# 2014

# 2nd Quarter Interim Financial Report

# Key figures

| Figures stated in € million | 1st half year 2014 (IFRS) | 1st half year 2013 (IFRS) | 2nd quarter 2014 (IFRS) | 2nd quarter 2013 (IFRS) |
|---|---|---|---|---|
| Revenue | 50.2 | 43.8 | 24.0 | 22.3 |
| Business Solutions | 21.0 | 20.9 | 10.2 | 10.4 |
| Wholesale | 21.3 | 16.1 | 9.8 | 8.4 |
| New Business | 7.9 | 6.8 | 4.0 | 3.5 |
| Gross earnings | 12.8 | 13.0 | 6.2 | 6.5 |
| Business Solutions | 9.9 | 10.3 | 4.7 | 5.1 |
| Wholesale | 0.3 | 0.3 | 0.2 | 0.1 |
| New Business | 2.6 | 2.4 | 1.3 | 1.3 |
| EBITDA [1] | 3.6 | 3.3 | 1.9 | 1.6 |
| in % of revenue [2] | 7.1 % | 7.5 % | 7.9 % | 7.2 % |
| Operating result (EBIT) | 1.3 | 1.7 | 0.7 | 0.8 |
| in % of revenue [2] | 2.7 % | 3.9 % | 2.7 % | 3.6 % |
| Consolidated profit | 0.5 | 0.9 | 0.2 | 0.4 |
| Earnings per share (EUR) [3] | 0.14 | 0.24 | 0.07 | 0.11 |
| Balance sheet total | 45.7 | 44.0 | 45.7 | 44.0 |
| Equity capital | 20.8 | 19.9 | 20.8 | 19.9 |
| in % of the balance sheet total [2] | 45.4 % | 45.3 % | 45.4 % | 45.3 % |
| Number of shares (average) | 3,573,591 | 3,669,111 | 3,547,473 | 3,653,302 |
| Net debt | 2.3 | 2.3 | 2.3 | 2.3 |
| Cash flow from ongoing business activities | 1.4 | 3.7 | 0.6 | 3.1 |
| Cash flow from investment activities | –1.3 | –5.5 | –0.4 | –3.2 |
| Cash flow from financing activities | –1.5 | 0.6 | –1.3 | –1.2 |
| Financial resources as of 06/30 | 4.7 | 6.3 | 4.7 | 6.3 |
| Free cash flow [4] | 0.1 | –1.8 | 0.2 | –0.1 |
| Employees as of 06/30[5] | 192 | 179 | 192 | 179 |

*[1] Result before planned depreciations, impairments, financial result and taxes on income and earnings*

*[2] The figures were calculated based on non-rounded figures*

*[3] Both undiluted and diluted*

*[4] Free cash flow = cash flow from current business activities + cash flow from investment activities*

*[5] Without minority companies (mvneco GmbH, synergyPLUS GmbH)*

# Contents

# Letter to our shareholders

Dear Shareholders,

ecotel was able to continue the profitable growth course in the first half year of 2014 and to increase consolidated turnover to € 50.2 million. Compared to the same period of the previous year this represents an increase of 14.6 %, which is due essentially to turnover gains in the “Wholesale Solutions” and “New Business” segments. Revenue in the B2B segment, at € 21.0 million, was slightly above the half-year revenue figure for 2013.

In the second quarter 2014 the group earned consolidated turnover of € 24.0 million (previous year: € 22.3 million). EBITDA in the second quarter 2014, at € 1.9 million (previous year: € 1.6 million) was increased in comparison with the previous quarter by € 0.2 million. In the half-year comparison this is an increase of 8.2 % compared with the previous year. The gross profit margin constituting 25.7 % of the revenue was slightly above the result for the first quarter 2014.

Depreciations increased in comparison with the first quarter 2014 and with the first half year 2013 by € 0.4 million and € 0.6 million, respectively. This increase was the result of one-time investments for the router technology and the connection of the Allianz agencies, as well as impairments of tangible fixed assets. Consolidated profit for the first half year 2014 remained at the previous year’s level of € 0.8 million. This corresponds to earnings per share of € 0.14.

In the second quarter 2014 ecotel bought back 90,000 treasury shares at a purchase price of € 0.8 million and reduced the capital stock to € 3.51 million through the call-in of a total of 390,000 shares on 27 June 2014. Despite the subsequent equity reduction ecotel was able to slightly increase the equity to € 20.8 million (previous year: € 19.9 million) and the equity ratio to 45.4 % (previous year: 45.3 %). The net debt increased in comparison with 31 March 2014 by € 0.9 million to € 2.3 million (previous year: € 2.3 million).

After completion of the router rollout in the large-scale Allianz project ecotel successfully began in the second quarter to convince the first agencies to change providers through targeted marketing and follow-up measures. Due to the large number of agencies (ca. 10,000) the planned time frame for the marketing activities will extend into the year 2015. ecotel was also able to launch new highly-promising B2B products for the impending change from ISDN to NGN (Next Generation Network) technology. The initial results of this on revenue and profit are expected for the second half year 2014.

The management of ecotel communication ag reaffirms the forecast published in the 2013 Annual Report and expects EBITDA of € 6.5 – 7.5 million for the current business year 2014, with revenue of € 85 – 95 million, presumably within the upper range of the forecast corridor.

Düsseldorf, in August 2014

| | | | |
|---|---|---|---|
| Peter Zils<br>(Chairman) | Johannes Borgmann<br>(Vice Chairman) | Bernhard Seidl | Achim Theis |

# Investor Relations

## Overview of the ecotel share

The ecotel share started the second quarter 2014 at a price of € 8.2. During the course of the reporting period the price of the ecotel share increased to € 9.1. That was the highest price of the ecotel share in the past five years. While the price of the share was still € 6.7 at the beginning of 2014, the high level of more than € 8 was retained throughout the second quarter.

The average trading volume of the share was 5,001 shares per day in the second quarter 2014, compared with 2,965 shares in the second quarter 2013 and 7,491 shares in the previous quarter.

As of 30 June 2014 the ecotel share closed at a price per share of € 8.4 and therefore a market capitalisation of € 29.5 million.

## Shareholder structure

During the course of the second quarter 2014 the shareholder structure changed as follows:

On the basis of the approved share buy-back program, ecotel communication ag purchased a total of 90,000 shares at an average price of € 8.7 during the period from 15 April 2014 to 28 May 2014.

After successful completion of the share buy-back program ecotel owned a total of 390,000 shares with a nominal value of € 1.00 each, which corresponded to a share of 10 % of the capital stock. On 28 June 2014 these shares were called in and the capital stock was therefore reduced from € 3,900,000 to € 3,510,000 or 3,510,000 shares.

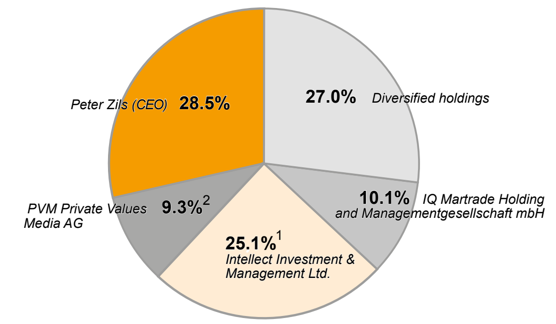
As result of this method of reducing the share capital the shareholder structure changed as follows as of 30 June 2014:

### Overview of the ecotel share

| | | | |
|---|---|---|---|
| WKN | 585434 | Date of first listing | 29/03/2006 |
| ISIN | DE0005854343 | Number of shares as of 06/30/2014 | 3,510,000 |
| Symbol | E4C | Average daily trading volume in the second quarter 2014 (€) | 5,001 |
| Market segment starting 01/07/2007 | Prime Standard | Highest and lowest quotation in the second quarter 2014 (€) | 9.1 / 8.2 |
| Index affiliation | CDAX, Prime All Share Technology All Share | Market capitalisation as of 06/30/2014 (€ million)* | 29.5 |
| Class | Non par value shares | Designated Sponsor | Close Brothers Seydler |

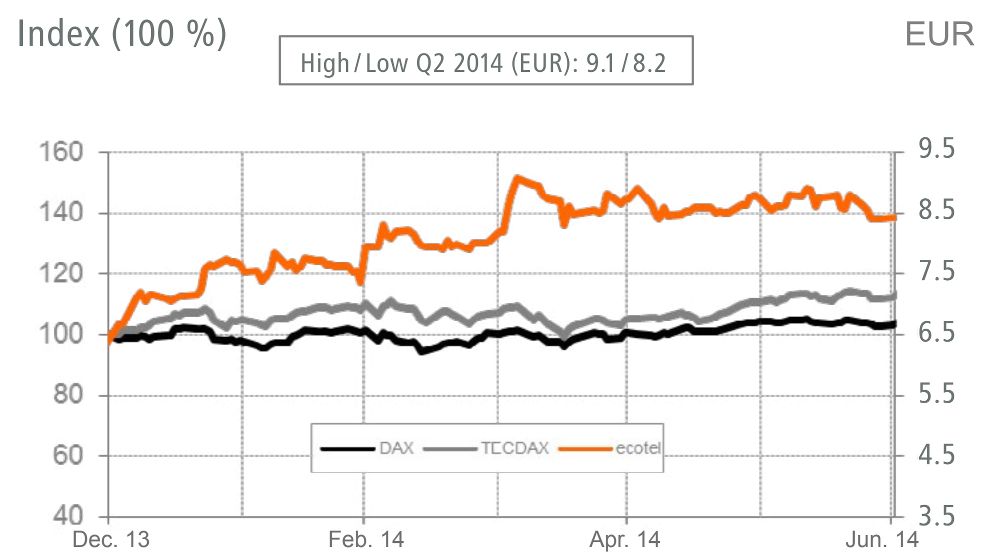
* Based on the closing price of € 8.4 per share and 3,510,000 outstanding shares as of 30 June 2014

### Shareholdings (06/30/2014) in percent




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

### Trend of quotations of the ecotel share in percent and €



# Earnings and performance

In the second quarter 2014 the ecotel Group attained revenue totalling € 24.0 million (previous year: € 22.3 million). For the first half year 2014 the company attained total revenue of € 50.2 million (previous year: € 45.9 million). This corresponds to an increase of € 6.4 million or 15 %.

The revenue development offset this effect slightly. In the half-year comparison this was reduced by 2 % to € 12.8 million (previous year: € 13.0 million).

The Business Solutions segment in the second quarter 2014 contributed 42 % to the total revenue and 77 % to the gross profit of the ecotel group. Revenue in the Business Solutions segment totalled € 10.2 million in the second quarter 2014 compared to € 10.7 million in the first quarter 2014 and € 10.4 million in the second quarter of the previous year. In the half-year comparison revenue in the Business Solutions segment, at € 21.0 million, was slightly above the previous year's figure.

In the second quarter 2014 Wholesale Solutions attained revenue of € 9.8 million (previous year: € 8.4 million), therefore contributing 41 % to the consolidated turnover. The gross profit totalled € 0.2 million in the second quarter 2014 compared to € 0.1 million in the first quarter 2014 and € 0.1 million in the second quarter of the previous year.

The New Business segment attained revenue of € 7.9 million in the first half year 2014. This represents an increase of 17 % compared with the first half year of the previous year. In the second quarter 2014 the New Business segment attained revenue of € 4.0 million (previous year: € 3.6 million) and gross profit of € 1.3 million (previous year: € 1.3 million). This corresponds to a gross profit margin of 33 % (previous year: 35 %).

Personnel expenses increased in the second quarter 2014 primarily due to one-time effects and totalled € 3.5 million compared to € 2.6 million in the first quarter 2014. The number of employees (not including minority companies) increased to 192 as of the closing date (previous year: 179). The costs for other expenses totalled € 3.0 million (previous year: € 2.5 million).

EBITDA in the second quarter totalled € 1.9 million compared with € 1.7 million in the first quarter and € 1.6 million in the same quarter of the previous year.

The scheduled depreciations in the second quarter totalled € 1.0 million (previous year: € 0.8 million). Of this amount, € 0.6 million were for depreciations of intangible assets such as customer bases and development costs. In addition, a software / customer platform no longer in use and valued at € 0.2 million was written off as an unplanned depreciation.

EBIT totalled € 0.7 million in the second quarter 2014 compared to € 0.8 million in the same period of the previous year and € 1.3 million for the first half year 2014 compared to € 1.7 million in the first half year of the previous year.

The financial result of the second quarter 2014 is virtually unchanged. In the half-year comparison the financial result worsened by € 0.1 million. This was caused by revenue from forward-exchange transactions in the first quarter 2013. In the second quarter 2014 revenue of € 0.1 million was achieved from companies assessed at equity.

Tax expenses in the first half year 2014 totalled € 0.5 million. The consolidated profit after third-party shares totalled € 0.2 million in the second quarter 2014, compared with € 0.3 million in the previous quarter. For the first half year 2014, this results in consolidated profit of € 0.5 million. This corresponds to earnings per share of € 0.14.

# Financial position

The cash flow from current transactions totalled € 0.6 million in the second quarter 2014, compared with € 0.8 million in the previous quarter.

The cash flow from investment activities in the second quarter 2014 totalled € –0.4 million. The payments are due essentially to payments for routers and servers, installations in the computing centre, software licenses and in-house software developments within a key-account project.

Cash flow from financial operations in the second quarter 2014 totalled € –1.3 million and is composed essentially of the payments for the share buy-back totalling € 0.8 million, repayments of loans totalling € 0.3 million and payments to minority shareholders of € 0.2 million.

As a result, the liquid funds decreased from € 5.9 million to € 4.7 million.

# Net worth

As of 30 June 2014 the balance sheet total was € 45.7 million, which is a decrease of 3 % compared with € 47.1 million as of 31 March 2014.

On the assets side, the non-current assets decreased in the second quarter 2014 from € 24.0 million to € 23.4 million, essentially due to unplanned depreciations (€ –0.2 million) and the change of the valuation base of synergyPlus GmbH (€ –0.2 million), which is assessed at equity.

The current assets decreased by € 0.8 million compared with 31 March 2014. On the one hand, other receivables and current assets increased, while cash and cash equivalents decreased. The development of the funds balance in the second quarter 2014 was caused in part by the payments for the share buy-back program and the planned repayment of loans.

On the liabilities side, the equity decreased from € 21.2 million on 31 March 2014 to € 20.8 million on 30 June 2014. Despite the share buy-back program the equity ratio increased in the second quarter 2014 slightly by € 0.8 million to 45.4 %. Non-current provisions and financial obligations decreased from € 7.1 million to € 6.8 million in the second quarter 2014, essentially due to repayments (€ –0.4 million).

Current provisions and obligations decreased from € 18.8 million to € 18.2 million in the second quarter 2014. The net financial obligations (financial obligations minus liquid funds) increased to € 2.3 million in the second quarter 2014 essentially due to the share buy-back program and dividends to minority shareholders and was therefore at the previous year’s level.

# Risk report

The business activities of ecotel are subject to the opportunities and risks of the telecommunications market and the company-specific risks. ecotel uses a corresponding risk management system and an internal control system to identify and control these risks.

In this connection we point out the information in the risk report of the 2013 annual report, which with the exception of a legal dispute that was resolved in the second quarter 2014 remains valid with respect to the current risk and opportunity situation.

# Outlook

The management of ecotel communication ag reaffirms the forecast published in the 2014 Annual Report and expects EBITDA of € 6.5–7.5 million for the current business year 2013, with revenue of € 85–95 million, presumably within the upper range of the forecast corridor.

In 2014 the business focus will remain on the high-margin B2B segment. The company plans a continued increase in the business volume and a stable high EBITDA margin.

In this connection we refer to the information in the forecast report of the 2013 annual report, which remains valid with respect to the company's outlook.

# Supplementary report

No events of major significance for the ecotel Group occurred after the balance sheet date.

# Consolidated balance sheet

as of 30 June 2014 (unaudited)

| Assets (Amounts in €) | 12/31/2013 | 03/31/2014 | 06/30/2014 |
|---|---|---|---|
| A. Non-current assets | | | |
| I. Goodwill and other intangible assets | 13,778,707.54 | 13,579,895.64 | 13,486,085.56 |
| II. Fixed assets | 9,448,499.36 | 9,512,514.59 | 9,133,253.80 |
| III. Financial assets accounted for based on the equity method | 889,412.00 | 889,412.00 | 685,123.43 |
| IV. Other financial assets | 3,800.00 | 3,800.00 | 3,800.00 |
| V. Deferred income tax claims | 0.00 | 0.00 | 107,528.01 |
| **Total non-current assets** | **24,120,418.90** | **23,985,622.23** | **23,415,790.80** |
| B. Current assets | | | |
| I. Inventories | 110,438.10 | 110,438.10 | 80,435.10 |
| II. Trade receivables | 14,181,967.96 | 15,207,434.58 | 13,831,108.56 |
| III. Other receivables and current assets | 1,133,828.31 | 1,268,610.02 | 3,035,359.99 |
| IV. Other non-financial assets | 339,199.98 | 647,088.72 | 650,721.67 |
| V. Actual income tax claims | 8,397.67 | 0.00 | 0.00 |
| VI. Funds | 6,102,618.82 | 5,876,015.99 | 4,720,469.49 |
| **Total current assets** | **21,876,450.84** | **23,109,587.41** | **22,318,094.81** |
| **Total assets** | **45,996,869.74** | **47,095,209.64** | **45,733,885.61** |

# Consolidated balance sheet

as of 30 June 2014 (unaudited)

| Liabilities Amounts in € | 12/31/2013 | 03/31/2014 | 06/30/2014 |
|---|---|---|---|
| A. Equity capital | | | |
| I. Subscribed capital | 3,600,000.00 | 3,600,000.00 | 3,510,000.00 |
| II. Capital reserves | 1,443,254.38 | 1,443,254.38 | 1,443,254.38 |
| III. Other reserves | 13,701,897.65 | 13,954,698.66 | 13,504,718.64 |
| Total shareholders' equity | 18,745,152.03 | 18,997,953.04 | 18,457,973.02 |
| IV. Shares of non-controlling shareholders | 2,006,444.80 | 2,169,108.34 | 2,321,187.82 |
| **Total equity capital** | **20,751,596.84** | **21,167,061.38** | **20,779,160.84** |
| B. Non-current liabilities | | | |
| I. Deferred income tax | 889,883.42 | 874,636.65 | 837,709.69 |
| II. Non-current loans | 6,488,750.00 | 6,212,500.00 | 5,936,250.00 |
| **Total non-current liabilities** | **7,378,633.42** | **7,087,136.65** | **6,773,959.69** |
| C. Current liabilities | | | |
| I. Actual income tax | 566,269.92 | 680,288.69 | 704,530.92 |
| II. Financial debts | 942,500.00 | 1,105,000.00 | 1,105,000.00 |
| III. Accounts payable | 12,872,615.08 | 14,037,875.48 | 12,429,921.75 |
| IV. Liabilities to associated companies | 34,460.90 | 33,473.79 | 518,686.26 |
| V. Other financial liabilities | 1,733,764.43 | 1,268,428.48 | 1,719,867.89 |
| VI. Other non-financial liabilities | 1,717,029.16 | 1,715,945.17 | 1,702,758.27 |
| **Total current liabilities** | **17,866,639.49** | **18,841,011.61** | **18,180,765.09** |
| **Total liabilities** | **45,996,869.74** | **47,095,209.64** | **45,733,885.62** |

# Consolidated statement of comprehensive income

for the second quarter 2014 and for the first half year 2014 (unaudited)

| Amounts in € | 1st half year 2013 | 1st half year 2014 | 2nd quarter 2013 | 2nd quarter 2014 |
|---|---|---|---|---|
| **1. Sales revenue** | **43,797,635.14** | **50,175,470.90** | **22,322,831.65** | **24,006,134.52** |
| 2. Other revenues or gains | 332,006.92 | 2,394,863.27 | 152,478.71 | 2,210,358.25 |
| 3. Other company-manufactured items capitalised | 16,697.79 | 0.00 | 16,697.79 | 0.00 |
| **4. Total operating performance** | **44,146,339.85** | **52,570,334.17** | **22,492,008.15** | **26,216,492.77** |
| 5. Cost of materials Expenses for services purchased | –30,779,022.12 | –37,391,880.63 | –15,787,816.78 | –17,840,660.21 |
| 6. Personnel costs | | | | |
| 6.1 Wages and salaries | –4,417,115.05 | –5,511,546.22 | –2,241,556.08 | –3,093,389.42 |
| 6.2 Social contributions and expenses for pensions and benefits | –694,572.04 | –780,718.38 | –350,046.85 | –399,023.83 |
| 7. Scheduled depreciations | –1,600,383.28 | –1,988,881.37 | –820,941.36 | –995,849.95 |
| 8. Unscheduled depreciations | 0.00 | –243,520.29 | 0.00 | –243,520.29 |
| 9. Other expenses or losses | –4,958,452.53 | –5,318,935.18 | –2,480,670.61 | –2,989,782.39 |
| **10. Operating result (EBIT)** | **1,696,794.83** | **1,334,852.10** | **810,976.47** | **654,266.68** |
| **11. Financial result** | **–1,340.19** | **–130,308.88** | **–44,291.89** | **–45,498.86** |
| **12. Earnings from financial assets valued based on the equity method** | **0.00** | **109,950.64** | **0.00** | **109,950.64** |
| **13. Earnings from normal business activities before income tax** | **1,695,454.64** | **1,314,493.86** | **766,684.58** | **718,718.46** |
| 14. Taxes from income and revenue | –610,608.96 | –503,471.07 | –233,382.26 | –323,160.22 |
| **15. Consolidated profit (= income and earnings) from continuing business segments** | **1,084,845.68** | **811,022.79** | **533,302.32** | **395,558.24** |
| 16. Profit share of non-controlling shareholders | –214,027.59 | –314,743.02 | –127,147.87 | –152,079.48 |
| **17. Consolidated profit to be allocated to shareholders of ecotel communication ag** | **870,818.09** | **496,279.77** | **406,154.45** | **243,478.76** |
| Undiluted earnings per share | 0.24 | 0.14 | 0.11 | 0.07 |
| Diluted earnings per share | 0.24 | 0.14 | 0.11 | 0.07 |

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

# Consolidated cash flow statement

for the second quarter 2014 and for the first half year 2014 (unaudited)

| Amounts in € | 1st half year 2013 | 1st half year 2014 | 2nd quarter 2013 | 2nd quarter 2014 |
|---|---|---|---|---|
| Annual consolidated profit before income tax and before profit share of non-controlling shareholders | 1,695,454.64 | 1,314,493.86 | 766,684.58 | 718,718.46 |
| Net interest income | 56,332.89 | 80,608.84 | 27,669.65 | 21,548.91 |
| Depreciations (+)/appreciations (–) on fixed assets | 1,600,383.28 | 2,232,401.66 | 820,941.36 | 1,239,370.24 |
| Earnings from companies accounted for based on the equity method | 0.00 | –109,950.64 | 0.00 | –109,950.64 |
| **Cash flow** | **3,352,170.81** | **3,517,553.72** | **1,615,295.59** | **1,869,686.97** |
| Profit (–)/loss (+) from retirements of intangible assets | –1,880.66 | –8,600.00 | –1,480.66 | –8,600.00 |
| Increase (–)/decrease (+) in the accounts receivable | 166,037.04 | 297,029.08 | 596,068.86 | 1,322,555.87 |
| Increase (–)/decrease (+) in receivables and other assets | –30,231.53 | –2,129,220.05 | 994,412.14 | –1,686,609.77 |
| Increase (+)/decrease (–) in the accounts payable | –890,542.39 | –442,693.32 | 377,301.56 | –1,607,953.73 |
| Increase (+)/decrease (–) in liabilities (without financial debts) | 1,314,783.00 | 669,202.83 | –346,799.71 | 1,136,609.88 |
| Paid income tax | –219,791.41 | –516,514.14 | –90,756.14 | –443,372.95 |
| **Inflow of funds from ongoing business activities** | **3,690,544.86** | **1,386,758.12** | **3,144,041.64** | **582,316.27** |
| Inpayments from retirements of intangible assets | 2,013.08 | 8,600.00 | 1,613.08 | 8,600.00 |
| Payments for investments in tangible and intangible assets | –5,518,880.48 | –1,278,844.12 | –3,238,696.56 | –420,609.37 |
| Interest paid in | 3,226.91 | 800.55 | 3,160.46 | 798.10 |
| **Outflow of funds from investment activities** | **–5,513,640.49** | **–1,269,443.57** | **–3,233,923.02** | **–411,211.27** |
| Buyback of shares | –469,666.10 | –783,458.80 | –469,666.10 | –783,458.80 |
| Payments to non-controlling shareholders | –112,831.00 | –208,022.11 | –112,831.00 | –208,022.11 |
| Inpayments from taking out financing loans | 2,600,000.00 | 0.00 | 0.00 | 0.00 |
| Payments for repayment of financing loans | –1,256,742.64 | –390,000.00 | –584,252.73 | –276,250.00 |
| Interest paid out | –135,458.51 | –117,982.97 | –67,200.73 | –58,920.59 |
| **Outflow of funds from financial activities** | **625,301.75** | **–1,499,463.88** | **–1,233,950.56** | **–1,326,651.50** |
| **Change in funds balance affecting the balance sheet** | **–1,197,793.88** | **–1,382,149.33** | **–1,323,831.94** | **–1,155,546.50** |
| **Funds balance at start of period** | **7,533,432.71** | **6,102,618.82** | **7,659,470.77** | **5,876,015.99** |
| **Funds balance at end of period** | **6,335,638.83** | **4,720,469.49** | **6,335,638.83** | **4,720,469.49** |

The funds balance is calculated from the funds reported in the consolidated balance sheet.

# Development of the consolidated equity capital

as of 30 June 2014 (unaudited)

| Amounts in € thousand | Subscribed capital | Capital reserves | Retained earnings: Other retained earnings | Retained earnings: Consolidated profit | Equity capital to be allocated to shareholders of ecotel communication ag | Shares of non-controlling shareholders | Total |
|---|---|---|---|---|---|---|---|
| **As per 1 January 2013** | **3,685** | **1,443** | **15,056** | **–2,595** | **17,589** | **1,734** | **19,323** |
| Reposting of previous year's earnings | 0 | 0 | –2,595 | 2,595 | 0 | 0 | 0 |
| Consolidated profit for 1st quarter 2013 | 0 | 0 | 0 | 465 | 465 | 86 | 551 |
| **As per 31 March 2013** | **3,685** | **1,443** | **12,461** | **465** | **18,054** | **1,820** | **19,874** |
| Buyback of treasury shares | –85 | 0 | –385 | 0 | –470 | 0 | –470 |
| Consolidated profit for 2nd quarter 2013 | 0 | 0 | 0 | 406 | 406 | 128 | 534 |
| **As per 30 June 2013** | **3,600** | **1,443** | **12,076** | **871** | **17,990** | **1,948** | **19,938** |
| **As per 1 January 2014** | **3,600** | **1,443** | **12,174** | **1,528** | **18,745** | **2,007** | **20,752** |
| Reposting of previous year's earnings | 0 | 0 | 1,528 | –1,528 | 0 | 0 | 0 |
| Consolidated profit for 1st quarter 2014 | 0 | 0 | 0 | 253 | 253 | 162 | 415 |
| **As per 31 March 2014** | **3,600** | **1,443** | **13,702** | **253** | **18,998** | **2,169** | **21,167** |
| Buyback of treasury shares | –90 | 0 | –693 | 0 | –783 | 0 | –783 |
| Consolidated profit for 2nd quarter 2014 | 0 | 0 | 0 | 243 | 243 | 152 | 395 |
| **As per 30 June 2014** | **3,510** | **1,443** | **13,009** | **496** | **18,458** | **2,321** | **20,779** |

# Consolidated notes as of 30 June 2014

## General information

The consolidated financial statements of ecotel communication ag as the reporting parent company were prepared as of 30 June 2014 in compliance with the regulations of IAS 34 and applying Section 315a of the German Commercial Code (HGB) in accordance with the rules in force on the closing date of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) taking into account the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) – as accepted by the EU. IFRS not yet in force or their interpretations have not been prematurely applied. The comparative figures of the previous period were determined based on the same principles.

The same accounting policies were used in the interim statement as in the consolidated financial statements for business year 2013.

At the time the consolidated financial statement was drawn up, as of 30 June 2014 the following new and changed standards and interpretations were adopted and put into effect by the European Union as European legislature. These standards are to be applied for the first time in this consolidated interim financial statement:

| Standard / Interpretation | First-time mandatory application in accordance with IASB | First-time mandatory application in the EU |
|---|---|---|
| Revision of IAS 27 »Separate Financial Statements« | 1 January 2013 | 1 January 2014 |
| Revision of IAS 28 »Investments in Associates and Joint Ventures« | 1 January 2013 | 1 January 2014 |
| Changes to IAS 32 »Financial Instruments: Presentation«: Offset of financial assets and debts | 1 January 2014 | 1 January 2014 |
| IAS 36 »Impairment of Assets«: Information on the recoverable amount for non-financial assets | 1 January 2014 | 1 January 2014 |
| IAS 39 »Financial Instruments – Recognition and Measurement«: Novations of derivatives and continuation of hedge accounting | 1 January 2014 | 1 January 2014 |
| IFRS 10 »Consolidated Financial Statements« | 1 January 2013 | 1 January 2014 |
| IFRS 11 »Joint Arrangements« | 1 January 2013 | 1 January 2014 |
| IFRS 12 »Disclosure of Interests in Other Entities« | 1 January 2013 | 1 January 2014 |
| Changes to IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities«: Transitional regulations | 1 January 2013 | 1 January 2014 |
| Changes to IFRS 10 »Consolidated Financial Statements« IFRS 12 »Disclosure of Interests in Other Entities« and IAS 27 »Separate Financial Statements«: Investment companies | 1 January 2014 | 1 January 2014 |

Insofar as the above-mentioned standards / interpretations are relevant for the consolidated financial statements of ecotel communication ag, a brief description of the content of these revisions or amendments, as well as a description of their effects on the consolidated financial statement of ecotel communication ag is provided below:

**IFRS 10** was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The new standard replaces the stipulations of the previous IAS 27 Consolidated and Separate Financial Statements for group accounting and the interpretation SIC-12 Consolidation – Specific Purpose Entities.

# Consolidated notes as of 30 June 2014

IFRS 10 establishes a standardised control concept, which is applied to all companies including the specific purpose entities. In June 2012 the revised transitional directives for IFRS 10-12 were published, which are supposed to facilitate the initial application of the new standards. As opposed to the previous regulations, the changes introduced with IFRS 10 require the exercise of discretion on the part of Management in assessing the question over which companies in the Group control is exercised and whether they are therefore to be included in the consolidated financial statement in the course of full consolidation. The application of these standards had no effects on the consolidated interim financial statement. The companies included in the consolidated group remain unchanged.

**IFRS 11** was published in May 2011 and must be applied in the financial year starting on or after 1 January 2014. The standard supersedes IAS 31 Interests in Joint Ventures and the interpretation SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 rescinds, for example, the previous option for application of proportional consolidation for joint ventures. In the future, these companies will be included in the consolidated financial statement only at equity. There were no changes as a result of the first application of the new standard, since the Group in the past did not include any company in the consolidated interim financial report within the framework of proportional consolidation.

**IFRS 12** was published in May 2011 and must be applied in the financial year starting on or after 1 January 2014. The standard regulates the disclosure requirements for the area of consolidated accounting and consolidates the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled and associated companies, previously in IAS 31 and IAS 28, as well as for structured companies. The application of the new standard resulted in no significant additional information in the Notes.

The revised standard **IAS 28** was published in May 2011 and must be applied in the financial year starting on or after 1 January 2014. With the approval of IFRS 11 and IFRS 12 the applicability of IAS 28 – in addition to the associated companies – is also extended to the application of the equity method to joint ventures. With respect to the effects, we refer to our comments on IFRS 11 – Joint Arrangements.

The change to **IAS 32** was published in December 2011 and must be applied in the financial year starting on or after 1 January 2014. The change is also expected to eliminate existing inconsistencies concerning a supplement to the application guidelines. The existing fundamental regulations for balancing financial instruments, however, will be retained. The change also defines supplementary information. For lack of circumstances the change had no effects on the accounting methods applied by the Group.

The change to **IAS 36** was published in May 2013 and must be applied in the financial year starting on or after 1 January 2014. With IFRS 13 a subsequent change to IAS 36 introduced the obligation to disclose the recoverable amount of each cash generating unit or group of cash generating units, to which a substantial goodwill or substantial intangible asset with an unlimited useful life is allocated. With this, however, the new requirement was formulated more broadly than intended by IASB. With the amendment published in May 2013 the disclosure requirement is now limited corresponding to the original intention of IASB to cases in which a decrease or an increase in value was registered in the current reporting period. In addition, disclosure requirements are standardised for the case that a decrease in value or an increase in value was registered with respect to a single asset or a cash generating unit and the recoverable amount was determined based on the fair value less costs of sale.

# Consolidated notes as of 30 June 2014

The changes must be applied retroactively for financial years that start on or after 1 January 2014. Since the Group determines the recoverable amount on the basis of the value in use, no extended disclosures are necessary.

In June 2013 IASB published changes to **IAS 39.** As a result of the changes, if a contracting party to a hedging instrument switches to a central counter-party due to legal or regulatory requirements, under certain circumstances this will not terminate the hedge. The changes must be applied retroactively for financial years that start on or after 1 January 2014. This revision had no effects on the presentation of the Group's assets, finance and earnings situation.

The changes to **IFRS 10** – Consolidated Financial Statements, **IFRS 12** – Disclosures of Interests in Other Entities: Transitional Guidelines and **IAS 27** – Separate Financial Statements: Investment Entities and the revision of **IAS 27** – Separate Financial Statements which are all to be first applied in the financial year starting on or after 1 January 2014, have no effects on the presentation of the assets, finance and earnings situation of the Group.

In May 2013 the IASB published **IFRIC 21** – Levies, which was adopted by the EU in June 2014. This must be applied to financial statements for business years starting on or after 17 June 2014, for ecotel therefore effective 1 January 2015. For lack of circumstances these new IAS 21 regulations have no relevance for ecotel communication ag.

The internal organisational and management structure and the internal reporting to the Management Board and the Supervisory Board form the basis for defining the criteria for classification of the segments of ecotel communication ag.

**Segments**

The classification of segments is based on the internal reporting by business segments, which are defined as follows:

- In the **Business Solutions** segment (operative core segment) ecotel offers SMEs and specific key accounts "bundled" voice, data, Internet and mobile communications from a single source.
- In the **Wholesale Solutions** segment ecotel markets preliminary service products to other telecommunications companies. In addition to the international wholesale voice activities of ecotel, mvneco GmbH is also included in this segment.
- The **New Business** sector comprises the subsidiaries easybell GmbH, with its private customer business and nacamar GmbH, with its New Media business.

# Consolidated notes as of 30 June 2014

The following segment description applies for the period of the first **half year:**

| Amounts in € thousand | Business Solutions 2013 1st half year | Business Solutions 2014 1st half year | Wholesale 2013 1st half year | Wholesale 2014 1st half year | New Business 2013 1st half year | New Business 2014 1st half year | Group 2013 1st half year | Group 2014 1st half year |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 20,866 | 20,938 | 16,145 | 21,327 | 6,787 | 7,910 | 43,797.6 | 50,176 |
| Gross earnings | 10,288 | 9,860 | 303 | 298 | 2,428 | 2,625 | 13,018.6 | 12,784 |
| Operating result (EBIT) | 1,237 | 844 | 27 | 33 | 433 | 459 | 1,696.8 | 1,335 |

The following segment description applies for the period of the second **quarter:**

| Amounts in € thousand | Business Solutions 2013 2nd quarter | Business Solutions 2014 2nd quarter | Wholesale 2013 2nd quarter | Wholesale 2014 2nd quarter | New Business 2013 2nd quarter | New Business 2014 2nd quarter | Group 2013 2nd quarter | Group 2014 2nd quarter |
|---|---|---|---|---|---|---|---|---|
| Sales revenue | 10,368 | 10,203 | 8,384 | 9,783 | 3,571 | 4,020 | 22,323 | 24,006 |
| Gross earnings | 5,124 | 4.670 | 145 | 151 | 1,266 | 1,345 | 6,535 | 6,166 |
| Operating result (EBIT) | 536 | 414 | 12 | 19 | 264 | 221 | 811 | 654 |

**Consolidated companies and acquisitions**

The consolidated companies of the ecotel consolidated financial statements as of 30 June 2014 have changed since 31 December 2013 as follows:

In the first half year 2014 ecotel private GmbH merged with ecotel communication ag. The shares in easybell GmbH previously held by ecotel private GmbH were transferred to ecotel communication ag as a result of the merger. This merger has no effect on the reporting of the assets, finance and earnings situation in the group financial statement.

As of 30 June 2014 a negative equity value of € –488 thousand remains due to the proportional cumulative negative earnings of mvneco GmbH; this negative amount is disregarded. This entire amount is reported as affecting net income in the consolidated financial statements as an adjustment of the loan of ecotel communication ag to mvneco GmbH.

Due to the prorated positive result of synergyPLUS GmbH, also measured at equity, as of 30 June 2014 there now exists an applicable positive equity value of € 156 thousand.

| | 1st half year 2013 | 1st half year 2014 | 2nd quarter 2013 | 2nd quarter 2014 |
|---|---|---|---|---|
| Taxes from income and revenue – effective | –394,184.71 | –663,172.80 | –185,718.62 | –467,615.19 |
| Taxes from income and revenue – deferred | –216,424.25 | 159,701.73 | –47,663.64 | 144,454.98 |
| **Taxes from income and revenue (in €)** | **–610,608.96** | **–503,471.07** | **–233,382.26** | **–323,160.21** |

# Consolidated notes as of 30 June 2014

## Buyback of shares and earnings per share

The Management Board of ecotel communication ag decided on 31 March 2014 to repurchase up to 90,000 treasury shares of ecotel communication ag between 31 March 2014 and 30 June 2014. As of 28 May 2014 ecotel communication ag bought back 90,000 of the company's own shares at a purchase price of € 783 thousand. By a resolution of ecotel communication ag of 28 May 2014 and an entry in the trade register of 27 June 2014 the capital stock was reduced by € 390 thousand to € 3,510 thousand through the call-in of 390,000 treasury shares.

The undiluted earnings per share are calculated in accordance with IAS 33 as the quotient of the consolidated profit for the year to which the shareholders of ecotel communication ag are entitled and the weighted average number of bearer non par value shares in circulation during the reporting period.

A dilution of the earnings per share occurs if the average number of shares is increased due to the additional issue of potential shares from options and convertible financial instruments. As of 30 June 2014, there were no share options, so that the undiluted and diluted earnings per share are identical.

| | 1st half year 2013 | 1st half year 2014 | 2nd quarter 2013 | 2nd quarter 2014 |
|---|---|---|---|---|
| Accrued consolidated profit for the year (in €) | **870,818.09** | **496,279.77** | **406,154.45** | **243,478.76** |
| Weighted average number of shares | 3,669,111 | 3,573,591 | 3,653,302 | 3,547,473 |
| **Undiluted/diluted earnings per share (in €)** | **0.24** | **0.14** | **0.11** | **0.07** |

## Other information

In the second quarter 2014 – as in the first half year 2014 overall – no significant transactions were conducted with related parties.

Düsseldorf, 14 August 2014

The Management Board

# Statement of the legal representatives in accordance with § 37y WpHG in connection with §37w, para. 2, no. 3 WpHG

We assure to the best of our knowledge that in accordance with the accounting principles applied, the consolidated interim financial report reflects a true and fair view of the group's net worth, financial position and earnings and performance and that the consolidated interim financial report depicts the business trend, including the group's profit and financial position in a manner corresponding to the actual circumstances, as well as describing the essential opportunities and risks of the expected development of the group.

Düsseldorf, 14 August 2014

ecotel communication ag

The Management Board

Peter Zils    Johannes Borgmann    Bernhard Seidl    Achim Theis

# Financial calendar

15 November 2014 Publication of Quarterly Report Q3 / 2014

# Contact

Annette Drescher
Phone: +49 211-55 007-740
Fax: +49 211-55 007 5 740
E-mail: investorrelations@ecotel.de

# Imprint

Published by
ecotel communication ag
Prinzenallee 11
D – 40549 Düsseldorf

# Disclaimer

Exclusion of liability:

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

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

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

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