number of shares is increased by taking into account the issue of potential shares from options and convertible financial instruments. As of December 31, 2007 and December 31, 2008 the existing 145,000 stock options must always be considered as dilutive equity capital instruments. Based on the values on December 31, 2010, and likewise on the previous year key date, however, the exercise price of these options was significantly higher than the recorded average stock market price for the ecotel shares for the corresponding period. In accordance with IAS 33.47, thus as of December 31, 2010 and the previous year's key date these options did not have a diluting effect, so that the diluted and undiluted earnings are the same.

	2009	2010
Attributable consolidated net income (in EUR)	–2,154,648.79	56,461.71
Weighted average number of shares	3,752,500.00	3,752,500.00
Undiluted earnings per share (in EUR)	–0.57	0.02
Diluted earnings per share (in EUR)	–0.57	0.02

Notes to the cash flow statement

(24) Cash flow statement

The cash flow statement is prepared in accordance with the regulations of IAS 7 and is organised according to cash flows operating, investing and financing activities. The influences of changes in the basis of consolidation on cash and cash equivalents are shown separately.

The cash and cash equivalents of the cash flow statement correspond to the item "Cash and cash equivalents" shown in the consolidated balance sheet, minus short-term current account liabilities.

Other notes

(25) Distribution of dividends

In accordance with Section 58, Paragraph 2 of the German Stock Corporation Law (AktG), the balance sheet result shown in the legal annual financial statement of ecotel communication ag is definitive for determining dividends distributed to shareholders of the Company, this is TEUR 0 (previous year: TEUR -13,936).

(26) Related party disclosures

The volume of services supplied to or from related parties is presented as follows:

	Information in TEUR	Volume of services provided		Volume of the services utilised	
		2009	2010	2009	2010
PhaseFive R&D Ltd.					
from goods and services	197	98	0	0	0
synergyPLUS GmbH					
from goods and services	16	160	32	14	14
mvneco GmbH					
from goods and services	550	847	169	120	120

The receivables from the companies synergyPLUS GmbH and mvneco GmbH valued at equity are included in the consolidated balance sheet with TEUR 578 (previous year: TEUR 178).

The loan from ecotel communication ag to the company mvneco GmbH valued at equity in the amount of TEUR 2,469 (previous year: TEUR 2,363) was written off due to the negative equity value of mvneco GmbH as of December 31, 2010, due to the impairment by TEUR 177 (previous year: TEUR 769).

The ecotel Group maintained service relationships with the following related parties in 2010:

Agreements with QITS GmbH

QITS GmbH, Quality Information Technology Services ("QITS"), whose managing partner is the chairman of the supervisory board, Mr. **Johannes Borgmann**, has been providing various services for ecotel communication ag since 1999. In addition to services under the framework contract for software, particularly for the Company's billing system, printing services, IT services, data privacy as well as financial bookkeeping services were also provided. In financial year 2010 remuneration in the amount of approximately TEUR 853 (previous year: TEUR 861) was paid to QITS.

Agreements with Noerr LLP

Noerr LLP (as of 12/31/2009: Nörr Stiefenhofer Lutz Partnerschaftsgesellschaft) has been providing consulting services for the Company since November 2005. The supervisory board member, Dr. **Thorsten Reinhard**, is an attorney and partner in Noerr. In financial year 2010 remuneration in the amount of approximately TEUR 38 (previous year: TEUR 34) was paid to Noerr.

Agreements with MPC Service GmbH

A business representation contract between MPC Service GmbH and ecotel communication ag, as well as the subsidiary ADTG GmbH, has existed since August 2002. Under this contract MPC Service GmbH receives a closing commission for the monthly order acquisition, as well as a product-dependent commission on the monthly revenue of all customers supplied by MPC. The agreement corresponds to the agreement with the other sales partners of the Company. The supervisory board member, **Mirko Mach** is managing director and shareholder of MPC Service GmbH and was formerly a shareholder of ADTG GmbH. In financial year 2010 sales partner commissions in the amount of approximately TEUR 339 (previous year: TEUR 342) were paid to MPC.

See Note 29 for additional information.

The internal organisation and management structure, as well as the internal reporting to the management board and the supervisory board, are the basis for determination of the segmentation criteria for the business segments for ecotel communication ag.

(27) Segment reporting

Segmentation is executed according to the internal reporting by business units that can be delimited as follows:

- In the segment **Business Solutions** (operative core area) ecotel offers small and medium-sized companies voice, data and value-added services in the form of complete packages, as well as direct connections for voice and data traffic, from a single source.
- In the **Wholesale Solutions** segment ecotel markets ecotel products and complete solutions for other telecommunication companies, including resellers and call shops), as well as for marketers that operate in other industries.
- In the **New Business** segment the high growth business areas and subsidiaries, as well as the new media business are combined.

As segment result that the management board uses for corporate control and monitoring, the annual result before interest and income taxes is presented. The segment assets correspond to the sum of all segment-related reported assets, without income tax assets. The segment liabilities include the segment-related provisions, liabilities and financial liabilities, however, no income tax liabilities.

Information in TEUR	Business Solutions		Wholesale Solutions		New Business		Consolidated across segments		Group	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
External revenue	48,192	44,813	34,414	38,667	16,093	14,834	0	0	98,699	98,314
Inter-segment revenue	2,597	0	1,880	5,561	381	457	-4,857	-6,018	0	0
EBIT	-1,024	900	386	183	-1,456	727	-56	-344	-2,150	1,466
Annual result	-181	331	386	183	-2,421	168	-56	-344	-2,271	338
Gross profit	17,877	17,455	1,250	1,271	3,608	4,219	0	0	22,735	22,945
Write-downs	-2,972	-2,168	-167	-260	-3,952	-1,031	0	0	-7,092	-3,459
Result of companies valued at equity	-141	-8	-769	-197	0	0	0	0	-910	-205
Segment assets	26,320	23,147	9,329	9,416	14,965	13,372	2,092	3,208	52,706	49,143
Segment liabilities	11,312	6,882	6,645	6,278	2,906	2,618	12,252	13,392	33,115	29,170
Investments in intangible assets and property, plant, and equipment	1,782	897	350	4	1,507	765	0	0	3,639	1,666

Inter-segment transactions were executed at market prices.

With regard to the classification of revenue according to sales regions, reference is made to the notes on sales revenue. Segment assets and segment investments refer completely to Germany.

(28) Statement on corporate governance in accordance with Section 289 A of the German Commercial Code (HGB) including the statement in accordance with Section 161 of the German Stock Corporation Law (AktG) regarding the German Corporate Governance Code

The management board and supervisory board of ecotel communication ag have issued the statement on corporate governance required in accordance with Section 289a of the German Commercial Code (HGB,) including the statement prescribed in accordance with Section 161 of the German Stock Corporation Act (AktG), and have made these statements permanently available to the public on the Internet site of ecotel communication ag (www.ecotel.de under Investor Relations/Corporate Governance.

- (29) Governing bodies and remuneration of governing bodies**
- In the reporting year 2010 the **management board** of ecotel communication ag was composed as follows:
- Peter Zils, engineer, Düsseldorf (chairman)
 - Bernhard Seidl, engineer, Munich
 - Achim Theis, businessman, Düsseldorf

The following persons were appointed as members of the **supervisory board** in 2010:

- Johannes Borgmann, businessman, Düsseldorf (chairman)
- Mirko Mach, businessman, Heidelberg (deputy chairman)
- Brigitte Holzer, businesswoman, Murnau
- Dr. Thorsten Reinhard, attorney, Frankfurt/Main
- Stephan Brühl, businessman, Düsseldorf (until 08/09/2010)
- Mag. Reinhold Oblak, businessman, Krumpendorf (until 08/09/2010)
- Dr. Norbert Bensel, independent corporate consultant, Berlin (from 08/09/2010)
- Dr. Joachim Dreyer, independent corporate consultant, Heiligenberg (from 08/09/2010)

In 2010, the remuneration of management board and supervisory board consisted of the following components:

Information in TEUR	Fixed remuneration	Performance-based remuneration	Stock option plan	Total	Stock options – number	Stock options – fair value at issue
Bernhard Seidl	210,3	33,3	30,7	274,3	90,000	239
Achim Theis	193,1	21,7	7,2	222,0	30,000	43
Peter Zils	298,5	16,7	0	315,2	0	0
Johannes Borgmann	12,4	0	0	12,4	0	0
Brigitte Holzer	6,3	0	0	6,3	0	0
Dr. Thorsten Reinhard	4,9	0	0	4,9	0	0
Mirko Mach	6,6	0	0	6,6	0	0
Stephan Brühl	1,5	0	0	1,5	0	0
Mag. Reinhold Oblak	1,5	0	0	1,5	0	0
Dr. Norbert Bensel	2,0	0	0	2,0	0	0
Dr. Joachim Dreyer	2,0	0	0	2,0	0	0

In addition, for financial year 2010 the management board is entitled to variable remuneration in the amount of TEUR 143. Payment of the variable portion is coupled with sustainable Company development over three years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. Appropriate provisions were formed for the remuneration entitlements.

In 2010, Ms Sandra Zils received remuneration totalling TEUR 9 for her activity at the ecotel Group (previous year: TEUR 11).

In 2009 the remuneration was comprised as follows:

	Fixed remunera- tion	Perfor- mance- based remu- neration	Stock option plan	Total	Stock options – number	Stock options – fair value at issue
Bernhard Seidl	201.1	0	53.7	254.8	90,000	239
Achim Theis	199.2	0	13.8	213.0	30,000	43
Peter Zils	295.6	0	0	295.6	0	0
Johannes Borgmann	8.0	0	0	8.0	0	0
Brigitte Holzer	4.5	0	0	4.5	0	0
Dr. Thorsten Reinhard	3.5	0	0	3.5	0	0
Mirko Mach	4.8	0	0	4.8	0	0
Stephan Brühl	2.5	0	0	2.5	0	0
Mag. Reinhold Oblak	2.1	0	0	2.1	0	0

As of December 31, 2010 the members of the supervisory board of the Company served on the following boards:

Supervisory board member	Function	Company
Johannes Borgmann	Managing director	ADCO Umweltdienste Holding GmbH Ratingen
	Currently member of the management board	ADCO HOLDINGS, Inc., Marietta Georgia/USA
	Managing director	ADCO Beteiligungs-GmbH, Ratingen
	Managing director	ADCO Immobilien GmbH, Ratingen
	Managing director	ADCO International GmbH, Ratingen
	Currently president of the administrative board	TOI TOI AG, Affoltern/Switzerland
	Managing director	MEPS GmbH, Ratingen
	Managing director	QITS GmbH, Ratingen
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg
	Liquidator	1stopmobile.com AG i. L., Heidelberg

Supervisory board member	Function	Company
Dr. Norbert Bensel	Member of the supervisory board	Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel
	Member of the supervisory board	DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne
	Chairman of the supervisory board	TransCare AG, Wiesbaden
	Member of the advisory board	BLG Logistics Group AG & Co. KG, Bremen
	Member of the advisory board	BREUER Nachrichtentechnik GmbH, Bonn
	Member of the advisory board	IQ Martrade Holding- und Managementgesellschaft mbH, Düsseldorf
Dr. Joachim Dreyer	Member of the administrative board	Qnamic AG, Hägendorf/Switzerland
	Member of the advisory board	ZU Stiftung, Friedrichshafen
	Member of the advisory board	EnBW Energie Baden-Württemberg AG, Karlsruhe
Brigitte Holzer	Member of the advisory board	Mobile One GmbH, Ratingen
	Member of the supervisory board	Linux Information Systems AG, Munich
	Director	INCORBUS Ltd., London/Great Britain
	Owner/managing director	Holzer Holding GmbH, Berg
	Owner/managing director	OCTAGON CAPITAL GmbH, Berg
Dr. Thorsten Reinhard	FP & A manager Eastern Europe, Middle East & Africa	Adobe Systems GmbH, Munich
	Partner	Noerr LLP, London/Great Britain, Munich
	Member of the supervisory board	Wacker Holding SE, Munich

(30) Audit expenses

In the financial year 2010 the fee entered as expense for the auditors of the consolidated financial statement of ecotel communication ag for the audits of the consolidated financial statement and the individual financial statements of the parent company and consolidated subsidiaries was TEUR 65 (previous year: TEUR 60). No other expenses were recorded for the Group auditors for other confirmation or evaluation services, tax consulting services, or for other consulting services.

(31) Exemption from publishing individual financial statements

For the subsidiary nacamar GmbH, Düsseldorf, use is made of the exemption from publishing the individual financial statement, in accordance with Section 264 Paragraph 3 of the German Commercial Code (HGB).

Düsseldorf, March 25, 2011

The management board

Peter Zils

Bernhard Seidl

Achim Theis

Audit opinion of the statutory auditor

We have audited the consolidated financial statement of ecotel communication ag – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the consolidated statement – and its Group management report for the financial year from January 1 to December 31, 2010. Preparation of consolidated financial statement and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements that must be applied in accordance with Section 315a, Paragraph 1 of the German Commercial Code (HGB) is the responsibility of the management board of the Company. Our responsibility is to express an opinion on the consolidated financial statement and the Group management report based on our audit.

We have carried out our audit of the consolidated financial statement in accordance with Section 317 of the German Commercial Code (HGB) taking into consideration generally accepted German auditing standards. Those standards require that we plan and perform the audit in such a manner that misstatements materially affecting the presentation of the asset, financial, and earnings positions in the consolidated financial statement in accordance with applicable financial reporting principle and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system referring to accounting and the evidence supporting the disclosures in the books and records, and in the consolidated financial statement and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the evaluation of the financial statements of the companies included in the consolidated financial statement, the segregation of the consolidated group, the accounting and consolidation principles used and the main assumptions made by the management board, as well as acknowledgement of the entire presentation of the consolidated financial statement and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections.

Based on the knowledge gained in the audit, the consolidated financial statement of ecotel communication ag, Düsseldorf, is in accordance with IFRS as adopted by the EU and the additional requirements of Section 315a, Paragraph 1 of the German Commercial Code (HGB), and conveys in compliance with these regulations, a true and fair view of the asset, finance, and earnings position of the Group. The Group management report is consistent with the consolidated financial statement, conveying overall an accurate picture of the Group's situation, and correctly presents the opportunities and risks associated with future development.

Düsseldorf, March 24, 2011
Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed Schlereth
Auditor

Signed Frank
Auditor

Corporate Governance

ecotel communication ag (ecotel) has organised itself according to international and national standards for value-oriented and responsible corporate governance. With open information and transparent decision-making structures we attempt to foster trust on the part of investors, customers, employees, and the interested public. In this regard ecotel views corporate governance as a continual process.

The management board and supervisory board of ecotel report below concerning corporate governance in accordance with Number 3.10 of the German Corporate Governance Code (the **Code**) as it applies from June 18, 2009 or from its validity from May 26, 2010 and also hereby explain deviations from its recommendations. The following report also integrates the remuneration report required in accordance with Number 4.2.5 of the Code.

The management board and supervisory board work closely together for the well-being of the Company with the common goal of sustainable increase of the value of the Company. The management board reports to the supervisory board regularly in written and verbal form, promptly and completely concerning the situation of the Company, business development, corporate planning, as well as the risk situation.

The supervisory board meets regularly to fulfil its monitoring and advisory function. It has formed a three-member audit committee for more efficient handling of accounting, risk management and compliance issues, in particular. In addition the supervisory board has formed a three-member nomination committee that prepares the election proposals for the Annual General Meeting.

The central information event for shareholders is the Annual General Meeting. The management board presents the individual and consolidated financial statements, as approved by the supervisory board, to the Annual General Meeting. The annual financial statement is adopted via approval by the supervisory board unless the management board and supervisory board decide to delegate that determination to the Annual General Meeting. The Annual General Meeting decides on the appropriation of the balance sheet profit, the approval of the actions of the management board and supervisory board, election of members of the supervisory board, and decides on the auditor, the articles of association, as well as in other cases prescribed by law. With appropriate notices before the opening of the Annual General Meeting, shareholders can comprehensively inform themselves of pending decisions via the annual report and the agenda for the Annual General Meeting. All documents and information are also available on the ecotel website.

Corporate communication sets itself the standard of providing true, complete, regular, and timely information. The shareholders are regularly informed of important dates in the quarterly reports, and on an ongoing basis via the Internet and the Company website. Presentations at roadshows or at other information events are published immediately and completely on the ecotel website under the heading Investor Relations. All annual reports and quarterly reports, as well as press releases and ad-hoc releases can also be found on the ecotel website.

The remuneration of the members of the supervisory board is appropriate for their tasks and their responsibility. It consists of fixed and variable components; the details are stipulated in the articles

of association of the Company. For financial year 2010 members of the supervisory board can only claim the fixed remuneration component.

The members of the management board of ecotel are remunerated on the basis of Section 87 of the German Stock Corporation Act (AktG) and Management Board Remuneration Act (VorstAG); remuneration includes a fixed annual base compensation, as well as a variable component. The target requirements (including incoming orders, EBITDA, EBIT) for the variable component are specified annually by the supervisory board. For financial year 2010 the management board is entitled to variable remuneration in the amount of TEUR 143. Payment of the variable portion is coupled with sustainable Company development over three years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. For 2010 the verifiably earned variable share was TEUR 72. Each of the three members of the management board is entitled to a company car. In addition a stock option plan for members of the management board and top executives of ecotel is implemented on the basis of the resolution of the Annual General Meeting of July 27, 2007. Additional information on the stock option program is provided on the website www.ecotel.de under the header, Investor Relations/Corporate Governance, as well as in the Notes to the financial statement. For the members of the ecotel management board there are no agreements for indemnification in the event of a takeover bid.

Information on individual remuneration of the management board and supervisory board in 2010 is included in the Notes to the consolidated financial statements.

The table below shows the holdings of the management board and supervisory board in the capital stock of the Company at the end of 2010:

Body	Share ownership (in %)
Management board	25.8 %
Supervisory board	1.2 %
Total	27.0 %

The information concerning transactions with ecotel shares on the part of members of the management, supervisory boards and other persons with management responsibilities or with closely associated third parties (directors' dealings) is also listed on the website www.ecotel.de under the header, Investor Relations/Corporate Governance.

In addition ecotel has taken out an appropriate pecuniary damage liability insurance policy (**D&O insurance**) for the management board, as well as for the members of the advisory board with a deductible that is in line with the Corporate Governance Code.

ecotel has followed the recommendations of the Code since January 1st 2010, with the following exceptions:

Number 3.8, Paragraph 2

Until July 2010 the D&O insurance did not provide for a deductible for members of the governing bodies. With a new D&O insurance policy, taken out in July 2010 a deductible for members of the management board and of the advisory board of at least 10 % of the damage up to at least the amount of one and one-half times the fixed annual remuneration of the member of the management board or of the member of the supervisory board has been agreed.

Number 5.1.2

The supervisory board considers diversity an important criteria for the composition of the management board and is of the particular opinion that women must be appropriately considered for board-level appointments. In 2010, however, this policy did not result in the appointment of a female member of the management board.

Management board and advisory board regularly conduct discussions on the development of ecotel management. However, issues concerning long-term succession planning were not discussed in 2010.

Number 5.2

Previously the chairman of the supervisory board also chaired the audit committee. The audit committee has appointed a different supervisory board member as chairman, effective from March 31, 2011.

Number 5.4.1, Paragraph 2

In 2010 the supervisory board had not yet cited any concrete goals for its composition, however, it intends to do so in 2011.

Number 5.4.3

The supervisory board considers it neither practical nor expedient to inform shareholders of suggestions of candidates for the position of chairman of the supervisory board.

The complete Code is available on the Internet at www.corporate-governance-code.de.

The statement of compliance of ecotel communication ag in accordance with Section 161 of the German Stock Corporation Law (AktG) of can be reviewed on the Company's website at www.ecotel.de. The complete Code is available on the Internet at www.corporate-governance-code.de.

ecotel communication ag

The management board
of ecotel communication ag

The supervisory board
of ecotel communication ag

Report of the supervisory board

The supervisory board of ecotel communication ag (ecotel) regularly monitored and supported the work of the management board in financial year 2010, in an advisory role. The detailed reports of the management board in written and oral form were the basis of this monitoring and advisory support. The chairman of the supervisory board was involved in a regular exchange of information and ideas with the chairman of the management board. In addition various members of the supervisory board have made their technical expertise available to the management board without requesting or receiving any compensation beyond the supervisory board remuneration stipulated in the articles of association. These consultations involved a number of areas, including organisation, personnel, sales, finances, law and communication.

In the reporting period the ecotel supervisory board came together for a total of eight meetings, of which one meeting was held in the form of a telephone conference. In addition, their seven resolutions were made via the circulation procedure. One member of the supervisory board participated in only three of the eight meetings. All hindrances were excused.

In the meetings the ecotel management board reported to the supervisory board on fundamental issues of corporate planning, profitability of the Company, the course of the business and the position of the Company, in accordance with legal requirements, and consulted together with the supervisory board concerning these issues. Moreover the supervisory board was integrated in decisions of major significance and in particular reviewed and approved measures of the management board that required its agreement in accordance with the rules of procedure of the management board. Such measures included the agreement on a loan on the part of the Company to synergyPLUS GmbH, as well as permission concerning an honorary ancillary activity on the part of the chairman of the management board, Mr. Peter Zils, who has been elected to the chairmanship of the Association of Telecommunications and Value-Added Service Providers (VATM).

1. Focus of consultation in the supervisory board

In addition to the transactions cited above that require agreement, in the reporting period the supervisory board was particularly involved with strategic alignment of the Company and development of the marketing of full access lines – by far the most important product for the Company.

Also in 2010 the supervisory board devoted special attention to risk management issues. Thus, it regularly examined the risk report of the management board and its updates. The risks discussed spanned all corporate functions. The supervisory board discussed the risk reports with the management board and also made recommendations relative to risk management. Within this framework the supervisory board also dealt intensively with the internal control system of the Company, particularly in a telephone conference on March 4, 2010 and a meeting on May 27, 2010. The supervisory board was convinced that the management board devotes the necessary attention to risk management, prioritises the risks identified by the management board and is striving to reduce these risks through appropriate measures. The supervisory board considers the manner in which the management board handles the risk of violating a financial covenant arising from the credit contracts to be exemplary: The management board detected the risk early on, discussed various risk management measures with the supervisory board and, pursued the option that it deemed most advantageous and ultimately implemented it successfully.

The status of the 2009 financial statement was the focus of the supervisory board meeting held on March 30, 2010. In addition, in the meeting of March 30, 2010, as a precaution the supervisory board approved various contracts between ecotel and companies in which members of the supervisory board hold shares (see below for more in this regard).

2. Treatment of conflicts of interest in the supervisory board

All members of the supervisory board are obligated to comply with the principle of aligning their decisions exclusively to the corporate interests of ecotel. If in consultation or taking of resolutions in the supervisory board conflicts of interest occurred or the concern of conflicts of interest occurred, these were dealt with in the supervisory board. The member of the supervisory board concerned in each case refrained from voting, and if in the specific case it seemed expedient, did not participate in the preceding discussion. In addition the other members of the supervisory board obtained the necessary assurances by posing questions to the management board, that its actions were not influenced by the (potential) conflict of interest of the respective member of the supervisory board. The principles cited above were only employed in the reporting period for resolutions of the supervisory board concerning the approval of contracts between ecotel and companies in which members of the supervisory board hold investments. These affect Mr. Johannes Borgmann, Mr. Mirko Mach and Dr. Thorsten Reinhard.

3. Financial statement and consolidated financial statement

The management board prepared the financial statement and management report of ecotel in accordance with the regulations specified in the German Commercial Code (HGB), and the consolidated financial statements in accordance with IFRS principles. Ecotel's auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the financial statement, the consolidated financial statement, the management report and the Group management report. The auditor has given the annual financial statements and the consolidated financial statement its unqualified audit approval.

The financial statement documents and reports of the auditor were submitted to all members of the supervisory board for review. Representatives of Deloitte & Touche GmbH participated in the negotiations of the supervisory board concerning these documents and have reported on the essential results of their audit.

The supervisory board has thoroughly reviewed the financial statement, the consolidated financial statement and the Group management report submitted by the management board, and has discussed them with the auditor. The supervisory board endorses the results of the audit of the annual financial statement, and of the consolidated financial statement by the auditor.

After the final result of its review the supervisory board raised no objections to the annual financial statement prepared by the management board or to the consolidated financial statement for financial year 2010, but rather approved the annual financial statement and the consolidated financial statement with the resolution of March 28, 2011. The annual financial statement of ecotel for financial year 2010 is thereby adopted.

4. Changes in the supervisory board in the reporting period

In the reporting period Mr. Stephan Brühl and Mr. Reinhold Oblak resigned their seats on the supervisory board. On the recommendation of the supervisory board, the shareholders meeting of the Company held July 30, 2010, elected Dr. Norbert Bensel and Dr. Joachim Dreyer to the supervisory board for the remaining term of the members of the supervisory board who resigned.

5. Changes in the management board in the reporting period

The appointment of board member Mr. Achim Theis ended on May 31, 2010, as scheduled. By resolution of the supervisory board of February 24, 2010, the appointment was extended for three years. Simultaneously, the employment contract was extended for the same period subject to new conditions.

6. Committees

The supervisory board has formed a three-member audit committee that in particular deals with accounting, risk management and compliance issues. In the reporting period the audit committee met four times and in particular, dealt with the quarterly reports and the 2009 annual financial statement.

In addition, the supervisory board has formed a three-member nomination committee that prepares voting selections for the Annual General Meeting. In the financial year 2010 this committee met once to prepare the recommendation for the Annual General Meeting to select Dr. Bensel and Dr. Dreyer to serve on the supervisory board.

The supervisory board thanks the members of the ecotel management board, as well as all employees of the companies of the ecotel Group for their great dedication to the Company and the work performed in the financial year 2010. Likewise the supervisory board thanks Mr. Brühl and Mr. Oblak, who resigned from the supervisory board, for valuable contributions and dynamic support.

Düsseldorf, March 28, 2011

For the supervisory board:

Johannes Borgmann
Chairman of the supervisory board

Glossary

ARPU

Average revenue per user.

Backbone network

A backbone is a high-performance network or main network for the connection of local sub-networks, geographically distributed end devices, or centrally controlled networks. As a rule, the backbone has higher transmission capacity than that of the devices and networks connected to it and to each other.

Broadband access

Subscriber-side broadband network connection (broadband access) with high transmission speed. The connection is possible by wire via the existing copper twin wire using DSL processes via fibre optics, or via the broadband cable network.

Carrier

A carrier/network operator is a company that operates telecommunications networks. A carrier/network operator has its own networks or has essential components, switching devices or network management systems that are important for transmission. Network operators are differentiated relative to the territory they cover, as global carriers, national carriers, regional carriers, and city network carriers, or so-called city carriers. Global carriers act worldwide or internationally, national carriers offer their services and their network infrastructure in a geographically limited area within a country, and city carriers act within city limits or within a metropolitan area.

Customer Relationship Management (CRM)

Customer Relationship Management has the goal of addressing customer needs individually in order to increase customer satisfaction and thus keep the customer loyal to the company long-term. To this end the customer-oriented departments of a company, such as sales, marketing, and support are systematically aligned to the customer needs.

DSL

Digital Subscriber Line – a digital broadband transmission technology with which transmission speeds of as much as several megabits/sec. can be achieved with conventional telephone networks (via copper cable).

Ethernet

Cable-based data network technology primarily used in local area networks (LAN). It enables data exchange between all devices connected in a LAN (PCs, printers, etc.). In its traditional form the LAN is limited to one building. Today Ethernet also connects devices over great distances and in the process also enables transmission of greater data volumes.

HGB

Handelsgesetzbuch (German Commercial Code)

Housing/hosting

Provision of computer centre space and computer capacity in the computer centre through Internet service providers for the connection to the Internet.

IFRS

International Financial Reporting Standards.

IP Bitstream Access

The "IP Bitstream Access" product of Deutsche Telekom AG enables providers without their own infrastructure to autonomously market DSL connections without the additional telephone connection which was previously required.

Convergence product

A convergence product is an integrated fixed-line, Internet and mobile communications product.

medianac

medianac is a high-availability, database supported, web application for managing video services. The medianac is hosted and operated in the Datacenter of nacamar GmbH and is used for simplified processing of business customers' increasingly complicated streaming projects.

Media streaming

Audio and video data that is received from a computer network and simultaneously sent.

MVNE

While the Mobile Virtual Network Operator (MVNO) develops, operates, and markets its own services as a virtual network operator, the Mobile Virtual Network Enabler (MVNE) in turn is a partner of the MVNO. The MVNE operates the necessary infrastructure in order to connect the services of the MVNO to the communication infrastructure of a mobile communications network for transmission of greater data volumes.

MVNO

The Mobile Virtual Network Operator (MVNO) is a new business form of the mobile communications industry between the actual network operator and the service provider or reseller. As opposed to the network operator the MVNO does not operate its own access network with its own broadcasting stations. However, the MVNO has the possibility of operating core network services itself or renting core network services – e.g. switching, IN-platform, customer management, Home Location Register (HLR) from the network operator. Thus, the MVNO has the same possibilities of designing services as does the mobile network operator itself. For the service provider the design possibilities are limited to the implementation of price models that can be calculated on the basis of the voice data supplied by the carrier.

"NetMig" project

The term "NetMig" (abbreviation for network migration) describes the project of concentrating the IP backbone of 21 different access points to 2 redundant access points through consolidation of the network infrastructure. In this project the conventional connections of existing customers via fixed-line connections (leased lines) are replaced by high-performance Ethernet connections.

Network Operation Centre (NOC)

The network operation Centre (NOC) is the technical operating facility for a network and is responsible for the monitoring of the network.

On-net-/off-net area

In on-net areas full access products from alternative network operators are available. In the so-called off-net areas telecommunications services are realised through line transfer via DTAG.

Prepaid card

The term prepaid card describes the use of services via prepaid credit accounts, which is widespread in the telecommunications industry. The frequently-used designation "prepaid card" is based on the English word "prepaid" which is translated in German as "vorausbezahlt".

Preselection

Long-term preselection of a connection at the subscriber network operator to a core network operator as a rule preselection requires a contractual agreement with the desired core network operator. Implementation of the preselection on the connection is made by subscriber network operator.

Prime Standard

The Prime Standard is the admission segment for companies on the Frankfurt Stock Exchange who desire to position themselves internationally. In Prime Standard joint stock companies must satisfy international transparency requirements that extend beyond the scope of the General Standard.

PSTN

Public Switched Telephone Network (PSTN) is a long-distance network that is designed for handling telephone calls.

Reseller

Entity that resells telecommunications services of other telecommunications companies under its own name and at its own billing. So-called switch-based resellers have their own switching technology, resellers without their own switching computers are referred to as rebillers or switchless resellers.

Roaming

Enables telephone calls via networks of different network operators, for example, such as international roaming in the pan-European GSM system.

Virtual Network Operator (VNO)

Virtual network operators do not have their own network infrastructures. Instead they put a network together from the infrastructures of other providers and connect these with their own components to a virtual (overall) network, e.g. via their own switch technology.

VoIP

Voice over IP – voice services based on the Internet protocol (so-called VoIP services) that in terms of quality and product design are comparable to traditional telephone services. VoIP services are characterised by the fact that their users can telephone on the basis of a packet-switching data network. In this regard the data network can either be the Internet or managed IP networks.

Full access product

Provision of a "genuine" ISDN connection via alternative subscriber network operators instead of a line transfer through Deutsche Telekom AG. The full access can optionally be purchased with a DSL connection.

VPN

Virtual Private Network – enterprise networks that are used for closed networking of enterprise locations.

White label service

Products that are marketed to customers not under their own brand, but as the brand of other companies, are referred to as white label products.

Wholesale service

Network overlapping trade (purchase and sale) of telephone minutes in larger volumes.

Financial calendar

May 13, 2011	Publication of the quarterly report Q1
July 29, 2011	Annual General Meeting
August 15, 2011	Publication of the quarterly report Q2
November 15, 2011	Publication of the quarterly report Q3

Credits

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Notes

ecotel communication ag

Prinzenallee 11

40549 Düsseldorf

Telephone: +49 (0) 211 55 007 - 0

Fax: +49 (0) 211 55 007 - 222

info@ecotel.de

www.ecotel.de