2023
Annual Report

ecotel
cloud & fiber

Promising quality is not enough.
At ecotel, we guarantee it.

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COMPANY PROFILE

As a quality provider of IT and telecommunications solutions exclusively for business customers, ecotel is firmly established on the German market as an innovative partner. With a focus on **»Cloud & Fiber«**, we support mid-market and major customers as they work to implement the digital transformation – through modern data networks, innovative cloud solutions and broadband connectivity.

Our products and solutions are **»made in Germany«** and are operated on the basis of ecotel's own geo-redundant data centres. These include highly available telephony solutions (SIP, Cloud-PBX), high-performance data connections (DSL, ethernet, mobile, micro-wave transmission and satellite) and **secure company networking** using SD-WAN or MPLS technology. Thanks to our unique multi-carrier approach (network interconnections with local and national fibre optic carriers, including Deutsche Telekom), we have access to over 1 million kilometres of fibre optic cables in Germany, more than any German carrier.

For more than a quarter of a century, together with our partners we have put customer satisfaction at the heart of what we do every day and are dedicated to addressing their concerns, both large and small. We do this on the basis of **extensive expertise** and personal enthusiasm and are motivated by our goal of achieving the best results time and time again.

Our strength is our ability to develop **customised solutions** for complex requirements, even if there is a sudden change in the external environment. Scalable products and modular components round off our broad portfolio.

Because promising **quality** is not enough – at ecotel, we guarantee it.

INNOVATIVE
SCALABLE
SERVICE-ORIENTED
RELIABLE

FOREWORD BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We are pleased to present our annual report for 2023. The end of the financial year always involves looking back, and overall we are very satisfied with the 2023 financial year. On the whole, we met or even exceeded our forecasts. With the integration of the nacamar segment into the joint venture UPLINK Digital GmbH in April 2023, we successfully continued the plans we announced in 2022 to focus on our core segments. Our investment in the future growth of our core business has paid off and begun to bear fruit, allowing us to look to the future from a stronger position.

Overall, we increased **consolidated sales** to EUR 106.3 million (+14%), gross profit to EUR 32.1 million (+6%) and **operating EBITDA** to EUR 9.0 million (+2%).

This enabled us to achieve a **consolidated net profit** of EUR 7.4 million (previous year: EUR 70.2 million). Adjusted **EPS** came to EUR 0.94 per share (previous year: EUR 1.39 per share).

At last year's Annual General Meeting, you, the shareholders, resolved to pay a dividend of EUR 66.1 million, which reduced the **net financial assets** to EUR 3.7 million (previous year: EUR 66.9 million). The **equity ratio** also fell to around 50% (previous year: around 75%) as a result. However, we remain entirely self-financed and free of external financial debts.

We have decided, together with the Supervisory Board, to propose the distribution of a dividend of EUR 0.47 per share (50% of adjusted EPS) to our valued shareholders, ensuring that we keep our promise to you.

» *Our transformation into the leading quality telecommunications provider in the German business customer market is paying off. I'm delighted at the great response we have had from the market and, of course, the trust that more and more well-known customers are showing in us as a provider. Our consistent focus on our target customers' needs ensures we keep our finger on the pulse and helps us to place ecotel successfully on the market. That is only possible thanks to the dedication of our employees, who go above and beyond even in challenging times and help us to achieve our ambitious growth targets.*

Markus Hendrich
Chairman of the Management Board

Let's take a look at the individual segments:

ecotel Business Customers:
The focus on **»Cloud«** and **»Fiber«** is having an impact. Sales in the ecotel Business Customers segment grew to EUR 46.2 million in the 2023 financial year (previous year: EUR 45.6 million), the first noticeable increase after years of transformation-related falls. In the second half of the year in particular, the investment we made as planned in 2023 in the growth markets **»Cloud«** and **»Fiber«** began to reap significant rewards in terms of sales, leading to a year-on-year rise in the number of orders in both these areas.

Operating EBITDA for the segment came to EUR 7.8 million (previous year: EUR 8.3 million). The above-mentioned investment in the growth strategy led to this temporary drop.

EBITDA (operating EBITDA) was adjusted for extraordinary income from the transfer of right-of-use assets to online resources of EUR 3.9 million (previous year: EUR 14.9 million), expenses for non-cash measurement effects of EUR 0.1 million and non-recurring expenses for reorganisation measures in the amount of EUR 0.4 million. Reported EBITDA thus came to EUR 11.2 million (previous year: EUR 22.8 million).

ecotel Wholesale:
Sales in the ecotel Wholesale segment recorded a significant increase of EUR 13.6 million to EUR 60.2 million in the 2023 financial year. This change is mainly due to two effects. Sales with the former easybell segment are no longer consolidated outside the Group following the disposal in 2022, and instead are reported as external sales in the ecotel Wholesale segment (effect: +EUR 6.4 million). In addition, business with cross-network trading in telephone minutes (Wholesale) grew in the 2023 financial year (effect: +EUR 6.1 million), and we successfully expanded our marketing of data lines for national and international carriers (effect: +EUR 0.8 million).

These increases in sales led to a rise of EUR 0.7 million in gross profit to EUR 1.9 million. Operating expenses remained almost unchanged year on year, meaning that the substantial rise in gross profit was reflected directly in **operating EBITDA**, which grew by EUR 0.6 million to EUR 1.2 million.

» *We would also like to thank our business partners and, above all, our sales partners and customers. We are pleased to be making good progress with our realignment and to have established a new awareness, including among major customers, relatively quickly. The conclusion of contracts with two well-known companies in this interesting target group within a very short time confirms that we are on the right path and spurs us on to expand our project business further. With our scalable infrastructure and expertise, we will be delighted to serve complex requirements for major customers. We would also like to thank you, our valued shareholders, for your loyalty and trust in us and in ecotel.*

Achim Theis
Member of the Management Board

A look ahead:
In December 2023 we received the largest individual contract in the history of the company. We then won another major large-volume contract at the end of January 2024, having laid the foundations for it in 2023. These two contracts, which have a combined TCV (total contract value) of over EUR 20 million, will be implemented gradually in 2024. Rising, recurring sales will initially be offset here against initial expenses for investment in hardware and licences, as well as for the transformation and provision of services. Following a start-up phase in 2024, these two contracts will then be fully reflected in sales and income from 2025 onwards and, in combination with our planned sales performance, will have the potential to generate double-digit sales growth in the following years.

We also reorganised our sales approach and structure in the area of »Cloud« in the 2023 financial year. As a result, we now anticipate significant growth in cloud-phone seats here and have appointed excellent staff in both growth areas, **»Cloud«** and **»Fiber«**, who can help ensure lasting growth.

The Wholesale segment is growing very successfully in the area of data in particular and is contributing more and more to overall income. ectoel generally provides high-quality data lines here, in collaboration with partners, for major international customers with branch offices in Germany. Here, too, we are on the verge of signing contracts with several interesting customers.

In view of the very good opportunities on the market and the successful positioning of our product range, we expect to be able to achieve annual sales growth of 10% or more in the Business Customers segment.

We predict that consolidated sales for 2024 will be within the range of EUR 108 million to EUR 112 million. This is based on the assumption that the Business Customers segment will grow significantly and generate sales of between EUR 48 million and EUR 52 million, while sales in the Wholesale segment will be between EUR 50 million and EUR 60 million.

We expect operating EBITDA to increase slightly to between EUR 9 million and EUR 10 million, while consolidated net profit is expected to surpass EUR 2 million.

We anticipate significant sales growth in the ecotel Business Customers segment in 2025 and 2026, as our investment in sales and measures to support sales is continuing to have a positive impact on incoming orders and the above-mentioned large projects will by then be expected to be fully reflected in sales. In detail, we believe that ongoing sales growth of around 10% per year in the ecotel Business Customers segment is achievable. Operating EBITDA is expected to increase significantly to as much as EUR 15 million in 2025 and 2026, due to the effects outlined above.

We look forward to the 2024 financial year.

Düsseldorf, 8 March 2024

Markus Hendrich
Chairman of the Management Board

Achim Theis
Member of the Management Board

MANAGEMENT BOARD

MARKUS HENDRICH
Chairman of the Management Board (CEO)

ACHIM THEIS
Member of the Management Board (CCO)

AUTHORISED SIGNATORIES

SABRINA BUBLITZ
CPO

OLIVER JANSEN
CBO

HOLGER HOMMES
CFO

ALEXANDER WIESE
CTO

SUPERVISORY BOARD

UWE NICKL
Chairman of the Supervisory Board

Uwe Nickl (born in 1969) has been a member of the Supervisory Board of ecotel communication ag since July 2021 and has been its Chairman since September 2022. Uwe Nickl is an independent business consultant. After studying business administration, he worked at management level in various companies in the telecommunications industry. His last position, from 2016 to 2021, was as CEO of the Deutsche Glasfaser Group, where he oversaw its development into the strongest FTTH supplier in Germany.

PETER ZILS
Deputy Chairman of the Supervisory Board

Peter Zils (Deputy Chairman of the Supervisory Board) (born in 1963) is the founder and for a long time was the CEO of ecotel communication ag in Düsseldorf. He has been Deputy Chairman of the Supervisory Board since April 2023. Peter Zils graduated from Bochum University of Applied Sciences in communications engineering. He founded ecotel communication GmbH in 1998 and acted as its CEO until September 2021. The handover to the next generation began when Markus Hendrich joined the company, with Peter Zils remaining involved in operations as Deputy CEO until April 2023. Since February 2015 he has been on the Executive Committee of the VATM, where he campaigns for better competitive conditions in the telecommunications industry, with a focus on the business customer market.

MIRKO MACH
Member of the Supervisory Board

Mirko Mach (born in 1976) has been a member of the Supervisory Board of ecotel communication ag since July 2007. In 1995, Mirko Mach founded MPC Service GmbH together with Ferdinand Ruppert, establishing the telecommunications consultancy company during his mechanical engineering studies. As a managing partner, Mirko Mach is currently responsible for commercial management, sales management and online marketing.

ALFRIED BÜHRDEL
Member of the Supervisory Board

Alfried Bührdel (born in 1962) has been a member of the Supervisory Board of ecotel communication ag since July 2021. He is self-employed as a supervisory and advisory board member and business angel. After studying business administration, Alfried Bührdel worked in management positions at various companies for many years. His last two positions were as CFO for the Tengelmann Group and from 1998 to 2014 as CFO and Deputy Chairman of the Ströer AG Management Board, where he was involved in developing the company into a leading European media provider.

BRIGITTE HOLZER
Member of the Supervisory Board

Brigitte Holzer (born in 1961) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Since February 2022, she has been CFO for the holding company Going Beyond GmbH and for the LIGANOVA Group, in which it holds an interest. After studying business administration, Brigitte Holzer was responsible for finance at various companies; in her last positions, Ms Holzer was CFO for the PPRO Group from 2012 to 2018, working particularly for the PPRO Financial Ltd. subsidiary regulated by FCA UK and CSSF Luxembourg, and in 2019 and 2020 as Vice President Finance for the Solera Holdings Inc. companies in the DACH region and in 2021 as CFO for eClear AG.

DR THORSTEN REINHARD
Member of the Supervisory Board

Dr Thorsten Reinhard (born in 1970) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Dr Reinhard has been a lawyer at Noerr Partnerschaftsgesellschaft mbB (formerly Nörr Stiefenhofer Lutz and Noerr LLP) since 2005, initially in Berlin and then since 2009 in Frankfurt am Main. He has been a partner there since 2007.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of ecotel communication ag (»ecotel« or »the company«) regularly monitored the Management Board's work and supported it with advice in the 2023 financial year. This was based on detailed written and verbal reports by the Management Board. In addition, the Chairman of the Supervisory Board regularly exchanged information and ideas with the Chairman of the Management Board.

The Supervisory Board and Management Board of ecotel met a total of eight times in the year under review, on 23 January, 16 February, 7 March, 14 April, 21 April, 21 July, 5 October and 4 December 2023. The meetings in March and on 21 April and 21 July 2023 were held in person, while the other meetings were held as video conferences or conference calls or as hybrid meetings. In addition, two resolutions were adopted by way of circulation.

At the meetings, the Management Board of ecotel regularly informed the Supervisory Board about fundamental issues relating to corporate planning, the company's profitability, the course of business and the company's position and discussed these issues together with the Supervisory Board. The Supervisory Board was also involved in important decisions and particularly examined and approved measures by the Management Board that required its approval in accordance with the rules of procedure for the Management Board.

1. Focus of Supervisory Board discussions

At all its meetings in 2023, the Supervisory Board was informed in detail about the course of business and the company's position. Focus areas included the development of the Business Customers segment, major supplier agreements and customer projects. In addition, the Supervisory Board supported the Management Board with strategic issues arising from changes in the telecommunications market, for example with regard to the company's strategic direction with a focus on marketing »Cloud & Fiber solutions«.

The Supervisory Board also repeatedly examined the efficiency of its work.

The Supervisory Board discussed the Management Board's regular risk reports with the Management Board and made its own suggestions with regard to risk management. It satisfied itself that the Management Board gives the necessary attention to risk monitoring, comprehensibly prioritises the risks it identifies and takes appropriate measures to reduce them.

In addition to the regular reports, the following important issues were the subject of the Supervisory Board meetings:

23 January 2023: resolution on the 2023 budget and preparation of capital market outlook; resolution on the integration of the subsidiary nacamar GmbH into UPLINK Digital GmbH, a joint venture with UPLINK Network GmbH and Radio 5.0 GmbH

16 February 2023: resolution on the proposed dividend for 2023

7 March 2023: auditor's report on the performance and results of the audit of the annual and consolidated financial statements for 2022, adoption of the annual financial statements of ecotel communication ag and approval of the consolidated financial statements of ecotel communication ag for the 2022 financial year, resolution on appropriation of profits; resolution on the change of remuneration system for the Management Board; resolution on the Annual General Meeting

14 April 2023: resolution on the stock options for Peter Zils

21 April 2023: resolution on the targets agreed for the Management Board for the 2023 financial year; resolution on the new version of the rules of procedure for the Management Board; resolution on the renewal of the rental agreement for the site in Düsseldorf

21 April 2023: resolutions on the election of the Deputy Chairman of the Supervisory Board and the re-election of committees

21 July 2023: discussion of succession planning for the second level of management; report on a penetration test of the IT infrastructure

5 October 2023: resolution on the establishment of ecotel-Beteiligungs GmbH; report on the affiliated company UPLINK Digital GmbH

4 December 2023: discussion of the 2024 budget and approval of the interim budget up to the end of February 2024; resolution on the adjustment to the rules of procedure for the Management Board

The Supervisory Board approved the investment framework for one major project by way of circulation in mid-December 2023.

2. Handling of conflicts of interest in the Supervisory Board

All members of the Supervisory Board are committed to the principle of basing their decisions solely on the business interests of ecotel. Any conflicts of interest or concerns regarding conflicts of interest that arose in Supervisory Board discussions or resolutions were handled in the Supervisory Board. In each case, the Supervisory Board member in question did not take part in the discussion and abstained from voting on the resolution. By questioning the Management Board, the other Supervisory Board members also ascertained with sufficient certainty that its actions were not influenced by the (potential) conflict of interest of the Supervisory Board member in question. In the year under review, the above principles took effect in relation to the Supervisory Board resolution on the approval of contracts between ecotel and companies in which members of the Supervisory Board are involved. This related to Mirko Mach and Dr Thorsten Reinhard. In the case of Mirko Mach, this relates to services provided as sales partners by MPC Service GmbH and MPC Mobilservice GmbH. With Dr Reinhard, this concerned legal consultancy services provided by Noerr Partnergesellschaft mbB.

3. Annual and consolidated financial statements

The Management Board prepared the annual financial statements and management report of ecotel in accordance with the German Commercial Code and prepared the consolidated financial statements and Group Management Report in accordance with IFRS principles. The auditor for ecotel, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, elected by the Annual General Meeting on 21 April 2023, audited the annual financial statements, the consolidated financial statements, the management report and the Group Management Report. The auditor issued an unqualified audit opinion for both the annual financial statements and the consolidated financial statements.

As part of its audit, the auditor was required to carry out a review in accordance with section 317 (4) of the German Commercial Code (HGB) to assess whether the Management Board has set up an effective monitoring system that is capable of detecting developments that pose a risk to the company's continued existence at an early stage. The auditor confirmed that this was the case.

The auditor submitted the statement of independence required by the German Corporate Governance Code to the Supervisory Board and disclosed the auditing and consulting fees incurred in the respective financial year to the Supervisory Board.

The financial statement documents and the auditor's reports were available to all members of the Supervisory Board for review. Representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft took part in the Supervisory Board's deliberations on these documents and reported on the main findings of their audit.

The Supervisory Board and the Audit Committee formed from among its members thoroughly examined the annual financial statements, consolidated financial statements, management report, Group Management Report and the proposal for the appropriation of net profit submitted by the Management Board and discussed these with the auditor. In addition, the key audit matters were coordinated with the statutory auditor as preparation for the audit of the annual financial statements. The Supervisory Board acknowledged and approved the auditor's report on the findings of its audit.

Based on the final results of its review, the Supervisory Board did not raise any objections to the annual financial statements or the consolidated financial statements prepared by the Management Board for the 2023 financial year, but instead approved the annual financial statements and the consolidated financial statements by way of a resolution adopted on 12 March 2024. The annual financial statements of ecotel for the 2023 financial year were thus approved.

4. Corporate governance

With the following exception, all members attended all Supervisory Board meetings: Brigitte Holzer excused herself and did not attend the Supervisory Board meeting on 23 January 2023.

On 14 April 2023, the Supervisory Board convened without the Management Board.

In the 2023 financial year, the Management Board and the Supervisory Board issued a joint declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 4 December 2023. The declaration was made permanently available to the public on the company's website.

5. Changes in the Supervisory Board in the year under review

Dr Norbert Bensel stepped down from the Supervisory Board for age reasons on 21 April 2023. The Annual General Meeting elected Peter Zils to replace him on the Supervisory Board on the same day at the proposal of the Supervisory Board. The Supervisory Board also elected Peter Zils as its Deputy Chairman on 21 April 2023.

6. Changes in the Management Board in the year under review

Peter Zils left the Management Board with effect from 21 April 2023; his service contract as a member of the Management Board was terminated on the same date.

Mr Hendrich has since then been responsible for Strategy, Technology, Operations, Portfolio, Processes, Wholesale, Finance, Investor Relations and Regulation, as well as for central administrative functions. Achim Theis is the second member of the Management Board and continues to be responsible for Sales, Marketing and Key Account Management.

7. Committees

The Supervisory Board has formed a three-person Audit Committee that deals particularly with accounting, risk management and compliance issues. In the year under review, the Audit Committee held twelve meetings at which it particularly discussed the intrayear financial reports, the internal control system, the annual and consolidated financial statements for 2022, the preparation of the annual and consolidated financial statements for 2023 and consultations with the auditors. The Audit Committee held one in-person meeting and another eleven as video conferences. The Audit Committee comprises Alfried Bührdel (Chairman), Brigitte Holzer and Mirko Mach. This composition was confirmed with the re-election of the Audit Committee on 21 April 2023.

The Supervisory Board has also formed a three-person Nomination Committee that prepares nominations for the Annual General Meeting and also takes on the tasks of a Personnel Committee. This committee held three meetings in the 2023 financial year in the form of telephone or video conferences. All members of the Nomination Committee attended all meetings. Until 21 April 2023, the Nomination Committee consisted of Dr Thorsten Reinhard (Chairman), Dr Norbert Bensel and Uwe Nickl. Since 21 April 2023, it has consisted of Dr Thorsten Reinhard (Chairman), Peter Zils and Uwe Nickl.

The Supervisory Board would like to thank the members of the Management Board of ecotel and all employees of ecotel Group companies for their great commitment on behalf of the company and for their hard work in 2023. Special thanks are owed to Dr Norbert Bensel for his many years of dedication to the ecotel Group as a member of the company's Supervisory Board.

Düsseldorf, 12 March 2024

For the Supervisory Board

Uwe Nickl
Chairman of the Supervisory Board

KEY ACHIEVEMENTS IN THE 2023 FINANCIAL YEAR

EUR
106.3
MILLION IN SALES

EUR
9.0
MILLION IN OPERATING EBITDA

EUR 4.0 MILLION
FREE CASH FLOW

EUR
0.94
EARNINGS PER SHARE

KEY FIGURES AT A GLANCE

INCOME STATEMENT (IFRS)

		2021	2022	2023
Sales from continuing operations	**EUR million**	**68.7**	**92.1**	**106.3**
ecotel Business Customers	EUR million	46.3	45.6	46.2
ecotel Wholesale	EUR million	22.4	46.5	60.1
Gross profit from continuing operations	**EUR million**	**29.6**	**30.3**	**32.1**
ecotel Business Customers	EUR million	28.5	29.1	30.2
ecotel Wholesale	EUR million	1.1	1.2	1.9
EBITDA[1]	**EUR million**	**9.1**	**23.7**	**12.4**
Operating EBITDA[2]	**EUR million**	**9.1**	**8.8**	**9.0**
ecotel Business Customers	EUR million	8.6	8.3	7.8
ecotel Wholesale	EUR million	0.5	0.6	1.2
EBIT from continuing operations	**EUR million**	**3.1**	**17.9**	**7.7**
Consolidated net profit[3]	**EUR million**	**4.8**	**67.5**	**7.4**
of which from discontinued operations	EUR million	2.8	55.6	1.7
Number of shares as at 31 December (outstanding shares)	Number	3,510,000	3,510,000	3,510,000
Earnings per share[4]	**EUR**	**1.36**	**19.24**	**2.12**
Earnings per share[4] (adjusted for non-recurring effects)	**EUR**	**1.36**	**1.39**	**0.94**

OTHER KEY FIGURES

		2021	2022	2023
Cash and cash equivalents at beginning of period	EUR million	7.8	12.6	66.9
Cash flow from operating activities	EUR million	15.4	28.5	6.1
Cash flow from investing activities	EUR million	–4.9	44.0	–2.1
Cash flow from financing activities	EUR million	–5.6	–18.2	–67.2
Cash and cash equivalents as at 31 December	EUR million	12.6	66.9	3.7
Free cash flow[5]	**EUR million**	**10.5**	**72.5**	**4.0**
Total assets	EUR million	61.1	108.4	47.3
Equity	EUR million	29.1	82.2	23.7
in % of total assets	in %	47.6	75.9	50.1
Net financial assets[6]	**EUR million**	**9.6**	**66.9**	**3.7**

Differences in totals may occur due to rounding.

1 Earnings before depreciation, amortisation and impairment losses
2 For reconciliation see Group Management Report (result of operations, financial position and net asset position)
3 Corresponds to consolidated net income after deducting minority interests
4 Basic
5 Free cash flow = cash flow from operating activities + cash flow from investing activities
6 Loan payables less cash and cash equivalents

THE ECOTEL SHARE

The ecotel communication ag share (ecotel share) has been listed on the Frankfurt Stock Exchange since 2006 and in the Prime Standard since 2007. As at 31 December 2023, the share capital was unchanged at 3,510,000 shares. The company does not hold any treasury shares.

Share price performance in 2023

After a weak year for stock markets in 2022, they showed an improvement in 2023. All relevant indices around the world recorded significant increases, with both the DAX and the Dow Jones reaching new record highs in 2023. The flattening of inflation due to falling energy prices and a reduction in interest rate hikes by central banks had a very positive impact on share prices. The most important German stock market barometer, the DAX 40, gained 20.3% over the year, while the TECDAX added around 14.3% in the same period.

The ecotel share began 2023 at EUR 30.80. Its performance up to the Annual General Meeting was very positive, leading to a new all-time high of EUR 53.00. After the expected drop following payment of the dividend, the share price continued to decline, but by the end of the year had ended its downward trend and closed the year at EUR 17.25.

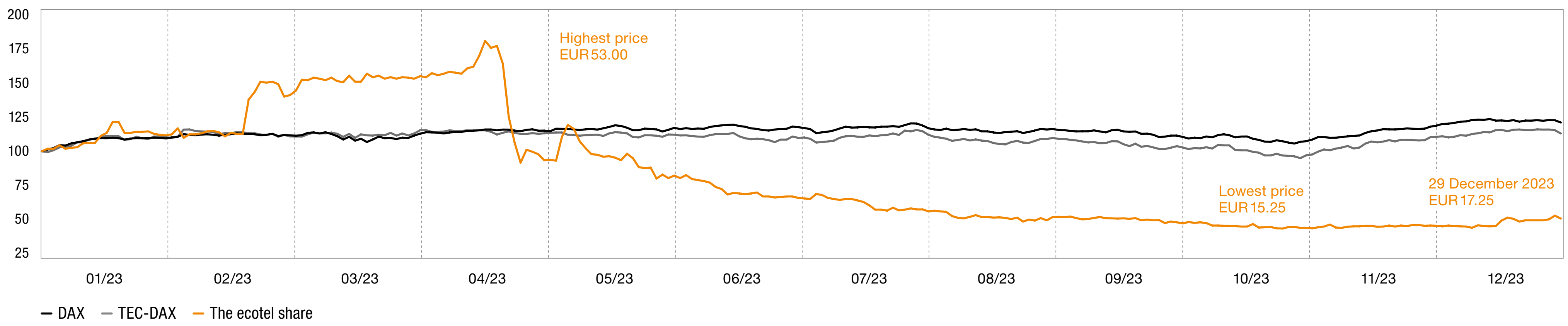
As at 31 December 2023, market capitalisation amounted to EUR 60.5 million (previous year: EUR 108.1 million). The average daily trading volume of the ecotel share in 2023 was 5,686 (previous year: 2,825) shares per day.

Investor relations

As in previous years, there was an intensive dialogue with investors, analysts and journalists in 2023. This particularly focused on the company's development, its strategic alignment and its very good business performance.

In addition to regular reporting, the Annual General Meeting and reports in selected specialist media, the company repeatedly sought contact with interested parties and spoke to analysts by participating in various investor and analyst events in 2023.

Price performance of the ecotel share in 2023 in percent



Key figures Average 2023

WKN	585434
ISIN	DE0005854343
Symbol	E4C
Market segment since 8 August 2007	Prime Standard
Index membership	CDAX, Prime All Share Technology All Share
Category	No-par-value shares
Date of first listing	29 March 2006
Number of shares as at 31 December 2023	3,510,000
Average daily volume in 2023	5,868
Highest price in 2023 (EUR)	53.00
Lowest price in 2023 (EUR)	15.25
Market capitalisation as at 31 December 2023 (EUR million)[1]	60.5
Designated sponsor	ICF BANK AG

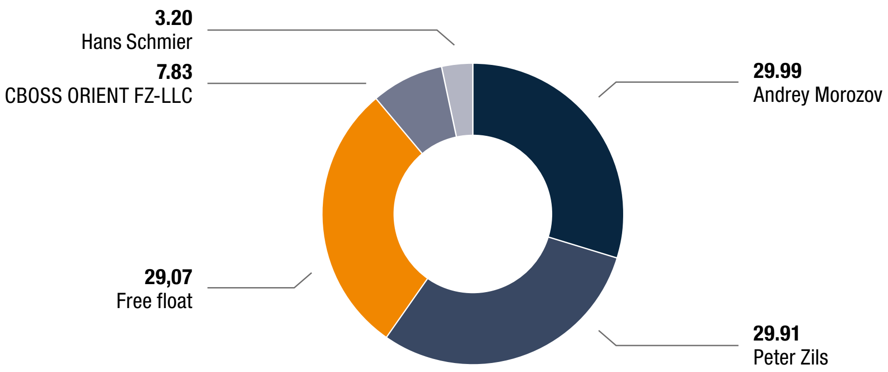
1 Based on the closing price of EUR 17.25 per share on 31 December 2023 with 3,510,000 shares outstanding

Current information on the company, such as quarterly reports, press releases and the financial calendar, can be viewed by investors and interested parties in the Investor Relations section of the company's website immediately after publication.

Shareholder structure

The shareholder structure at the end of the year was as follows: Peter Zils and Andrey Morozov each hold just under 30% of the shares. Approximately 11% is distributed across shareholders known to us on the basis of the relevant notifications (WpHG notifications). Free float is around 29% of the share capital.

Share ownership as at 31 December 2023 in percent



SUSTAINABILITY AT ECOTEL

DEAR READERS,

We are pleased to present our latest sustainability statement. At a time when the global challenges posed by climate change and environmental destruction are becoming ever more present, it is vital for companies and organisations to take responsibility and implement sustainable measures.

This short statement provides an initial insight into our efforts to bring about positive change and promote sustainable trade. We are proud of our current endeavours to use resources more efficiently, reduce our emissions and take on social responsibility, including through our new products. However, we are aware that the road to a sustainable future never ends – it is a continuous process that we are embarking on with commitment and transparency.

Together with our employees, customers and partners, we want to act as a role model for sustainability and to make a positive contribution to society and the environment. We strongly believe that a sustainable future is possible only through concerted action.

I would like to thank you sincerely for your interest in our sustainability statement and hope you find it an inspiring read.

Yours sustainably,

Markus Hendrich
Chairman of the Management Board (CEO)

SUSTAINABILITY STATEMENT

In this first voluntary sustainability statement within our annual report, we would like to provide an overview of our progress and of measures that we have taken in our efforts to become more sustainable. We will present the main focus areas that we identified in our materiality analysis. You can thus find out more about our efforts to reduce our environmental impact, promote social justice and create solutions that will ensure a sustainable future for the company.

In the rapidly changing external ESG landscape (environmental, social and corporate governance), we want to ensure that we focus on the most important and urgent issues and that we address them early enough and constantly improve and adapt our processes and programmes.

This statement outlines ecotel's first ESG focus areas and measures. These will be updated annually from now on. From the 2025 financial year onwards, we will ensure comparability of our targets, measures and key figures.

For the materiality analysis, we invited our stakeholders to complete an online questionnaire in order to identify the main ESG focus areas that are relevant to our business activities. The aim of the questionnaire is to ask stakeholders about their interests and views in the context of ESG issues. The results will have a direct impact on our ESG strategy and future reporting.

The questionnaires were evaluated based on the following criteria: ecotel's impact on the company's environment and relevance to ecotel's business risk. We have presented the key subject areas identified on this basis in the materiality matrix and have summarised our main focus areas for the first time on the following pages. We are pleased to present this report as a first transparent insight into our sustainability strategy.

FOCUS AREAS OF THE MATERIALITY ANALYSIS

The materiality analysis of our stakeholders identified the following focus areas:

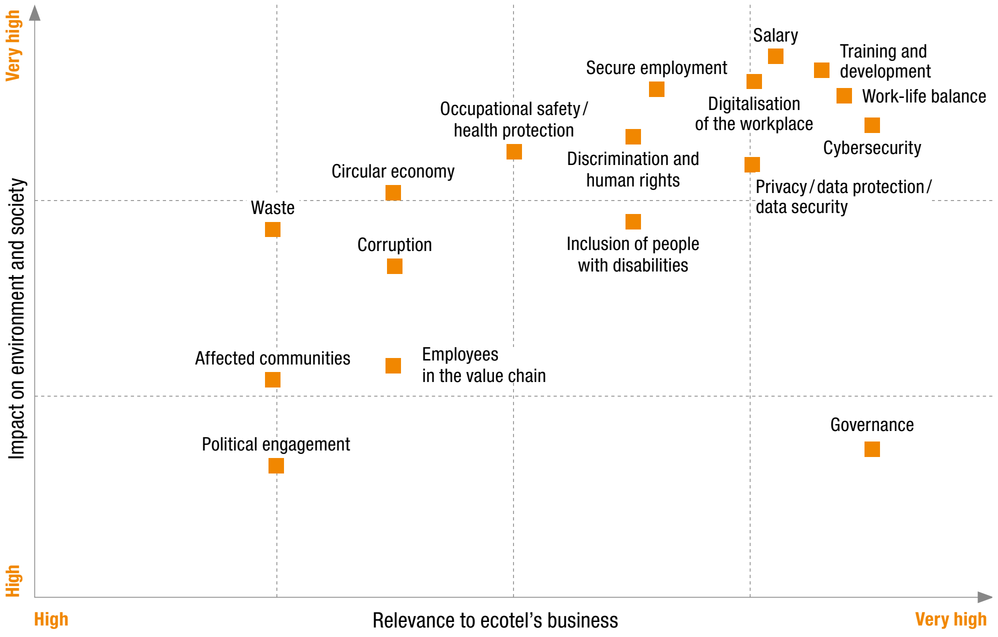
1. Focus area of employees:
   - // Salary
   - // Secure employment
   - // Training and development
   - // Work-life balance
   - // Discrimination and human rights
   - // Occupational safety / health protection
2. Focus area: Digitalisation of the workplace
3. Focus area: Data protection and data security
4. Focus area: Cybersecurity
5. Focus area: Governance

These five focus areas are the main issues that we will deal with as a telecommunications company and for which we will develop strategies and solutions in order to advance these issues.

As our Management Board contributes to our ESG strategy and sets an example here, we try to find sustainable solutions in all other areas too.

We will now present our measures and targets for each focus area, see page 21.

Materiality matrix



Focus area of employees
Within our focus area of employees, four core issues were rated as high in our materiality analysis. We will now set targets for all of these issues in the next few years and will draw up measures in order to achieve these targets. However, we have already taken some measures and more are in the process of being implemented. Hybrid working models (office/working from home) are the norm for us. Our salaries and the fringe benefits that we offer are in line with those of our competitors and of medium-sized businesses in the region. To keep our staff turnover low, there are onboarding measures for new employees and regular feedback discussions for all employees, to ensure regular exchange with staff. A fitness room is due to be completed at our main office in Düsseldorf in the first half of 2024, where supervised courses will also be offered regularly. Another important step we took in 2023 was to expand our training programme significantly and to tailor it better to individual departments and employees. With these initial measures, we believe we are on the right track in the focus area of employees. However, we are aware that we are still only at the beginning of this process and will continue to monitor and improve our targets and measures over the coming years.

Focus area of digitalisation of the workplace
The focus area of digitalisation is relevant to us on one hand with regard to our products and on the other hand because our own systems and processes are becoming increasingly digital. Our main strategy is to focus on »Cloud & Fiber«. We see major growth potential here on the German market, and our current products are therefore designed for these two growth markets. To expand this strategy further, we began developing products and implementing further measures for FTTH in 2023, to drive forward digitalisation in Germany in this field too. However, digitalisation also means that we will ensure that our processes and systems are always state of the art and will increasingly integrate them.

Focus area of data protection and data security
This subject is very important to us as a telecommunications provider. We are continuously implementing measures relating to physical security and maintenance of our systems, including a range of annual certifications such as ISO 27001, PS 951 Type B and others. To raise awareness among our employees regularly, we ensure they undergo mandatory updated training on the subject of data protection and data security every year.

Focus area of cybersecurity
We carry out regular penetration tests to identify potential security gaps. These tests will be expanded in future to detect potential gaps and ensure the greatest possible security in this area. Certifications relating to data protection and data security naturally also play a role in this focus area. We have also recruited staff to deal specifically with the focus area of cybersecurity. To ensure that our employees are regularly made aware of this issue, we have introduced mandatory training and tests on the subject of cybersecurity.

Focus area of governance
As a listed corporation, we are subject to the strict provisions of the German Corporate Governance Code, which we have committed to. In addition, we focused on the issue of compliance in 2023 and set up a compliance office. We have also set up an external whistleblower hotline to give employees another way to contact us in the event of possible breaches. Furthermore, we will begin offering anti-corruption training for all employees in 2024 to draw their attention to the whole company. Our next step here will be to anchor ESG requirements in the relevant company processes and structures (reporting templates, project orders, investment applications). Our objective here in the short term is to be able to adopt an overall ESG strategy.

02

GROUP MANAGEMENT REPORT

1.1 BASIC INFORMATION ON THE GROUP

1. ECOTEL AT A GLANCE

The ecotel Group (referred to hereinafter as »ecotel«) has been operating throughout Germany since 1998 and specialises in marketing information and telecommunication solutions in various segments. Its parent company is ecotel communication ag (referred to hereinafter as »ecotel ag«), headquartered in Düsseldorf.

ecotel markets its products and services in the following segments:
»ecotel Business Customers« and **»ecotel Wholesale«**.

With effect from 4 April 2023, the former **»nacamar«** segment was integrated into UPLINK Digital GmbH (referred to hereinafter as »UPLINK«). In addition to a cash settlement of EUR 1.3 million, ecotel received an interest of around 25% in the new UPLINK Digital GmbH. The nacamar segment will thus be treated as a discontinued operation in the rest of the Group Management Report.

The segments are described in more detail below:

»ecotel Business Customers« segment

The German telecommunications market is essentially driven by the two trends of **cloud telephony** and **broadband expansion**[1]. With its own cloud.phone product group and multi-carrier ethernet, ecotel believes it is ideally positioned for these two growth areas and therefore focuses on »Cloud & Fiber« in this segment. The product range covers not only flexible and high-quality telephony solutions (SIP protocol, cloud telephony) and broadband connections (fibre optic, x-DSL, etc.), but also managing the connection of company locations (SD WAN-, IP- and MPLS-VPNs) and realising direct connectivity to the leading cloud providers (multi-cloud-connect). The products and services are operated on the basis of geo-redundant data centres in Germany which are connected in a fail-safe fashion via their own backbone.

Within the context of the multi-carrier concept, almost all relevant German infrastructure providers are connected to this backbone. In this way, the best customer-specific provision can be realised for each location.

Depending on the target group, sales activities in this segment are performed either via direct sales (for major customers), in-house telesales, online ordering options or partner sales with a large number of sales partners. With this network, ecotel has broad access to mid-market customers. In addition, ecotel believes it has established itself as a successful partner in its collaboration with a large number of purchasing cooperatives and associations.

mvneco GmbH is also part of the ecotel Business Customers segment. It acts as a technical service provider, system developer and advisor for telecommunications solutions and related managed services. This affiliated company is included in the consolidated financial statements using the equity method. At the end of the 2023 financial year, ecotel Beteiligungs GmbH, Düsseldorf, was founded and the shares in UPLINK were incorporated into it.

»ecotel Wholesale« segment

The ecotel Wholesale segment comprises cross-network trading in telephone minutes (Wholesale) and marketing data lines for national and international carriers. For this purpose, ecotel maintains business relationships and network interconnections with a large number of international carriers. ecotel now processes the majority of its business customers' national and international telephone calls via the wholesale platform and also uses this platform for its own local exchange carrier operations.

»nacamar« discontinued operation

In the nacamar segment – hosted in the ecotel computer centre – nacamar GmbH offers streaming services for media companies on the basis of its own content delivery network (CDN). Specially developed add-ons for audio and video close the gap between raw materials and application. nacamar has the entire portfolio of tools needed to produce and operate such components.

1 Sources include 25th TK-Marktanalyse 2023; VATM/Dialog Consult

Infrastructure

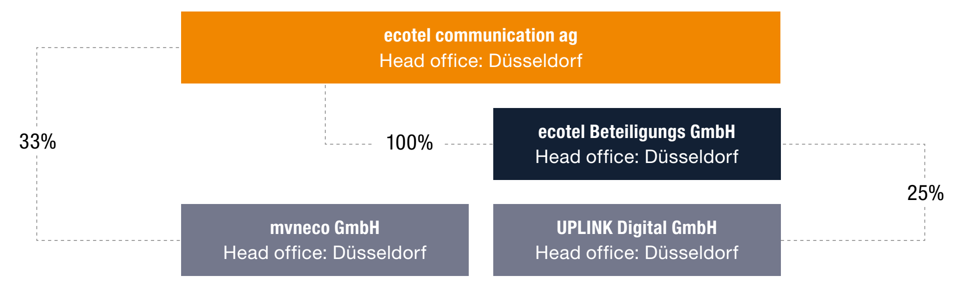
ecotel does not operate its own access network, but instead procures telecoms supply services from various upstream suppliers and can therefore choose the operator offering the best value for money in each case. Typical upstream suppliers include Deutsche Telekom, 1&1 Versatel, Vodafone, Verizon, EWE, Plusnet, Mnet and Colt. The number of upstream suppliers is still rising, as demand among our business customers for broadband fibre optic cables is constantly growing and a wide range of infrastructure providers and cable network operators are increasingly opening up their state-of-the-art networks for this target group. Due to the customer-related purchasing of supply lines, a large part of ecotel's cost base is variable. Based on state-of-the-art NGN technology, ecotel's local exchange carrier (LEC) operations enable it to offer voice transmission services independently, administer phone number blocks and port phone numbers into its own network. Procurement of telecoms supply services is therefore increasingly limited just to access to the customer.

ecotel operates its own ISO-27001-certified data centre on the campus of Europe's biggest internet hub in Frankfurt am Main, as well as additional data centre space in Düsseldorf. The two points of presence (PoP) are connected via the company's own central voice and data backbone and linked with many regional and global carriers by means of network interconnections.

2. STRUCTURE OF THE ECOTEL COMMUNICATION AG GROUP

As well as ecotel communication ag (ecotel ag), as at 31 December 2023 the Group also comprises ecotel Beteiligungs GmbH, mvneco GmbH, which is accounted for using the equity method, and UPLINK Digital GmbH, which is recognised at cost.

Structure of the Group



3. MANAGEMENT OF THE GROUP

The statutory executive and representative body of ecotel ag is the Management Board. In accordance with Article 5 of ecotel ag's Articles of Association, the Management Board must consist of at least two people. Other than this, the number of Management Board members is determined by the Supervisory Board. The Supervisory Board may appoint a Chairman and a Deputy Chairman of the Management Board. Deputy members of the Management Board may also be appointed. The Supervisory Board appoints Management Board members for a term of no more than five years. A renewed appointment or an extension of their term of office is permitted for a maximum of five years in each case. The Supervisory Board may revoke the appointment of a Management Board member or the designation as Chairman of the Management Board if there is a good reason for doing so. In accordance with ecotel ag's Articles of Association, the Supervisory Board issues rules of procedure for the Management Board. Pursuant to Article 6 (1) of the Articles of Association, ecotel ag is legally represented by two Management Board members or by one Management Board member together with an authorised signatory.

The Management Board of ecotel ag includes **Markus Hendrich (Chairman of the Management Board)**, responsible for Finance, Strategy, Wholesale, Technology, Operations, Portfolio and central administrative functions, and **Achim Theis (CCO)**, responsible for Business Customer Sales, Key Account Management, Marketing and Digital Commerce and Cloud & Fiber Performance Teams. **Peter Zils** left the Management Board with effect from 21 April 2023 and was elected to the Supervisory Board.

The Management Board, together with the **authorised signatories Holger Hommes (CFO), Alexander Wiese (CTO), Sabrina Bublitz (CPO)** and **Oliver Jansen (CBO)**, make up the ecotel **Governing Board**. **Wilfried Kallenberg (formerly CTO)** stepped down from the Governing Board on 15 October 2023.

The **Governing Board** of ecotel has the aim of managing the Group sustainably and therefore focusing on the medium and long-term effects when making decisions. The interests of all stakeholder groups are taken into account in business decisions. This firstly includes the interests of the **shareholders** and **capital backers** and secondly those of the **employees, customers and sales partners** and of ecotel itself.

Shareholders expect transparent reporting, reliable forecasts and predictable, attractive shareholder remuneration. **Capital backers** expect a sound balance sheet structure, compliance with the agreed covenants and on-schedule debt servicing (interest and principal). For **employees, customers and sales partners**, the focus is on securing jobs, attractiveness as an employer, developing innovative and attractive products, and enhancing services and processes in order to improve customer and partner satisfaction.

ecotel has set itself the goal of becoming the leading quality provider in the area of telecommunications for business customers in Germany and thus expects capital expenditures in fail-safe operation and data security. Since 2023, investment and resource expansion has also become necessary in the two focus areas of **»Cloud«** and **»Fiber«**, as the growth potential described in more detail below is to be tapped through these measures. Ultimately, ecotel wants to focus development on user-friendly, flexible and scalable platforms to meet the customer requirements of German SMEs and position customised products and solutions.

Based on this sustainable corporate governance, ecotel has put a sustainable financial strategy in place. This does not include the key performance indicators but should reflect the interests of the stakeholder groups described above.

Sustainable financial strategy

// The available funds are used to serve all stakeholder groups.
// This must be done without posing a risk to financial stability.

ecotel	Employees/customers/sales partners	Capital backers	Shareholders
// Sustainable and profitable growth in the B2B segment	// Attractive and competitive products	// Stable balance sheet ratios	// Transparent capital market reporting
// Increase in gross profit	// Development of modern, forward-looking IT systems	// Net financial debt: **<2,5x EBITDA**	// Realistic forecasts
// Growth-dependent investments in 2023/2024: At least **EUR 8 milion**	// Attractive remuneration for sales partners and employees	// EBITDA/sales > 5%	// Increase in EBITDA
// Permanent liquidity reserve including credit facility at least **EUR 5 milion**	// Securing jobs	// Eigenkapitalquote > 40%	// FCF[1] target: **positive**
	// Sustainable HR policy and training measures		// Dividend policy: At least **50% of EPS**[2]

1 Cash flow from operating activities and cash flow from investing activities before investments in customer equipment for future projects with major customers
2 Subject to the relevant committee resolutions

ecotel manages the segments in line with the Group's overall strategic alignment. There is an overall budget plan that incorporates the annual budgets of the business divisions and of the other Group companies. At the level of the **ecotel Group's** Governing Board, the focus is placed on the key performance indicators of sales and gross profit (sales less cost of purchased services), operating EBITDA (for a definition see section 1.3 Forecast and report on opportunities and risks) and, in the overall view, consolidated net profit. Direct variable costs are allocated to sales in line with the partial cost method and gross margins are calculated at the level of product types/categories in the planning. Indirect cross-product costs (overheads) and staff costs are mostly planned and monitored in cost centres. The Supervisory Board monitors compliance with these key management indicators and receives quarterly reports from the Management Board.

For detailed management of the ecotel Business Customers segment, specific key ratios relating to the business areas (e. g. number of voice channels, number of seats, minutes volume, number of connections, prices per unit (ARPUs), gross profit margin) are also monitored and are mapped in a reporting system. These key ratios may vary from time to time, depending on their current relevance to the management of business in this segment. These non-financial performance indicators help the management run the segment and support its long-term strategic direction.

The key performance indicators changed slightly compared with the previous year, as the easybell and nacamar segments are no longer included in management due to deconsolidation.

However, the main purpose of non-financial performance indicators is not to manage the Group, but rather to provide further information about the Group's situation and allow decisions to be made on this basis. Accordingly, ecotel does not have any non-financial performance indicators that are of material significance for the Group's business activities.

Liquidity, investments and working capital are monitored centrally at ecotel ag for the fully consolidated companies.

4. RESEARCH AND DEVELOPMENT

ecotel itself does not conduct any fundamental research, but instead focuses on the integration and compatibility of existing types of lines, tariff combinations and device configurations. The focus here is always on the greatest possible cost/benefit effect for customers (»best-of-breed« approach). For this reason, development expenses in recent years have mainly been limited to technical developments to establish the company's own local exchange carrier operations and development work for a sales partner portal, as well as system developments and improvements for processing orders for the new product range. In 2023, capitalised development expenses amounted to EUR 0.4 million (previous year: EUR 0.5 million). After the successful conclusion of the company's own subscriber network operator platform, the key development focus shifted in the direction of product and solution development with two key focus areas: digitalisation of business processes and automation of the product landscapes for the purposes of enhancing efficiency, with the majority of investment focused on IT systems, and building up and expanding a modular product and solution portfolio to service the individual requirements of medium-sized business customers quickly, flexibly and on a customised basis.

1.2 ECONOMIC REPORT

1. MARKET AND COMPETITIVE ENVIRONMENT

Price-adjusted gross domestic product (GDP) in 2023 was 0.3% lower than in the previous year according to initial calculations by the Federal Statistical Office. Adjusted for calendar effects, economic output contracted by 0.1%. Overall economic growth in Germany stalled in 2023 in the context of various ongoing crises. Despite recent drops, prices remained high at all levels of the economy, curbing economic development. This was exacerbated by unfavourable financing conditions due to rising interest rates and lower domestic and foreign demand. The recovery of the German economy following the slump caused by the coronavirus pandemic in 2020 therefore did not continue.[1]

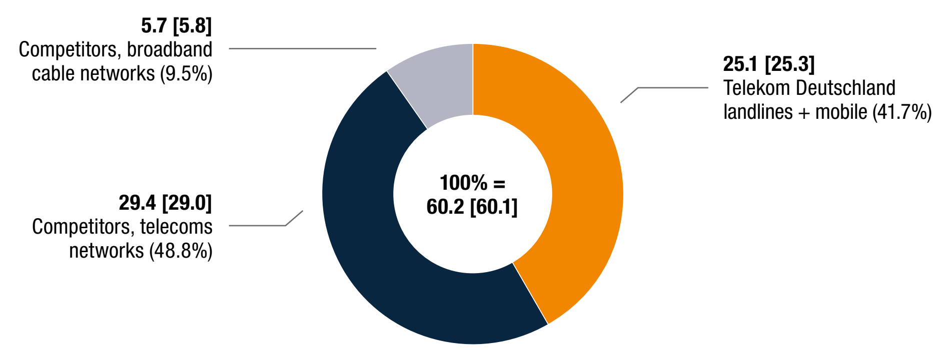
The following statements can be made about ecotel and the telecommunications market in Germany:

The volume of the telecommunications market has increased again slightly

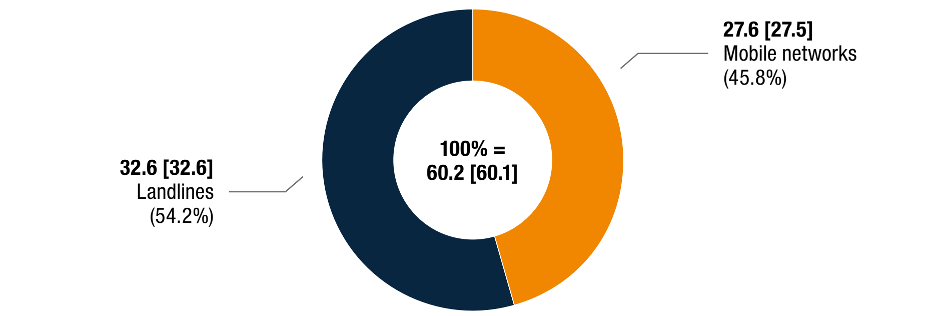
Total sales generated by telecommunications providers increased slightly by around EUR 0.1 billion in 2023. While total sales from telecommunications services came to EUR 60.1 billion in the previous year, we expect them to total EUR 60.2 billion in 2023. In the landline market, consisting of connections, voice services and data services including TV broadband cable, companies generated sales of EUR 32.6 billion (2022: EUR 32.6 billion). EUR 16.5 billion of this was attributable to Deutsche Telekom (2022: EUR 16.6 billion) and EUR 16.1 billion to competitors (2022: EUR 16.0 billion).[2]

Growth in broadband landline connections is continuing unabated. The number of broadband landline connections increased by around 0.2 million to 37.0 million in 2023. Around 24.3 million of these were DSL connections (2022: 24.7 million). The number of active fibre optic connections rose to 4.2 million in 2023 (2022: 3.4 million). By the end of 2023, the number of gigabit-capable connections had risen to 42.7 million (2022: 38.9 million). The data volume transported via the landline network grew by 16.5% to 142.1 billion GB, equivalent to a volume of 320.9 GB per connection.

Overall market for telecommunications by competitive group in Germany in EUR billion



Overall market for telecommunications by network type in Germany in EUR billion

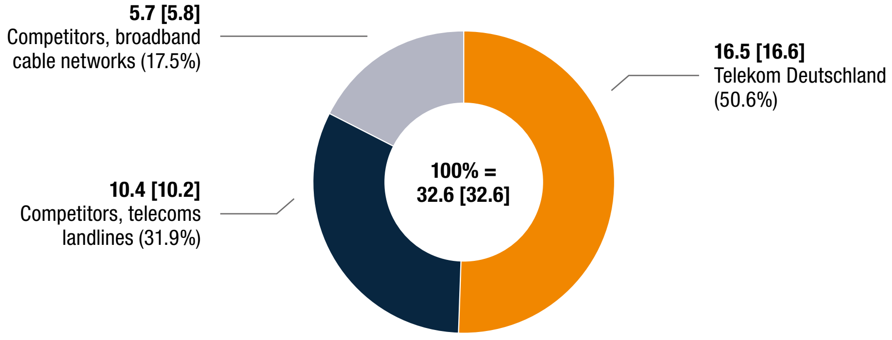


Including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

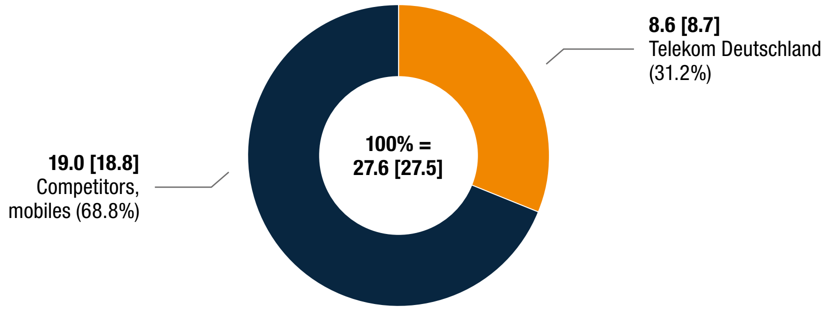
Source: DIALOG CONSULT/VATM data, analyses and forecasts

1 Source: Destatis, press release no. 19 dated 15 January 2024
2 Sources include 25th TK-Marktanalyse 2023; VATM/Dialog Consult

Submarket for landline networks for telecommunications services[1] in EUR billion



Submarket for mobile networks for telecommunications services[1] in EUR billion

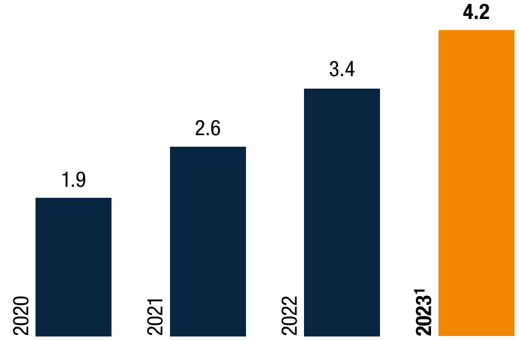


1 Overall market 60.2 [60.1]

Including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT/VATM data, analyses and forecasts

Number of active fibre-optic connections in million



Source: DIALOG CONSULT/VATM data, analyses and forecasts

1 Estimate

Trends on the B2B market

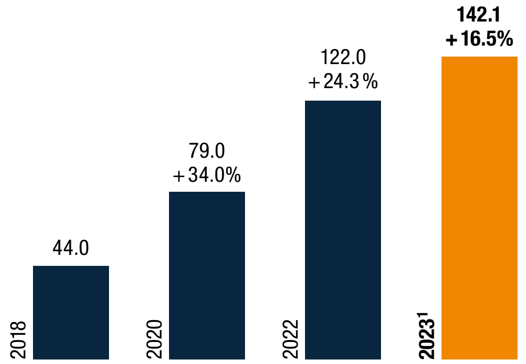
The business customer segment (B2B) in Germany is characterised by continued intense competition. Sales on the business customer market declined slightly to around EUR 21.3 billion in 2023 (previous year: EUR 21.6 billion) and accounted for 35.4% of the total market. The breakdown of sales between Deutsche Telekom and competitors did not materially change in 2023. Deutsche Telekom is expected to have generated sales of EUR 12.9 billion on the business customer market in 2023, with competitors generating around EUR 8.4 billion.

One important driver in the business customer sector is the continuous expansion of broadband internet access both via landlines (fibre optic, vectoring) and mobile (5G). The relocation of telephone systems to the network (cloud telephony and UCC solutions) and the increased convergence of telecommunications and IT also point the way into the future.

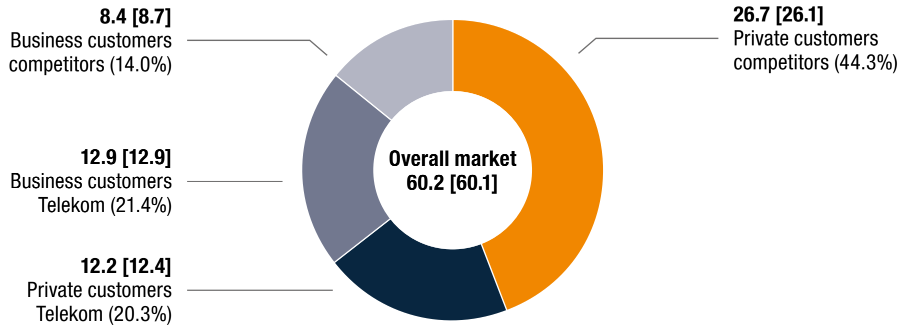
One continuing IT trend is »cloud computing« in forms such as »infrastructure as a service« (IaaS), »platform as a service« (PaaS) and »software as a service« (SaaS). This chiefly involves the transfer of local computing power (hardware), application programs (software) and data repositories (content) to an ICT service provider's central, highly secure data centres, to which users have access via secure broadband connections. Key aspects in this context also include data protection and the security of centrally stored data.

Companies are increasingly deploying »cloud telephony« rather than local telephone systems. Key arguments for use are independence in respect to location, flexibility in operation and cost savings. A fast and reliable internet connection is essential for deploying cloud telephony. The increasing expansion of fibre optic connections in Germany thus increases the technical availability for realising cloud telephony. According to a series of studies, market penetration in Germany is less than 20%. Over the next few years, it is anticipated that this figure will more than double.

Overall volume development per year in GB billion



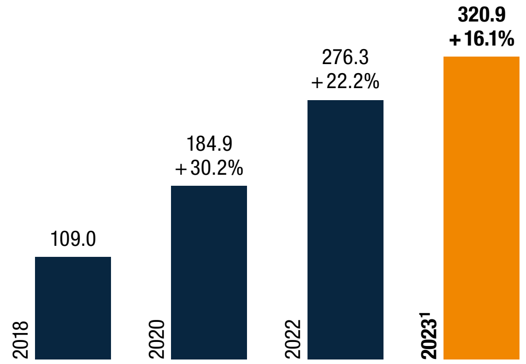
Market for telecommunications services in EUR billion



Including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT/VATM data, analyses and forecasts

Average data volume per connection and month in GB



The reported data on annual percentage increases was calculated using non-rounded data traffic figures.

Source: DIALOG CONSULT/VATM data, analyses and forecasts

1 Estimate

Other important ICT trends include:
- SD-WAN, SDN, NFV,
- Industry 4.0,
- AI (artificial intelligence),
- Big data analytics,
- Machine to machine (M2M)/Internet of Things (IoT)/Computing Everywhere,
- Unified communication and collaboration (UCC),
- Smart devices, 3D printing, eHealth/telemedicine,
- Mobile payment/contactless payment,
- Smart energy/intelligent power grid,
- Deregulation.

In order to compete in the B2B segment, companies must be able to offer as many relevant products as possible for business customers from a single source and throughout Germany. Telecommunication services for business customers in particular are very important to the overall economy as a production factor. A corresponding regulatory framework must therefore ensure that competitors can access all necessary and physically available upstream services throughout Germany.

As a telecommunications company, ecotel is subject to supervision by the German Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railways (BNetzA).

In the field of telecommunications and post, the Federal Network Agency is responsible for:
- ensuring fair and functional competition, including in rural areas,
- ensuring nationwide basic provision of telecommunication and postal services (universal services) at competitive prices,
- supporting telecommunication services at public institutions,
- ensuring efficient, undisrupted use of frequencies, including taking account of radio matters, and
- protecting the interests of public security.

In addition to regulation, the Federal Network Agency has a wide range of other tasks on the telecommunications and postal market. It:
- issues licences for postal services,
- helps reach solutions for issues relating to standardisation,
- administers frequencies and phone numbers,
- resolves radio interferences,
- combats misuse of phone numbers,
- monitors the market, and
- advises citizens on new regulations and their effects.

Based on its knowledge and observation of the market, ecotel aims to identify key trends at an early stage and derive risks and potential from them. In 2023, ecotel dealt with the following topical issues or was actively involved in them as part of the working groups and executive committee of the VATM (German Association of Telecommunications and Value-Added Service Providers):
- improving the political and regulatory conditions for the expansion of broadband and the business customer market in Germany,
- ensuring similar basic provision of telecommunication services (universal services), including broadband connections at affordable prices, in urban and rural areas,
- reconciling the European telecommunications policy (EU single market) with the specific requirements of the German telecommunications market,
- net neutrality (i.e. equal and unchanged transmission of data packages by carriers, regardless of where they come from and what applications generated them),
- modernising the existing data protection regulations and consumer protection,
- supporting initiatives in the regulatory and political field and influencing these with the aim of being able to purchase sufficient upstream products on a long-term basis and highlighting national specificities with regard to EU decisions so that these are taken into account,
- trading platform for providers and buyers of broadband connections,
- mobile communications.

2. RESULT OF OPERATIONS, FINANCIAL POSITION AND NET ASSET POSITION

Group result of operations

The Group's results of operations were significantly affected by **non-recurring effects** in the 2023 financial year.

With the integration of the **nacamar segment** into **UPLINK Digital GmbH** on 4 April 2023, nacamar and Raute Musik were brought together under the umbrella of UPLINK. Following the integration, ecotel holds an interest of around 25% in the new UPLINK Digital GmbH and has received a cash settlement of EUR 1.3 million. As a result of the integration, ecotel communication ag has relinquished control over nacamar GmbH. The nacamar segment will therefore no longer be reported in the consolidated financial statements of ecotel communication ag. This transaction has led to a deconsolidation gain of EUR 1.7 million, which is reported under net income from discontinued operations. Total net income from discontinued operations, which comes to EUR 1.8 million, also includes the result for the nacamar segment from 1 January 2023 to the date of deconsolidation, amounting to EUR 0.1 million.

Right-of-use assets to online resources were sold at the beginning of the 2023 financial year. The Group recorded a gain of EUR 5.3 million on this transaction after deducting all associated costs. This was EUR 3.9 million more than had been assumed in the original forecast for the 2023 financial year. This higher extraordinary income than expected will, by definition, be deducted from operating EBITDA as an adjustment effect.

Non-cash measurement effects from the existing 2020 stock option plan were also corrected. EUR 0.1 million was incurred for this in the 2023 financial year.

To position itself better in a market that is constantly evolving and to be able to exploit opportunities more quickly and extensively, ecotel is **reviewing its process landscape and leadership structure**. As part of this, it is analysing process and information flows and modelling them more efficiently. The specialist and leadership structure is also being adapted to the new re-quirements of this new process landscape. This programme began in the last financial year and we expect to be able to complete it in the 2024 financial year. It resulted in reorganisation costs of EUR 0.4 million in 2023, mainly for external consultancy services. These were, by definition, also taken into account as an adjustment effect.

The following table reconciles profit from ordinary activities before depreciation, amortisation and impairment losses (EBITDA) for the individual segments and the Group to **operating EBITDA** (for a definition see section 1.3 Forecast and report on opportunities and risks) for the 2023 financial year:

EUR million	ecotel Business Customers	ecotel Wholesale	Group
Consolidated EBITDA from continuing operations in accordance with segment reporting	**11.2**	**1.2**	**12.4**
less unplanned income from the transfer of right-of-use assets to online resources	–3.9	–	–3.9
plus non-cash measurement effects	**0.1**	**–**	**0.1**
plus reorganisation costs	**0.4**	**–**	**0.4**
Operating EBITDA	**7.8**	**1.2**	**9.0**

Differences in totals may occur due to rounding.

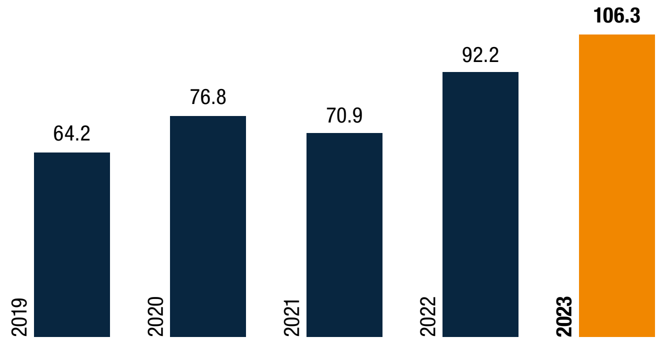
In the 2022 financial year, adjusted EBITDA was calculated as follows:

EUR million	ecotel Business Customers	ecotel Wholesale	Group
Consolidated EBITDA from continuing operations in accordance with segment reporting	**22.8**	**0.6**	**23.4**
less unplanned income from the transfer of right-of-use assets to online resources	–14.9	–	–14.9
plus unexpected additional expenses for energy (electricity)	**0.3**	**–**	**0.3**
Adjusted EBITDA	**8.3**	**0.6**	**8.8**

Differences in totals may occur due to rounding.

The Group generated **sales** from continuing operations of EUR 106.3 million in 2023 (previous year: EUR 92.2 million), a rise of 15%. Both operating segments contributed to this increase. Sales grew by EUR 0.6 million to EUR 46.2 million in the ecotel Business Customers segment and by EUR 13.6 million to EUR 60.2 million in the ecotel Wholesale segment.

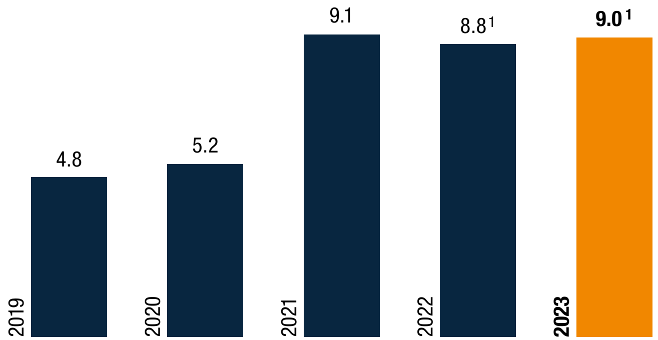
Sales from continuing operations in EUR million



Gross profit increased by 6% to EUR 32.1 million in the 2023 financial year. Both segments contributed to the increase in gross profit.

Operating EBITDA for the Group amounted to EUR 9.0 million (previous year: EUR 8.8 million), which is in line with the forecast of around EUR 9 million from November 2023. While operating EBITDA of the ecotel Wholesale segment increased by EUR 0.6 million to EUR 1.2 million, the investment in the growth strategy of the ecotel Business Customers segment that we announced at the beginning of 2023 led to a drop of EUR 0.4 million to EUR 7.8 million in operating EBITDA.

Operating EBITDA from continuing operations in EUR million



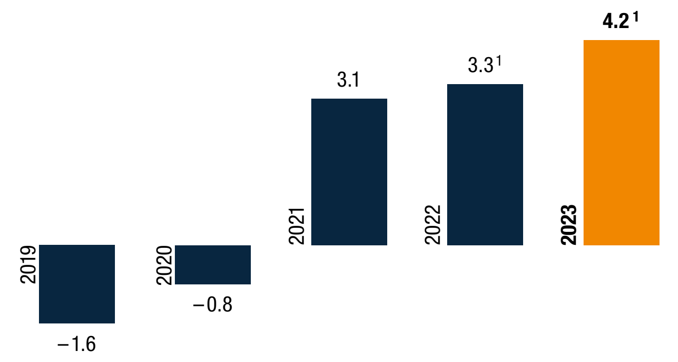
1 Adjusted for special effects

Non-adjusted EBITDA fell significantly year on year to EUR 12.4 million (previous year: EUR 23.4 million). The main reason for this drop was that, while income from the transfer of right-of-use assets to online resources amounted to EUR 5.3 million in the 2023 financial year, in the previous year this income had totalled EUR 14.9 million.

Taking into account a year-on-year reduction of EUR 0.8 million in depreciation and amortisation (EUR 4.8 million), the Group achieved **EBIT from continuing operations** of EUR 7.7 million (previous year: EUR 17.8 million).

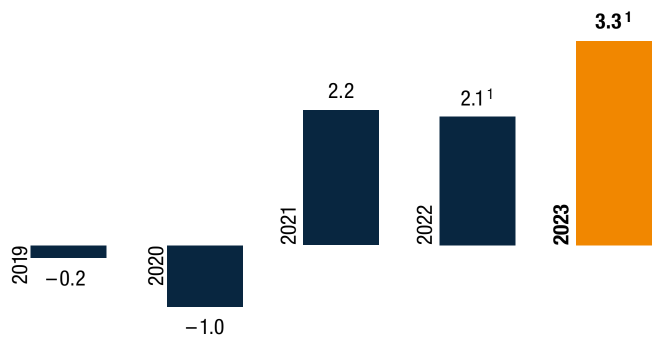
Taking account of net finance costs (EUR 0.5 million; previous year: EUR 0.0 million), income taxes (EUR 2.5 million; previous year: EUR 5.9 million) and net income from discontinued operations of EUR 1.7 million (previous year: EUR 58.2 million), **consolidated net profit** came to EUR 7.4 million (previous year: EUR 70.2 million). Adjusted for the non-recurring effects described above and related tax effects, adjusted consolidated net profit was EUR 3.3 million (previous year: EUR 4.9 million).

EBIT (adjusted for special effects) from continuing operations
in EUR million



1 Adjusted for special effects

Consolidated net profit (adjusted for special effects) from continuing operations
in EUR million

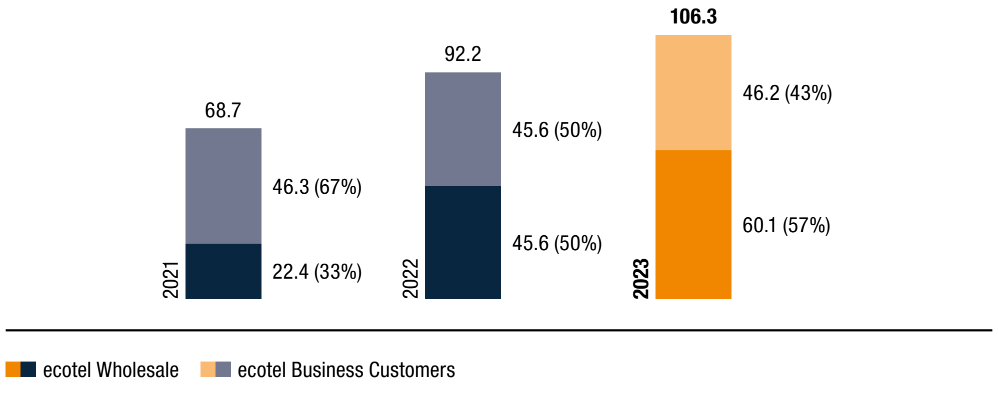


1 Adjusted for special effects

Results of operations of the operating segments

The graphic below shows the development of sales for the last three financial years and the breakdown by segment.

Sales development and breakdown by segment in EUR million



ecotel Business Customers

Sales in the ecotel Business Customers segment increased again for the first time following years of transformation-related falls in the 2023 financial year, growing to EUR 46.2 million (previous year: EUR 45.6 million). In the second half of the year in particular, the investment we made as planned in 2023 in the growth markets »**Cloud**« and »**Fiber**« began to reap significant rewards in terms of sales, leading to a year-on-year rise in the number of orders in both these areas.

We invested in systems and processes, but above all in sales and sales support resources, to take advantage of the growth dynamic in these two markets in particular. At the end of the financial year, ecotel beat more than ten competitors to win a major tender, receiving the largest individual order in the company's history. For more information about this and the impact on the forecast, please refer to the Forecast section.

Gross profit in this segment increased significantly by EUR 1.1 million to EUR 30.2 million. This increase is partly due to the scalable product platform and a further shift in the product mix towards high-margin cloud and voice products (effect: EUR 0.9 million) and partly due to the fact that purchase prices for electricity returned to a lower and more predictable level compared with the previous year (effect: EUR 0.8 million). In contrast, gross profit in business purely with data centre services, which we are no longer focusing on, declined (effect: –EUR 0.8 million).

The expansion of sales and sales support resources contributed to a substantial rise in **staff costs** in this segment of EUR 1.7 million to EUR 14.9 million. However, a special bonus of EUR 0.9 million for the Management Board in connection with the disposal of right-of-use assets to online resources also contributed to this increase.

Higher **other operating expenses** than in the previous year – mainly due to higher expenses for external advisory services – caused **operating EBITDA** in the ecotel Business Customers segment to fall to EUR 7.8 million, compared with EUR 8.3 million in the previous year. As a result, the segment was unable to achieve the original forecast of more than EUR 8.5 million.

ecotel Wholesale

Sales in the ecotel Wholesale segment recorded a significant increase of EUR 13.6 million to EUR 60.2 million in the 2023 financial year. This change is mainly due to the following effects: sales with the former easybell segment are no longer eliminated from the Group following the disposal in 2022, but instead are reported as external sales in the ecotel Wholesale segment (effect: +EUR 6.4 million). Business with cross-network trading in telephone minutes (Wholesale) grew in the 2023 financial year (effect: +EUR 6.1 million), and we successfully expanded our marketing of data lines for national and international carriers (effect: +EUR 0.8 million).

These increases in sales led to a rise of EUR 0.7 million in **gross profit** to EUR 1.9 million. Operating expenses remained almost unchanged year on year, meaning that the rise in gross profit was reflected directly in **operating EBITDA**, which grew by EUR 0.6 million to EUR 1.2 million. As a result, the segment surpassed the forecast of between EUR 0.5 million and EUR 1.0 million.

nacamar (discontinued operation)

The nacamar operating segment was integrated into UPLINK Digital GmbH with effect from 4 April 2023. ectoel relinquished control as a result of this transaction. For this reason, only the net income for this segment is reported as net income from discontinued operations and the previous years are adjusted accordingly. In the period from 1 January 2023 to 31 March 2023, this discontinued operation contributed EUR 0.1 million to the Group's net profit, excluding net deconsolidation gains / losses.

Comparison of forecasts with the actual business development

ecotel essentially maintained its original forecast during the 2023 financial year. It provided more detailed forecasts when announcing its quarterly figures in November 2023.

The **Business Customers operating segment** achieved growth following several years of transformation. With the exception of operating EBITDA, all the predicted figures were achieved or even exceeded. The sales growth in the ecotel Business Customers segment that was planned for the 2023 financial year only become noticeable in the second half of 2023. That meant that the investments made in 2023 in systems and processes, and above all in sales and sales support resources, were not offset to the extent that was originally anticipated. Although these investments did have a significant positive effect on sales performance towards the end of the 2023 financial year, the resulting growth will not become fully visible until subsequent periods.

Projected sales in the **ecotel Wholesale segment** were exceeded in the 2023 financial year. In particular, margins improved further as the marketing of data lines for national and international carriers is becoming increasingly successful and is compensating for low-margin business with cross-network trading in telephone minutes.

EUR million	2023	Original forecast from March 2023	Detailed forecast from November 2023	Comparison with original forecast	Comparison with current forecast
Sales from continuing operations	**106.3**	**95–100**		**exceeded**	**exceeded**
ecotel Business Customers	46.2	46–48	lower end	achieved	achieved
ecotel Wholesale	60.2	48–52	upper end / possibly above	exceeded	exceeded
Gross profit from continuing operations	**32.1**	**31–33**		**achieved**	**achieved**
Operating EBITDA [1]	**9.0**	**9–10**	**approx. 9**	**achieved**	**achieved**
ecotel Business Customers	7.8	> 8.5		not achieved	not achieved
ecotel Wholesale	1.2	0.5–1.0		exceeded	exceeded
Consolidated net profit	**7.4**	**> 4**		**achieved**	**achieved**

1 Earnings before depreciation, amortisation and impairment losses adjusted for non-recurring effects

Financial position

The Group's financial position was burdened on one hand by the high dividend payout in the 2023 financial year (EUR 66.1 million; previous year: EUR 7.9 million), but on the other hand was positively influenced by the deconsolidation of the nacamar segment and the associated impact on cash and cash equivalents.

Free cash flow (the balance of cash inflow from operating activities and cash inflow/outflow from investing activities) totalled EUR 4.0 million in the 2023 financial year, compared with EUR 72.5 million in the previous year. The previous year's very high free cash flow was due to cash receipts from changes in the scope of consolidation (EUR 49.5 million), cash inflows from discontinued operations (EUR 6.8 million) and inflows from the transfer of right-of-use assets to online resources (EUR 15.7 million). Free cash flow for the 2023 financial year included cash receipts from changes in the scope of consolidation (EUR 0.9 million) and inflows from the transfer of right-of-use assets to online resources of EUR 5.3 million.

Adjusted for the above effects, **free cash flow** totalled –EUR 2.3 million in the 2023 financial year, compared with EUR 0.5 million in the previous year. This decline was mainly due to higher income tax payments by the Group (EUR 0.4 million) and a negative change in working capital relating to the reporting date (EUR 2.4 million). On the other hand, a reduction of EUR 1.6 million in payments for investments, cash receipts from distributions by mvneco GmbH (EUR 0.3 million) and higher cash receipts from interest income (EUR 0.5 million) had a positive impact.

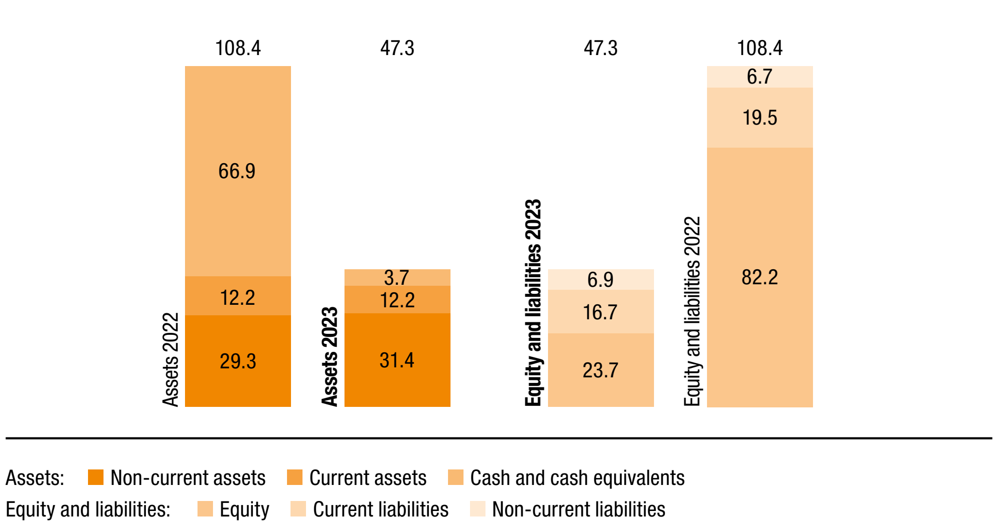
Net cash used in financing activities came to EUR 67.2 million (previous year: EUR 18.2 million). This includes the dividend payment of EUR 66.1 million (previous year: EUR 7.9 million).

As in the previous years, ecotel was able to meet all payment obligations in full and on schedule. In the 2023 financial year, we again achieved the important goals of financial management, such as complying with the financial covenants agreed with the banks for the credit lines provided, minimising any credit risks and interest rate risks and complying with the dividend policy announced.

Net asset situation

The Group's **total assets** as at 31 December 2023 declined significantly by EUR 61.1 million to EUR 47.3 million. The above-mentioned high dividend payout of EUR 66.1 million in April 2023 played a large part in this substantial drop. As a result, financial resources declined accordingly (EUR 3.7 million; previous year: EUR 66.9 million), as did equity (EUR 23.7 million; EUR 82.2 million).

Assets and equity/liabilities in EUR million



On the **assets side, non-current assets** rose slightly by EUR 1.7 million to EUR 31.4 million. One major reason for this increase was further investment (EUR 2.0 million) in the new business support systems. At the same time, the holding in UPLINK Digital GmbH was recognised under other financial assets for the first time in the amount of EUR 0.8 million.

Current assets (excluding cash and cash equivalents) rose slightly by EUR 0.4 million to EUR 12.2 million. Trade receivables increased by EUR 2.5 million due to higher sales. Income tax assets fell by EUR 1.8 million, as the main claims arising from capital gains tax were offset against the tax payment in 2023.

On the **equity and liabilities side**, there was a significant drop in **equity** to EUR 23.7 million (previous year: EUR 82.2 million) due to the dividend payment in 2023. The equity ratio was around 50% as at 31 December 2023 (previous year: around 75%).

Non-current liabilities remained more or less unchanged compared with the previous year's reporting date at EUR 6.9 million (previous year: EUR 6.7 million).

Current liabilities were down EUR 2.8 million at EUR 16.6 million as at the reporting date. The main drivers here were tax payments in 2023, which led to a reduction of EUR 3.8 million in income tax liabilities, and an increase of EUR 1.5 million in trade payables.

Articles of Association / capital structure

In accordance with section 179 of the German Stock Corporation Act (AktG), any amendment to the Articles of Association generally requires a resolution by the Annual General Meeting. Amendments that only affect the wording are an exception to this rule; the Supervisory Board is authorised to make such amendments.

Unless stipulated otherwise in the Articles of Association in the individual case or prevented by mandatory statutory provisions, resolutions of the Annual General Meeting are adopted with a simple majority of the votes cast and, if the law stipulates a capital majority as well as a majority of votes, with a simple majority of the share capital represented when the resolution is adopted.

The **share capital** of ecotel ag amounts to EUR 3,510,000 and is divided into 3,510,000 bearer shares. The shares are issued as no-par-value shares with a pro-rata amount of the share capital of EUR 1.00. The share capital is fully paid up in the amount of EUR 3,510,000.00. Each no-par-value share grants the bearer one vote at the Annual General Meeting. There are no restrictions on voting rights. There are no different voting rights in relation to the shares.

The Management Board of ecotel ag is not aware of any restrictions relating to voting rights or share transfers of the kind that could arise from agreements between shareholders, for example.

Authorised capital

By way of resolution adopted by the Annual General Meeting on 8 July 2021, the Management Board of ecotel ag is now authorised to increase the share capital of ecotel ag, with the approval of the Supervisory Board, one or more times by a total of up to EUR 1,775,000.00 (previously: EUR 1,755,000.00) in exchange for cash and / or non-cash contributions by 7 July 2026 by issuing new, no-par-value bearer shares (Authorised Capital). The Management Board did not make use of this authorisation in the financial year.

Contingent capital

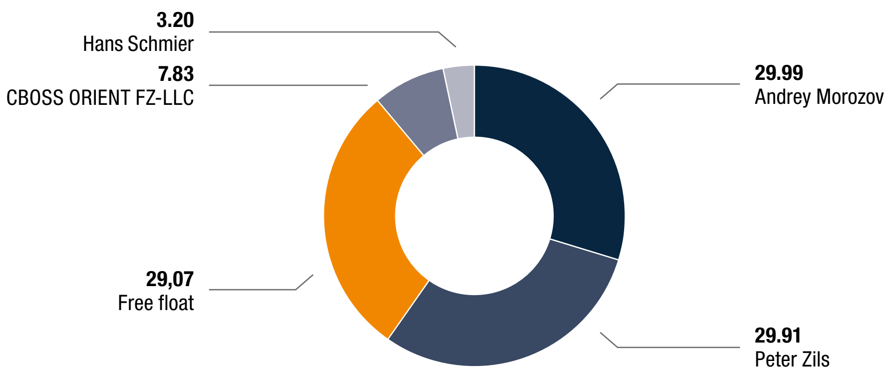
By way of resolution adopted by the Annual General Meeting on 3 July 2020, a contingent increase in the share capital of up to EUR 1,404,000 by issuing up to 1,404,000 no-par-value bearer shares was resolved (new version of **Contingent Capital 2017**). In addition, by way of a resolution adopted by the Annual General Meeting on 3 July 2020, a decision was made to issue stock options (Stock Option Plan 2020) and to create new contingent capital (2020) **(Contingent Capital 2020)**.

Authorisation to acquire treasury shares

In a resolution on 21 April 2023, the Annual General Meeting authorised the Management Board to acquire treasury shares representing up to 10% of the share capital in mathematical terms. This authorisation can be exercised in whole or in part, on one or several occasions and by the company or by third parties acting on its behalf. The authorisation is valid until 20 April 2028.

The chart below shows the names of shareholders that held an interest of more than 3% in the share capital of ecotel ag at the end of 2023. It is based on the share ownership information provided to ecotel. There are no different voting rights in relation to the shares.

Share ownership as at 31 December 2023 in percent



There are no holders of shares with special rights that confer powers of control. There is no voting rights control for the event that employees hold interests in the share capital and do not exercise their rights of control directly.

3. OVERALL STATEMENT ON THE GROUP'S ECONOMIC SITUATION

The Group's economic situation did not change significantly in the 2023 financial year. Although the high dividend payment led to a considerable reduction in cash and cash equivalents (EUR 3.7 million; previous year: EUR 66.9 million), the Group is still not dependent on external financial liabilities (bank loans) and can therefore finance planned and necessary investments in growth areas itself. The results of operations of the operating segments increased significantly, and both operating segments saw an increase in gross profits.

Key statement of financial position figures, such as the equity ratio (50.1%; previous year: 75.9%) and net financial assets (EUR 3.7 million; previous year: EUR 66.9 million), were affected significantly by the non-recurring effects in the previous year relating to the 2022 annual financial statements and by the high dividend paid in the last financial year, and therefore naturally fell. However, the key figures as at 31 December 2023 are very solid. The result of operations is still mainly characterised by recurring sales. In summary, we can say that our business performance for the 2023 financial year can be regarded as satisfactory overall. For information on the planned growth strategy, the focus on cloud and fibre products and the overall opportunity and risk situation, please refer to the statements in the forecast and report on opportunities and risks.

1.3 FORECAST AND REPORT ON OPPORTUNITIES AND RISKS

1. CONTROL AND RISK MANAGEMENT SYSTEM

In order to identify and assess business risks and risks to the continued existence of the Group at an early stage and to handle these risks properly, ecotel uses a suitable risk management system. Group-wide responsibility for the early detection and countering of risks lies with the Management Board. It is supported by the authorised signatories and the managing directors of the subsidiaries with regard to the continuous identification and assessment of risks within the Group. Using quarterly risk reports, the Management Board and the Supervisory Board track the identified risks throughout the year with regard to their planned development. The focus here is on the identification of areas requiring action and the status of the measures initiated for systematic management of the risks identified. All significant risks that could jeopardise the Group's results and its continued existence are listed in the form of a risk matrix. All potential risks are assessed based on the probability of occurrence and the potential losses. The probability of occurrence is classified as low, medium, high or very high. The potential amount of loss (net present value) is likewise categorised in four loss classes as shown in the table below.

Loss class and possible amount of loss in EUR

Loss class	Possible amount of loss
Very high	> 1,000,000 EUR
High	300,000 – 1,000,000 EUR
Medium	100,000 – 300,000 EUR
Low	< 100,000 EUR

The probabilities and loss classes allocated to the identified risk positions are categorised in risk classes in line with the table below. The risk class also shows the gross risk for each risk position (1 to 4). The Management Board derives measures to be initiated to counter each risk position and assesses the net risk (1 to 4) on this basis, taking into account measures that have already been implemented. Gross and net risk may therefore differ from one another due to the countermeasures.

In order to ensure the effectiveness and efficiency of its business operations, the correctness and reliability of its internal and external accounting and compliance with the relevant legal provisions for the company, ecotel still maintains an **internal control system (ICS)** that is revised at regular intervals, including in the 2023 financial year. The internal control system and the risk management system are dynamic systems. They are constantly adjusted to take account of changes in the business model, the nature and scope of transactions and responsibilities. As a result, the reviews and audits carried out and the auditor's audit activities reveal potential for improvement with regard to both the appropriateness (lack of suitable controls) and the effectiveness (inadequate implementation) of controls. Moreover, compliance incidents may also result in potential for improvement. The potential improvements identified in the year under review did not reveal any indications that the two management systems are not appropriate or effective.

Risk matrix

Possible amount of loss / Probability of occurrence	Low	Medium	High	Very High
Very High	Risk class 3	Risk class 2	Risk class 1	Risk class 1
High	Risk class 3	Risk class 2	Risk class 2	Risk class 1
Medium	Risk class 4	Risk class 3	Risk class 2	Risk class 2
Low	Risk class 4	Risk class 4	Risk class 3	Risk class 3

In addition, the ecotel ag control systems meet the »Minimum Requirements for Risk Management« (MaRisk) and the »Banking Regulation Requirements for IT« (BAIT), through Internal Audit in the context of full outsourcing, which is demonstrated every year on the basis of the audit options in line with IDW PS 951 Type 2. These measures became necessary because ecotel provides both insurance companies and banks with various ICT solutions.

Financial reporting risk relates to the risk of the consolidated and interim financial statements containing misstatements that could have a significant influence on their users' decisions. The accounting-related internal control system aims to identify possible sources of error and limit the resulting risks. In order to ensure proper and reliable accounting, the internal control system is designed such that the dual control principle is applied for all significant transactions and there is a separation of duties in the accounting process. Regularly recurring processes are largely supported by IT (interfaces between operational and accounting systems for invoices, incoming and outgoing payments and credit processes). Account assignment guidelines are used to help ensure correct accounting. External service providers are brought in when necessary to assess more complex accounting matters. The same applies to the preparation of tax returns. These preparation and advisory services are monitored and processed by means of internal plausibility checks and coordination.

In addition, key financial ratios are monitored by means of regular target/actual comparison with variance analysis.

2. RISKS OF FUTURE DEVELOPMENT

In the course of its ordinary business operations, ecotel faces operational risks, financial risks, strategic risks and market risks. The key risks with their gross and net impact (after measures implemented) are described below. There has been no material change to the risk situation compared to the previous year.

Operational risks

Operational risks are generally of a short-term nature. At ecotel, they primarily focus on potential failures, errors and capacity bottlenecks in the infrastructure (e. g. backbone, data centre, transmission technology, server farms) and on correct and timely handling of business-critical processes in the areas of billing, provisioning for sales partners, receivables management and customer, supplier and partner support.

Ensuring maximum availability of the infrastructure by means of appropriate system redundancies in relation to both transmission technology and cables is one of the most important measures to prevent risks and is systematically implemented by ecotel.

With regard to the **data centre infrastructure**, potential risks relate to failure of the air conditioning and emergency power supply or loss of connections. The emergency power supply and air conditioning are designed on a redundant basis. The data centres in Düsseldorf and Frankfurt am Main are geo-redundant and are connected with each other on an edge- and hub-disjoint basis. In addition, supply lines from the main carrier suppliers are connected to the two data centres redundantly. The internet connection is also set up geo-redundantly with various different carriers to both PoPs (Gross risk 1/net risk 3; loss class: medium).

The company's own **local exchange carrier operations/voice platforms** and the connected technical software and system components form the basis for achieving value added in the ecotel Business Customers segment. Particularly in view of the very complex IT system landscape for the ecotel Business Customers segment, downtime of parts or a complete breakdown would not only result in a considerable loss of reputation, but would also mean that the Group would face material claims for damages. The system landscape developed for local exchange carrier operations is redundantly structured and designed both within a data centre and between the Frankfurt am Main and Düsseldorf locations and within the actual system. These measures have already considerably reduced the risk of downtime for the telephony platform and additional measures taken in the future will likely result in further positive effects (Gross risk 1/net risk 3; especially ecotel Business Customers segment; loss class: high).

In providing the contractual services to its customers, ecotel depends on the performance of **upstream suppliers**. A potential outage of connections which ecotel uses to provide services would result not only in losing reputation, but also in material claims for damages. For this reason, ecotel selects its upstream suppliers carefully and monitors them. Particularly in relation to fail-safe performance, service level agreements are concluded with the material suppliers and escalation processes carried out, thus keeping downtime and disruption periods as low as possible. On the basis of the extensive multi-carrier concept, multi-channel distribution can be realised at the customer across several suppliers if required, thus further reducing downtime risk (Gross risk 3 / net risk 4; especially ecotel Business Customers segment; loss class: medium).

The ecotel Business Customers segment is implementing a brand-new **system architecture** that makes it far easier for partners, customers and employees to enter orders and uses automated processes to ensure that the services ordered are provided. This new system is gradually being expanded and will replace the current systems over the next few years. This kind of internal customer migration process poses various risks. Firstly, customer migration can cause business and technical errors and problems, resulting in a poorer customer relationship or even in incorrect invoices that then need to be corrected. Secondly, the old systems need to remain operational long enough to ensure that any technical problems that occur or changes required can be resolved or carried out by suitable members of staff and that the technical requirements for continued operation are met until the systems are finally shut down. The first large batches of customer contracts were migrated to the new system in 2023, and migration is expected to be completed in 2025 (Gross risk 1 / net risk 2; ecotel Business Customers segment; loss class: high).

Operation of a telecommunications network and telecommunications services naturally entails risks relating to **cybercrime**. These include attacks on systems and networks as well as fraudulent activities in the field of telephony. This risk is reduced through annual ISO 27001 and PS 951 Type B certifications and regular audits by the Federal Network Agency, as well as a comprehensive technical security concept, information and data protection and security concepts and an outsourced Internal Audit department. However, it is not possible to minimise all risks here in practice (Gross risk 1 / net risk 3; loss class: high).

Geopolitical developments and ever-present crises could make potential new customers more cautious. Although the telecommunications market as a whole has shown that it is not significantly affected by the various crises, ecotel cannot rule out having to deal with risks in connection with supply times, price changes, energy shortages and energy costs in the future. These issues are closely monitored and suitable countermeasures taken (Gross risk 1 / net risk 2; mainly ecotel Business Customers segment; loss class: high).

Financial risks

Financial risks at ecotel include credit risks, liquidity risks, foreign currency risks and interest rate risks.

ecotel has agreed customary creditor protection clauses relating to certain key ratios (known as financial covenants) with the financing **banks**. These ratios are calculated based on the consolidated financial statements prepared by ecotel in accordance with IFRS. Failure to comply with the covenants could possibly result in termination of the working capital facilities and therefore a significant deterioration in ecotel's liquidity position if no agreement can be reached on an adjustment of the financial covenants. For all financial covenants agreed (equity ratio, EBITDA/sales and net debt / EBITDA), ecotel is currently within the stipulated ranges. The company also expects to be able to comply comfortably with all covenant thresholds in 2024 (Gross risk 2 / net risk 4; loss class: very high).

The provisions of International Financial Reporting Standards (IFRS) allow for »impairment only« recognition of some **balance sheet items**, as scheduled depreciation for wear and tear may not be assumed. ecotel therefore carries out annual reviews of these items. Current developments do not indicate any need for impairment. However, the economic situation could deteriorate in future, which means that this cannot be ruled out in the long term and could have a negative impact on results (Gross risk 2 / net risk 3; ecotel Business Customers segment; loss class: high).

General **regulatory requirements**, especially for listed companies, are continuing to increase rapidly. The German Corporate Governance Code, sustainability reporting, risk management systems and the internal control system, as well as the establishment of a compliance management system, tie up resources and harbour the risk of making mistakes that could result in civil and / or criminal penalties. ecotel has deployed both external and internal resources for these topics over the last few years and will continue to do so in the next few years to ensure that all requirements here are met. New requirements are also arising, for example as a result of the German Energy Efficiency Act or other conditions, leading to new regular reports and/or areas requiring action. The Group monitors new legislation constantly and strives to fulfil all requirements (Gross risk 1/net risk 3; loss class: very high).

Legal risks

ecotel is exposed to a variety of legal risks, including risks in relation to warranties, breach of contract, competition and patent law and continuing liability risks from discontinued operations. The effects of pending or future legal proceedings often cannot be predicted with certainty. The Group continuously identifies and analyses possible risks for the emergence of legal disputes and assesses the potential legal and financial effects both quantitatively and qualitatively.

On this basis, appropriate measures are taken in good time to avoid potential losses for the Group. As at the end of the 2023 financial year, the Group is not exposed to any significant legal disputes.

Tax risks

Risks for the Group occur if tax laws and other regulations are not fully observed. They may also arise as a result of matters requiring interpretation if the fiscal authorities believe that the appropriate tax consequences have not been drawn. Tax audits can therefore lead to tax arrears, interest and penalties. With the involvement of external tax advisers, the Group continuously monitors tax risks that could arise, for example, from tax legislation, changes in authorities' interpretations or tax jurisdiction. The most recent tax audit completed for the entire Group covered the years 2015 to 2017. The tax audit for the years up to 2021 has been completed but not yet decided upon; no findings are available as yet.

In 2020, ecotel was informed by the responsible Düsseldorf tax office (control notification) that the input tax deduction from incoming invoices of an individual material supplier is to be retroactively denied. The reason given was a special sales tax audit at this supplier. The total amount of the sales tax input deduction in question amounts to EUR 3.7 million. The supplier has submitted documentation and descriptions, outstanding sales tax reports for 2020 and the annual sales tax declaration to the tax office responsible for the supplier in Berlin. This has been confirmed by its tax advisers. There has not yet been any further informal or formal information on the control notification from the Düsseldorf tax office which is responsible for ecotel. However, in the 2021 financial year, ecotel (members of executive bodies and employees dealing with the matter) was questioned as a witness on the matter by the prosecuting tax authorities. For this reason, ecotel and the mandated experts and lawyers anticipate that it will be some time before there is definitive clarification of the matter. In view of the existing documentation and information and on the basis of external expert opinion, ecotel estimates that the risk of an outflow of resources with sales tax as a result of the denial of the input tax deduction is considerably lower than 50%.

Of the EUR 1.9 million open accounts payable to the supplier/the factor which had been retained by ecotel, EUR 0.9 million was paid in 2021 on the basis of a settlement reached. Due to the partially unclarified contractual and legal situation, ecotel continues to recognise a provision of EUR 0.8 million for the remaining liabilities after the input tax correction. There were no new developments in these areas in the 2023 financial year.

Risks relating to the market environment

Furthermore, rapid technological change is giving rise to new products and business models. It cannot be ruled out that ecotel's products could consequently become less competitive and therefore see less demand. In particular, the German Federal Network Agency's current activities to regulate Deutsche Telekom's existing upstream products and newly launched upstream products may have a significant impact on ecotel's competitiveness. These products are key upstream products for the provision of new and existing services to customers. For this reason, ecotel continuously monitors the market environment and is an active participant in associations and consultations so that it can react quickly and effectively to technological changes and influence decisions (Gross risk 2 / net risk 3; especially ecotel Business Customers segment; loss class: high).

Overall risk is calculable

In summary, ecotel is convinced that the key risks identified neither individually nor collectively pose a tangible risk to ecotel's continued existence and that ecotel's flexible business model and monitoring system will enable it to detect risks quickly, react to them and initiate countermeasures in 2024, too.

Overall, the Management Board gives all risks with a gross risk of 1 a net risk of 2 or lower due to risk-minimising interventions. The exception is the risk resulting from merging and integrating the new and old system architecture.

3. OPPORTUNITIES OF FUTURE DEVELOPMENT

In addition to risks, there is a wide range of opportunities that can affect ecotel's business performance on a long-term basis. As a result of the targeted strategic alignment and external factors, the opportunity situation has improved in comparison to the previous year. The opportunities from the perspective of the Group's Management Board are described below:

Focus on most important growth markets on the German telecommunications market

The German business customer market is very cautious compared with other European countries and is lagging behind when it comes to digitalisation, both in cloud telephony and in broadband expansion. However, the Management Board believes, based on various market studies, that there is significant need to catch up and considerable pent-up demand here and that growth rates will pick up substantially in the coming years, particularly in the focus areas of »Cloud & Fiber«. ecotel will be able to benefit disproportionately from market growth as a result of the investments it has made in recent years, which in some cases were anti-cyclical, in modern IT and production systems and in particular the investment it made in 2023 in the targeted positioning of the company in precisely these growth areas.

With its own cloud.phone product group and multi-carrier-based ethernet, ecotel is ideally positioned for the two growth areas of »Cloud & Fiber« and is therefore focusing on these areas.

Cloud telephony (cloud.phone) and UCC solutions

Two further key trends in telecommunications are voice over IP (VoIP) and the relocation of telephone systems to the network (cloud telephony). The ecotel product range has exactly these characteristics. With its local exchange carrier operations as well as its in-house cloud.phone solutions, ecotel has further opportunities to increase sales and profit by converting the existing customer base.

Fibre: sustainable sales activities for data

Data sales including hosting already account for more than 50% of sales with business customers. The past financial year showed that this ratio could see stronger growth than assumed in the current planning, partly due to the increasing progress being made in expanding fibre optic technology in Germany, the development of an open-access platform and successful positioning on the growing market for software-based networking (SD-WAN).

As one of the first providers on the market, the Group is already deploying »universal customer premises equipment« (CPE) in customer networks. In contrast to conventional proprietary devices, each of which can only take over one specific function, universal CPE can do more than simply replace one service for the customer. Universal CPE not only offers a data line, but can also provide modern SD-WAN software, a local firewall and other network-related functions at the same time. That means that ecotel can place further services with customers without investing in additional hardware, including as part of a new sales model (»try & buy«), and can thus open up further sources of sales. Universal CPE also offers greater investment protection, as its generic nature means that it is not bound to specific access technologies and therefore does not have to be replaced if the type of connection changes, e. g. as a result of the roll-out of fibre optic.

Acquisition of further major customers and renewal of contracts and expansion with existing major customers

The large projects already successfully implemented make it possible for ecotel to offer similar projects to other major customers with decentralised structures. These particularly include the customisable remote router management service, connectivity solutions within an MPLS VPN, and central firewall services in ecotel's data centre. ecotel also successfully established itself on the SD-WAN market with several reference projects. It is also possible to enter into contract renewal talks with existing customers before the end of the contractual minimum terms. The experience and knowledge gained gives ecotel the opportunity to extend relationships with major customers. In addition, potential new customers benefit from the experience ecotel has gathered in recent years (e. g. roll-outs in the retailer environment), giving ecotel the opportunity to conclude further profitable contracts with major customers.

Strategic cooperations to exploit market opportunities resulting from stronger interconnection of telecommunications and IT

The current sales and growth rates in the overall market relating to cloud services, i. e. the transfer of local computing power to secure data centres, are substantial. This positive development corresponds perfectly with ecotel's product range in the area of infrastructure and data services – for example, with the xDSL and fibre-optic bandwidths available throughout Germany and with MPLS VPN solutions and housing/colocation services in ecotel's data centre. Unlike many multinational cloud providers with their heterogeneous structures, ecotel – as a German provider with data centres in Frankfurt am Main and Düsseldorf – has the right conditions for full and credible compliance with German data protection laws and offers ideal conditions for a hybrid cloud scenario. With regard to the current data security discussion, this is a key advantage in terms of location and competition.

Profitable growth at mvneco GmbH (included using the equity method)

mvneco is increasingly evolving into an IT system vendor for telecommunications providers and associated business models. This may give rise to opportunities that are not entirely foreseeable at the moment.

Potential positive effects from legal proceedings initiated by the Federal Network Agency

The Federal Network Agency has brought several legal proceedings and judgements against Deutsche Telekom in the last few years, from which ecotel may potentially be able to expect retrospective refunds or repayments. ecotel cannot influence the time frame for implementation of these decisions/judgements/laws or when they will come into force. If judgements should come into force, however, this could result in positive earnings contributions and cash receipts that cannot currently be foreseen.

4. FORECAST

Note on forecasts

This Group Management Report contains forward-looking statements that reflect the current views of ecotel's management with regard to future events. Such statements are generally characterised by the words »expect«, »anticipate«, »assume«, »intend«, »estimate«, »aim for«, »target«, »plan«, »will«, »endeavour«, »outlook« and comparable expressions, and they generally contain information relating to the expectations or targets for sales, gross profit, operating EBITDA and consolidated net profit or other performance indicators. Forward-looking statements are based on currently applicable plans, assessments and expectations. They should therefore be treated with caution. Such statements are subject to risks and uncertainties that tend to be difficult to estimate and are generally beyond ecotel's control. Other possible factors that could significantly impact the cost and sales development include changes in interest rates, regulatory requirements and supervisory law developments. If these or other risks and uncertainties materialise, or if the assumptions on which the statements are based prove to be incorrect, then ecotel's actual results could differ significantly from those expressed or implied in these statements. ecotel cannot provide any guarantee that the expectations or targets will be achieved and – notwithstanding existing obligations under capital market law – does not accept any responsibility for updating forward-looking statements to take account of new information, future events or other things.

Notes to the forecast

Current forecasts for the development of gross domestic product for 2024 anticipate slight growth of 1.5%.[1]

In the past, ecotel and the German telecommunications market as a whole were generally far less affected by adverse macroeconomic developments and crises than other companies and sectors. The general economic conditions of the market situation and the assessment of the risk and opportunity situation as presented in this Group Management Report, as known at the time of preparing the report, were incorporated into the forecast for 2024.

Focus on most important growth markets on the German telecommunications market

The Management Board believes that the German telecommunications market is essentially driven by the two trends of **cloud telephony** and **broadband expansion**. With its own cloud.phone product group and multi-carrier-based ethernet, we believe ecotel is ideally positioned for these two growth areas, and the company is therefore focusing on »Cloud & Fiber«.

In our opinion, the cloud telephony market in Germany is still lagging behind international developments, primarily on account of delays in rolling out broadband/fibre optic. Accordingly, the two growth areas are interlinked and present an outstanding opportunity for ecotel to provide holistic support to new and existing customers in connection with these trends.

Growth strategy for the ecotel Business Customers segment

The significant investment in the growth markets of **»Cloud«** and **»Fiber«** that we announced in the 2023 financial year has generally had a positive impact, but later than originally projected. While marketing in the growth market of **»Fiber«** ran almost as scheduled on the whole in the year under review, the growth market of **»Cloud«** began to show growth later than expected, or did not gain the momentum that was originally anticipated in 2023. Nevertheless, the investments made in 2023 are showing positive long-term effects.

In December 2023, ecotel beat more than ten competitors to win a tender, receiving the largest individual order in the company's history. This was followed by another major order at the end of January 2024. We will begin implementing these two contracts, which have a combined TCV (total contract value) of over EUR 20 million, in 2024. This will involve investment in hardware and licences as well as non-recurring expenses for transformation and the provision of services.

Following a start-up phase in 2024, these two contracts are then expected to be fully reflected in sales and income for the first time from 2025 onwards.

Due to the delay in sales success and the above-mentioned start-up costs for the major contracts, the Management and Supervisory Boards expect EBITDA to increase only slightly in 2024, but anticipate a substantial rise from 2025.

1 Source: Destatis, press release no. 19 dated 15 January 2024

2024 forecast and medium-term planning

In view of the opportunities and risks contained in the annual report, the currently anticipated general economic conditions with the related uncertainties and the information in this section, the Management Board is issuing the following forecast:

2024 forecast in EUR million

	2023	Forecast for 2024
Sales	**106.3**	**108–112**
ecotel Business Customers	46.2	48–52
ecotel Wholesale	60.2	50–60
Gross profit	**32.1**	**33–35**
ecotel Business Customers	30.2	31–33
ecotel Wholesale	1.9	2–3
Operating EBITDA	**9.0**	**9–10**
ecotel Business Customers	7.8	8–9
ecotel Wholesale	1.2	~1
Consolidated net profit	**7.4**	**>2**

Definition of operating EBITDA

ecotel defines EBITDA as EBIT before depreciation, amortisation and impairment losses. Since the 2023 financial year, ecotel has used operating EBITDA, as defined below, as its central key performance indicator. Given the difficulties in predicting non-recurring effects and in order to manage business operations and ensure the long-term comparability and transparency of business operations, the Management Board considers this key performance indicator more suitable than EBITDA. Individual non-recurring effects had been deducted from EBITDA in previous years where necessary for the sake of comparability and transparency.

ecotel has defined the following adjustment effects that will correct reported EBITDA into **operating EBITDA**:

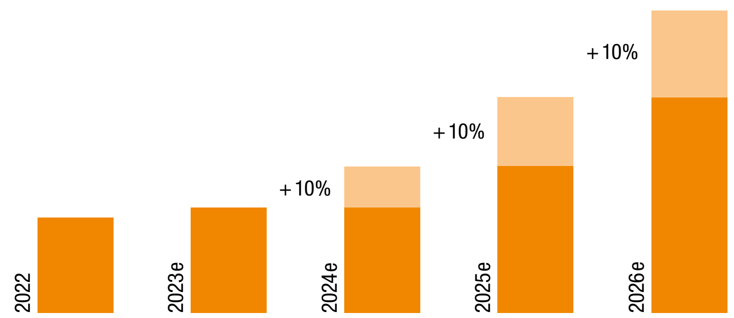
// Income and expenses from changes in the investment portfolio and the directly related transaction costs (including deconsolidation gains/losses, effects of purchase price allocation, expenses for due diligence, legal services, notarisation),
// Extraordinary (not forecast) income from the transfer of right-of-use assets to online resources (including purchase price, currency translation effects, transaction costs),
// Expenses for non-cash measurement effects (e.g. stock option plans) and expenses incurred by the Group in connection with the exercising of stock option plans,
// Expenses for reorganisation and restructuring measures,
// Other income and expenses that were unpredictable in terms of the type and/or amount, that reduce the comparability of operating activities and cannot be directly influenced by management (e.g. unpredictable temporary fluctuations in energy prices or unforeseen retroactive adjustments in the price of upstream products by regulatory authorities).

The actual occurrence of the forecast developments is subject to there being no adverse changes in the identified risks – such as higher probabilities of occurrence or higher losses – and no new risks that could arise within the forecast period. Identified opportunities must also still exist and be achievable. Please refer to the information in the Note on forecasts.

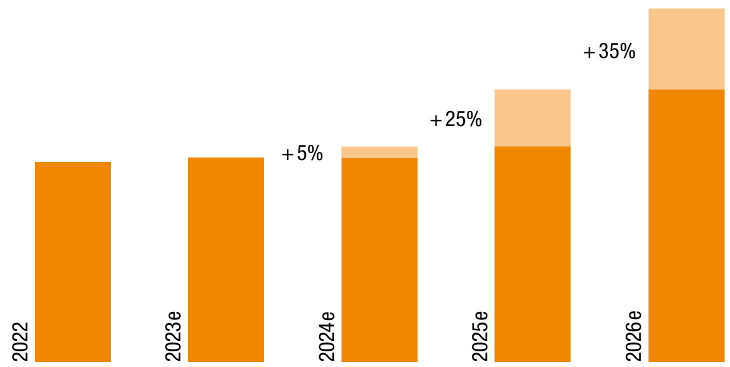
Medium-term planning

The Management Board anticipates significant sales growth in the ecotel Business Customers segment in 2025 and 2026, as our investment in sales and measures to support sales is continuing to have a positive impact on incoming orders and the above-mentioned large projects will by then be expected to be fully reflected in sales. As a result, the Management Board believes that sales growth of around 10% per year in the ecotel Business Customers segment is achievable. Operating EBITDA is expected to increase to as much as EUR 15 million in 2025 and 2026, due to the effects outlined above.

Sales forecast (trend)



Forecast for operating EBITDA (trend)



1.4 TAKEOVER-RELATED DISCLOSURES

With the exception of the following regulations, there are no agreements for compensation in the event of a takeover for Management Board members or for any other executive body members in the Group. There are no further agreements between ecotel and individuals that take effect in the event of a change of control resulting from a takeover bid.

In the event of a change of control, i. e. the acquisition of a majority in the company by a person (acting alone or in concert), with the exception of such parties which directly or indirectly are full subsidiaries of the company or hold more than 5% of the share capital of the company when this stock option plan was set up, and certain economically comparable transactions or a revocation of the approval of the shares to be traded in the regulated market, the ecotel ag stock option programme which has been in place since 2020 stipulates that the outstanding stock options lapse against a cash payment.

1.5 DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

The Management Board and Supervisory Board of ecotel communication ag have issued the declaration on corporate governance required in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the corporate governance report including the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and have made them permanently available to the public online at www.ir.ecotel.de.

Düsseldorf, 8 March 2024

ecotel communication ag
The Management Board

Markus Hendrich	Achim Theis
Chairman of the Management Board	Member of the Management Board

STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and result of operations and the Group Management Report includes a fair review of the business development including the business results and the position of the Group and describes the main risks and opportunities of the Group's expected development.

Düsseldorf, 8 March 2024

ecotel communication ag
The Management Board

Markus Hendrich
Chairman of the Management Board

Achim Theis
Member of the Management Board

03

CONSOLIDATED FINANCIAL STATEMENTS

2.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

EUR	Notes	31 Dec. 2022	31 Dec. 2023
Assets			
A. Non-current assets			
I. Intangible assets	1	14,397,064	15,260,320
II. Property, plant and equipment	2	5,238,715	4,211,687
III. Rights of use from leases	3	5,448,588	5,751,892
IV. Capitalised contract costs	4	2,948,196	3,262,887
V. Investments accounted for using the equity method	5	1,267,390	1,280,511
VI. Trade receivables	7	–	96,051
VII. Other financial assets	6	50,134	886,874
VIII. Other non-financial assets	7	275,313	648,481
IX. Contract assets	7	**25,681**	0
Total non-current assets		**29,651,081**	**31,398,703**
B. Current assets			
I. Trade receivables	7	8,436,293	10,921,806
II. Contract assets	7	43,832	25,680
III. Other financial assets	7	686,743	361,692
IV. Other non-financial assets	7	675,722	692,967
V. Current income tax assets	8	1,985,570	224,296
VI. Cash and cash equivalents	9	**66,931,629**	3,702,441
Total current assets		**78,759,789**	**15,928,882**
Total assets		**108,410,870**	**47,327,585**

EUR	Notes	31 Dec. 2022	31 Dec. 2023
Equity and liabilities			
A. Equity	10		
I. Share capital		3,510,000	3,510,000
II. Capital reserves		2,121,065	2,240,036
III. Other reserves		**76,609,285**	17,978,678
Total equity		**82,240,350**	**23,728,714**
B. Non-current liabilities			
I. Deferred income taxes	11	1,022,664	1,082,388
II. Lease liabilities	13	4,947,807	5,499,459
III. Contract liabilities	14	504,135	366,321
IV. Other financial liabilities	12	**235,547**	0
Total non-current liabilities		**6,710,153**	**6,948,167**
C. Current liabilities			
I. Current income taxes	11	6,112,087	2,284,559
II. Lease liabilities	13	949,150	925,840
III. Trade payables	12	9,553,623	11,048,488
IV. Contract liabilities	14	864,144	576,551
V. Other financial liabilities	12	1,227,173	1,074,755
VI. Other non-financial liabilities	12	**754,190**	740,511
Total current liabilities		**19,460,367**	**16,650,704**
Total equity and liabilities		**108,410,870**	**47,327,585**

Differences in totals may occur due to rounding.
Previous year's figures adjusted, see note 7.

2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2023 FINANCIAL YEAR

EUR	Notes	1 Jan. – 31 Dec. 2022 [1]	1 Jan. – 31 Dec. 2023
1. Sales	17	92,155,099	106,289,401
2. Other operating income	18	15,852,682	6,549,489
3. Other own work capitalised		476,667	443,132
4. Total operating performance		**108,484,448**	**113,282,022**
5. Cost of materials	19	–61,857,683	–74,204,698
6. Staff costs	20	–13,749,975	–15,471,427
6.1 Wages and salariesr		–11,821,526	–13,293,479
6.2 Social security and expenses for pensions and other benefits		–1,928,449	–2,177,948
7. Depreciation and amortisation	21	–5,556,688	–4,780,790
thereof amortisation of rights of use from leases		–990,278	–986,621
8. Other operating expenses	22	–9,493,835	–11,159,878
9. Operating result (EBIT)		**17,826,266**	**7,665,229**
10. Interest income		120,005	503,764
11. Interest expenses		–257,593	–300,670
thereof interest expense from lease liabilities		–180,534	–279,365
12. Other financial income / expenses		704	0
13. Net income from investments accounted for using the equity method		143,170	312,822
14. Net finance costs	23	**6,287**	**515,916**
15. Profit from ordinary activities before income taxes		**17,832,554**	**8,181,145**
16. Income taxes	24	–5,859,943	–2,501,414
17. Earnings after taxes from continuing operations		**11,972,610**	**5,679,731**
18. Earnings after taxes from discontinued operations	25	58,181,822	1,747,862
19. Net profit (= consolidated comprehensive income)		**70,154,433**	**7,427,593**
20. Allocation of net profit to			
20.1 Owners of the parent (consolidated net profit)		**67,535,264**	**7,427,593**
20.2 Minority interests	26	2,619,168	0

EUR	Notes	1 Jan. – 31 Dec. 2022 [1]	1 Jan. – 31 Dec. 2023
Basic earnings per share	27	19.24	2.12
Diluted earnings per share [2]	27	17.51	1.93

1 Previous year's figures restated.
2 As at 31 December 2023 there was dilution of earnings per share. No stock options were exercised in the 2023 financial year (4-year lock-up period). Due to a lack of relevant circumstances, no »other comprehensive income« item is presented.

Differences in totals may occur due to rounding.

2.3 CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 2023 FINANCIAL YEAR

See note no. 28

EUR	2022[1]	2023[1]
Profit from ordinary activities before income taxes	25,588,137	8,311,493
Net interest income	224,161	–211,306
Amortisation of non-current assets	6,649,468	4,780,790
Net income from investments accounted for using the equity method	–143,171	–312,822
Expenses for equity-settled share-based remuneration	118,971	118,971
Gain (–)/loss (+) from disposals of fixed assets	–29,418	–63,499
Changes in working capital assets	1,547,436	–3,003,185
Change in provision	–3,500	0
Change in other working capital liabilities	–1,691,519	643,291
Income taxes paid (–)/received (+)	–3,774,443	–4,161,922
Net cash from operating activities	**28,486,122**	**6,101,812**
Payments for investments in intangible assets and property, plant and equipment	–5,511,127	–3,918,579
Cash receipts from disposals from the scope of consolidated financial statements[2]	49,470,498	927,265
Cash receipts from repayments of equity by investments measured using the equity method	0	299,700
Interest payments received	69,478	551,453
Net cash generated by/net cash used in investing activities	**44,028,850**	**–2,140,162**
Dividends paid	–7,897,500	–66,058,200
Payments to minority interests	–5,735,340	0
Repayments of financial loans	–3,082,829	0
Repayments of lease liabilities	–1,249,212	–841,564
Interest payments for other financial liabilities	–77,059	–19,919
Interest payments for leases	–181,199	–271,154
Net cash used in financing activities	**–18,223,138**	**–67,190,838**
Cash-effective change in cash and cash equivalents	**54,291,834**	**–63,229,188**
Cash and cash equivalents at beginning of period	12,639,795	66,931,629
Cash and cash equivalents at end of period	**66,931,629**	**3,702,441**

1 Cash inflows/outflows in the year under review and in the previous year include cash flows from continuing and discontinued operations.
2 For further details, see the notes on discontinued operations no. 25.

Differences in totals may occur due to rounding.

2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See note no. 10

EUR	Share capital	Capital reserves	Earnings reserves: Other earnings reserves	Earnings reserves: Consolidated net income	Earnings reserves: Interests attributable to owners of the parent	Earnings reserves: Minority interests	Earnings reserves: Total
As at 1 January 2022	3,510,000	2,002,095	13,948,093	4,782,827	24,243,014	4,807,928	29,050,942
Distributions	0	0	−7,897,500	0	−7,897,500	−5,735,340	−13,632,840
Reclassification of prior-year result	0	0	4,782,827	−4,782,827	0	0	0
Changes in the scope of consolidation	0	0	−1,759,399	0	−1,759,399	−1,691,756	−3,451,156
Changes in equity not recognised in income	**0**	**0**	**−4,874,072**	**−4,782,827**	**−9,656,899**	**−7,427,096**	**−17,083,996**
Increase in share-based remuneration	0	118,971	0	0	118,971	0	118,971
Consolidated net income for 2022	0	0	0	67,535,264	67,535,264	2,619,168	70,154,433
Changes in equity recognised in income	**0**	**118,971**	**0**	**67,535,264**	**67,654,235**	**2,619,168**	**70,273,403**
As at 31 December 2022	**3,510,000**	**2,121,065**	**9,074,020**	**67,535,264**	**82,240,350**	**0**	**82,240,350**

EUR	Share capital	Capital reserves	Earnings reserves: Other earnings reserves	Earnings reserves: Consolidated net income	Earnings reserves: Interests attributable to owners of the parent	Earnings reserves: Minority interests	Earnings reserves: Total
As at 1 January 2023	3,510,000	2,121,065	9,074,020	67,535,264	82,240,350	0	82,240,350
Distributions	0	0	−66,058,200	0	−66,058,200	0	−66,058,200
Reclassification of prior-year result	0	0	67,535,264	−67,535,264	0	**0**	0
Changes in equity not recognised in income	**0**	**0**	**1,477,064**	**−67,535,264**	**−66,058,200**	**0**	**−66,058,200**
Increase in share-based remuneration	0	118,971	0	0	118,971	0	118,971
Consolidated net income for 2023	0	0	0	7,427,593	7,427,593	**0**	7,427,593
Changes in equity recognised in income	**0**	**118,971**	**0**	**7,427,593**	**7,546,564**	**0**	**7,546,564**
As at 31 December 2023	**3,510,000**	**2,240,036**	**10,551,085**	**7,427,593**	**23,728,714**	**0**	**23,728,714**

Differences in totals may occur due to rounding.

2.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF ECOTEL COMMUNICATION AG

GENERAL INFORMATION

The ecotel Group (referred to hereinafter as »ecotel«) is a telecommunications company that has been operating throughout Germany since 1998 and specialises in customers' information and telecommunication requirements (ICT). Its parent company is ecotel communication ag (referred to hereinafter as »ecotel ag«). ecotel reports on the following segments:

The **»ecotel Business Customers«** segment is the core area of ecotel ag. It includes all business relating to the marketing of integrated product portfolios of voice and data services (ICT solutions) and the earnings contributions of the minority investments mvneco GmbH and UPLINK Digital GmbH. The **»ecotel Wholesale« segment** comprises cross-network trading in telephone minutes (Wholesale Voice) and marketing data lines (Wholesale Data) for national and international carriers. The **»nacamar«** segment, which was deconsolidated on 1 April 2023, comprised the business activities of the subsidiary nacamar and offered streaming services for media companies on the basis of its own content delivery network (CDN).

ecotel communication ag is headquartered in Düsseldorf, Germany. The address is: ecotel communication ag, Prinzenallee 11, 40549 Düsseldorf. The company was entered in the commercial register at the District Court of Düsseldorf (HRB 39453) on 1 September 2000.

In addition to Frankfurt am Main, ecotel communication ag's shares are also traded on other German stock exchanges.

The audited consolidated financial statements including the Group Management Report are published in the company register. The consolidated financial statements will be released for publication on 14 March 2024 with their handover from the Management Board to the Supervisory Board of ecotel communication ag.

ACCOUNTING PRINCIPLES

The consolidated financial statements of ecotel were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the additional provisions of German commercial law to be observed in accordance with section 315e (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The consolidated financial statements are prepared in euros. The consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity each include comparative figures for the previous year.

In order to improve clarity of presentation, various items of the consolidated statement of financial position and the consolidated statement of comprehensive income are combined. These items are broken down and explained accordingly in the notes.

The consolidated statement of comprehensive income is structured in line with the nature of expense method, under which expenses are aggregated within profit or loss according to their nature and are not reallocated among functions within the entity.

Because there were no corresponding circumstances at ecotel in the previous year or in the 2023 financial year, no presentation of other comprehensive income is shown after the income statement.

The financial statements of the subsidiaries are included in the consolidated financial statements in line with the uniform recognition and measurement methods applicable to the Group.

All standards that are applicable on the reporting date and endorsed by the EU are applied. In addition, the interpretations of the IFRS Interpretations Committee (IFRS IC) are also observed.

New standards or amendments to pronouncements of the IASB applicable for the first time in the consolidated financial statements as at 31 December 2023

By the date the consolidated financial statements as at 31 December 2023 were prepared, the following new and amended standards and interpretations had been adopted and endorsed by the EU in European law. Only the new or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown.

New standards or amendments to pronouncements of the IASB applicable for the first time in financial year 2023

Standard / Interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 12 »Income Taxes«: International Tax Reform – Pillar 2 Model Rules	1 January 2023	1 January 2023
IFRS 17 »Insurance Contracts« including amendment »Initial Application of IFRS 19 and IFRS 9 – Comparative Information«	1 January 2023	1 January 2023
Amendments to IAS 1 »Presentation of Financial Statements« and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023	1 January 2023
Amendments to IAS 8 »Accounting Policies, Changes in Accounting Estimates and Errors«: Definition of Accounting Estimates	1 January 2023	1 January 2023
Amendments to IAS 12 »Income Taxes«: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023	1 January 2023

The initial application of these standards had no material effect on ecotel's net assets, financial position and result of operations.

New standards or amendments to pronouncements of the IASB not yet applicable in the consolidated financial statements as at 31 December 2023

By the date the consolidated financial statements as at 31 December 2023 were prepared, the following new and amended standards and interpretations had been adopted but not yet fully endorsed by the EU in European law. Only the new standards or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown. However, these do not take effect until later and will not be applied early.

Standard / Interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 7 »Statement of Cash Flows« and IFRS 7 »Financial Instruments – Disclosures«: Supplier Finance Arrangements	1 January 2024	pending
Amendments to IAS 21 »Currency Translation«: Lack of Exchangeability	1 January 2025	pending
Amendments to IAS 1 »Presentation of Financial Statements«: // Classification of Liabilities as Current or Non-Current // Classification of Liabilities as Current or Non-Current – Deferral of Effective Date // Non-Current Liabilities With Covenants	1 January 2024	1 January 2024
Amendments to IFRS 16 »Leases«: Lease Liabilities in Sale and Leasebacks	1 January 2024	1 January 2024

The initial application of these standards will have no material effect on ecotel's net assets, financial position and result of operations.

Principles of consolidation

In accordance with IFRS, all business combinations are to be accounted for using the purchase method. The purchase price of an acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. The relevant factor here is the value ratios at the date when control over the subsidiary was obtained. Control means that the Group has power of disposition over the subsidiary in that it has substantial rights to govern the subsidiary's main business activities. The recognisable assets and the liabilities and contingent liabilities assumed are measured in full – irrespective of the equity interest – at their fair values. Any remaining positive difference is recognised as goodwill. Any remaining negative difference is recognised in profit or loss. The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expenses of a subsidiary continue to be included in the consolidated financial statements until the date when the parent ceases to control the subsidiary. On deconsolidation, the residual carrying amounts of goodwill are taken into account when calculating the gain or loss on disposal. Income and expenses between the consolidated companies are offset against each other, as are receivables and liabilities / provisions. Intercompany results are eliminated unless they are of only minor importance. Impairment and reversals of impairment losses recognised on shares in consolidated subsidiaries in the separate financial statements are generally reversed. Shares in associated entities are accounted for using the equity method. This means that shares in an associated entity are recognised in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share in the net assets of the respective entity. The goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income includes the Group's share in the associated company's profit. The associated companies' financial statements are prepared as at the same reporting date as the parent company's financial statements. If necessary, adjustments are made in line with the Group's uniform accounting policies. If there are indications of possible impairment, the total net investment (value at equity including financial assets from these companies for which there is no adequate collateral) is tested for impairment in accordance with IAS 28 in conjunction with IAS 36.

Scope of consolidated financial statements

In addition to ecotel communication ag, the consolidated financial statements include all (previous year: all) subsidiaries in which ecotel communication ag directly or indirectly holds the majority of the voting rights and has substantial rights to govern the subsidiary's main business activities. Initial consolidation/deconsolidation generally takes place at the time the investment is acquired/sold.

ecotel ag relinquished control over nacamar GmbH in the 2023 financial year and received a an interest of around 25% in UPLINK Digital GmbH, Düsseldorf, as a result of this transaction.

On 30 October 2023, ecotel ag founded ecotel Beteiligungs GmbH and the holding in the above-mentioned company UPLINK Digital GmbH was incorporated into it. The purpose of ecotel Beteiligungs GmbH is to acquire, hold and manage investments in other companies and to acquire and manage its own assets for its own account. ecotel Beteiligungs GmbH was fully consolidated for the first time in the 2023 financial year.

In the 2023 financial year, ecotel communication ag directly and indirectly held the following equity investments that were included in the scope of consolidation (list of shareholdings, based on the financial statements as at 31 December 2023 of mvneco and the interim financial statements as at 31 March 2023 of nacamar GmbH):

Information on the basis of IFRS	Share of capital in % [2]	Equity in EUR thousand [2]	Earnings in EUR thousand [2]	Sales in EUR thousand [2]	Employees [1] (average) [2]
nacamar GmbH, Düsseldorf (fully consolidated until 31 March 2023) [3]	0	–	89	298	6
	(100.00)	(586)	(188)	(1.173)	(7)
ecotel Beteiligungs GmbH, Düsseldorf (fully consolidated)	100.00	837	–5	–	–
UPLINK Digital GmbH, Düsseldorf (not consolidated) [4]	24.9995				
mvneco GmbH, Düsseldorf (associated company)	33.33	3,841	938	7,644	26
	(33.33)	(3,802)	(430)	(7,292)	(30)

1 Not including Management Board members/managing directors or trainees.
2 Previous year's figures in brackets; corresponds to share in the voting rights.
3 The result does not take account of any profit transfer/loss assumption.
4 Indirect holding via ecotel Beteiligungs GmbH; no financial statement information available as at 31 December 2023. For further details of accounting, see note no. 6.

The reporting date for the preparation of the consolidated financial statements is 31 December, which is also the reporting date for the annual financial statements of the parent company and of all consolidated subsidiaries.

Accounting policies

The main accounting policies for the consolidated financial statements are described below.

Apart from the effects of standards and interpretations required to be applied for the first time, the following **accounting policies** have not changed in comparison to the previous year:

Assets are capitalised when all material risks and rewards associated with their use accrue to the Group. They are measured at amortised acquisition or production cost. Acquisition cost includes all consideration paid to acquire an asset and make it ready for use. Production cost includes all costs directly attributable to the production process and appropriate portions of the production-related overheads.

Acquired intangible assets are recognised at their acquisition cost and amortised on a straight-line basis over their estimated useful life unless another amortisation method better corresponds to their usage pattern in exceptional cases.

Internally generated intangible assets from which the Group is likely to derive a future benefit and that can be measured reliably are measured at production cost. Capitalisation is also subject to their completion being technically ensured, which in turn is subject to there being an intention to complete the intangible asset. Internally generated intangible assets at ecotel ag generally relate to internally generated software and applications that are used by the company itself rather than being sold (including development relating to local exchange carrier operations, the sales partner portal and automation of systems and their improvement). Their measurement is regularly based on the following useful lives:

Concessions and industrial property rights	Development costs	Software	Customer base
3–5 years	5–15 years	3–7 years	6–18 years

If there are indications of impairment and the recoverable amount is lower than amortised cost, the intangible assets are written down. The recoverable amount from an asset corresponds to the higher of the net sales proceeds and the present value of the future cash flows attributable to the asset (value in use).

ecotel ag does not conduct any **fundamental research**. **Development** costs are capitalised and amortised on a straight-line basis when a newly developed product or process can be clearly defined, is technically feasible and is intended either for internal use or for marketing. Capitalisation is also subject to the condition that a clear allocation of expenses is possible, it is sufficiently likely that the costs can be covered by future cash funds and it is possible to use or sell the intangible asset. ecotel itself does not conduct any fundamental research, but instead focuses on the integration and compatibility of existing types of lines, tariff combinations and device configurations. The focus here is always on the greatest possible cost/benefit effect for customers (»best-of-breed« approach). For this reason, development expenses in recent years have mainly been limited to technical developments to establish the company's own local exchange carrier operations and development work for a sales partner portal, as well as system developments and improvements for processing orders for the new product range.

Goodwill from consolidation is tested for impairment at the level of the relevant cash-generating unit when there are signs of impairment, or at least once a year. In accordance with IAS 36, the carrying amount must be compared with the recoverable amount. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

Property, plant and equipment is measured at cost less use-based depreciation and less any impairment losses. Property, plant and equipment is generally depreciated on a straight-line basis over its estimated useful life, unless another depreciation method better corresponds to its usage pattern in exceptional cases. Property, plant and equipment (other equipment, operating and office equipment) is regularly depreciated over 3–7 years. If there are indications of impairment and the recoverable amount is lower than amortised cost, property, plant and equipment is written down. If the reasons for impairment losses recognised in previous years no longer apply, the corresponding impairment losses are reversed.

Rights of use from leases are the rights granted to use a leased asset during the agreed term of the contract. The right of use is transferred from the lessor to the lessee at the inception of the lease. Rights of use are measured at cost and comprise the present value of the future lease payments plus initial direct costs and any asset retirement obligations. The right of use is amortised on a straight-line basis over the term of the underlying lease. ecotel has rights of use for properties rented on a long-term basis to operate the data centre and for administration, network infrastructure rented on a long-term basis (backbone) and the vehicle fleet, which is rented on a long-term basis. Properties are usually rented for between five and ten years, while the network infrastructure and the vehicle fleet are generally rented for three years. For leases incurring annual expenses of less than EUR 15 thousand (office and IT equipment such as photocopiers and fax machines) and for short-term leases (less than twelve months), the practical expedient is applied and expense is recognised directly.

Capitalised contract costs consist of the additional costs incurred when obtaining a contract (costs to obtain contracts) and the costs that result from fulfilling a contract with the customer (costs to fulfil contracts), provided these do not come under the scope of application of another standard. Costs to obtain contracts (essentially external acquisition commission for sales partners) are recognised as an asset if future settlement of the costs can be assumed and if the costs were incurred solely in connection with the conclusion of a contract and can be allocated directly to the customer contract. Expenses that relate solely to short-term performance obligations are recognised directly in profit or loss. Costs to fulfil contracts are recognised as an asset if all of the following conditions are met: The costs are directly attributable to an existing or anticipated contract or will be incurred upon an upcoming contract renewal; the costs incurred contribute to the fulfilment of the performance obligation and create or improve the company's resources; and the costs are expected to be offset in the future. Capitalised contract costs are amortised on a straight-line basis. When determining the average customer retention period (5 years) for costs to obtain contracts, it is assumed that some of the customers will extend the original contract period. For costs to fulfil contracts, the average contract term (3–6 years) is used, which depends on the type of performance obligation and its allocation to an operating segment. Amortisation of costs to obtain contracts is reported in other operating expenses, while amortisation of costs to fulfil contracts is reported in the cost of materials, meaning that both form part of operating earnings. In the event of significant changes in the underlying assumptions, the useful lives or other parameters are adjusted. An impairment loss is recognised in profit or loss as soon as the carrying amount of the capitalised contract costs exceeds the remaining amount of the consideration to which the capitalised costs relate, less the costs to fulfil the contract. Capitalised contract costs are reported under non-current assets.

Other non-current financial assets include investments that are not included in the scope of consolidation because ecotel does not have control or significant influence over them. Equity instruments are measured at fair value in profit or loss. Investments are measured at cost, provided that there is no information that is relevant to measurement and no indication of permanent impairment.

Trade receivables and **other financial assets** are accounted for at fair value on initial recognition, taking account of any transaction costs incurred, and are amortised accordingly. These receivables represent an unconditional right to receive consideration. All trade receivables are of a short-term nature. Receivables denominated in a foreign currency are measured using the selling rate on the reporting date. The valuation allowances relate only to the major »amortised cost« category and are entirely attributable to current assets. The business model currently provides for the receivables to be held, meaning that a different classification does not result in any significant effects. Valuation allowances for trade receivables are always measured in the amount of the lifetime expected credit losses. In accordance with IFRS 9, the simplified model is used in relation to impairment, as the Group only has trade receivables without significant financing components. The Group applies the simplified approach here and takes advantage of the permitted practical expedient. The expected credit loss risk for trade receivables is measured using an impairment matrix.

Contract assets are recognised when there is a conditional right to receive consideration from the customer. This right results from the transfer of the service to the customer before the customer then pays the contractually agreed consideration or payment is due. The contract asset is tested for impairment using the simplified model under IFRS 9. The current remaining term is less than one year.

Prepaid insurance premiums and prepayments to suppliers for future services relating to a defined date or period are accrued as **other non-financial assets**.

Provisions include all identifiable obligations on the reporting date that are based on past transactions or events and whose amount or settlement date is uncertain. Provisions are recognised at their probable settlement amount.

Liabilities (loans, trade payables, other financial liabilities, non-financial liabilities) are generally recognised in the amount of the consideration received when they arise, including any transaction costs incurred in the case of financial liabilities that are not measured at fair value through profit or loss. They are subsequently measured at amortised cost. Other financial liabilities from hire purchase agreements are measured at the present value of the expected payments as at the provision date. They are subsequently measured at amortised cost. The carrying amount accrues interest at the underlying interest rate in the contract and is reduced by the payments made. Liabilities denominated in a foreign currency are measured using the buying rate on the reporting date.

Deferred taxes are recognised on different valuations of assets and liabilities in the consolidated statement of financial position and in the individual companies' statements of financial position for tax purposes if these different valuations will in future result in higher or lower taxable income than there would be according to the consolidated statement of financial position. Deferred taxes are calculated based on the tax rates that are applicable or expected in the individual countries as at the effective date. There are currently no foreign Group companies.

Lease liabilities represent the payment obligations not yet paid to the lessor for the rights of use granted for a leased asset. Lease liabilities are measured at the present value of the expected lease payments as at the provision date. The lease payments are uniform payments over the entire term. Expected residual value payments, the exercise price of a purchase option and penalties for early termination of the lease must also be taken into account. There are no variable lease payments based on an index or interest rate. Lease payments are discounted using the incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest method. The interest portion of the lease liability is recognised through profit or loss in the financial result over the term of the lease. Extension or termination options are included in the measurement of the lease liabilities if it is reasonably certain that these options will be exercised. Extension options exist only for the rented properties. For the vehicle fleet, the portfolio approach is applied. In the case of subleases, the head lease and the sublease are accounted for separately when ecotel acts as an intermediate lessor. The sublease is classified based on its right of use from the head lease and based on the underlying asset. The lease liabilities are divided into current and non-current liabilities depending on their settlement date.

Contract liabilities are the payments already received from the customer for the future transfer of services or the customer's unconditional right to certain consideration. Contract liabilities thus represent the obligation to provide a service to the customer. They are recognised as soon as one of the following criteria is met: The customer pays or the payment is due. Depending on the type of performance obligation and its allocation to an operating segment, the performance obligation is fulfilled and thus recognised as sales within the average contract term (3–6 years). Contract liabilities are divided into current and non-current liabilities depending on their settlement date.

Equity-settled **share-based payment plans** are measured at fair value at time of grant. When determining the fair value of remuneration agreements at the grant date, no account is taken of performance conditions not relating to service and the market. However, the probability that the conditions will be fulfilled is assessed in the context of the best estimate in respect to the number of equity instruments which become vested at the end of the vesting period. Performance conditions are recognised at fair value as at the grant date. All other vesting conditions related to a remuneration agreement, without connected service period conditions, are considered as a non-vesting condition. Non-vesting conditions are recognised at fair value in a remuneration agreement and are expensed immediately.

The stock options granted to the Management Board and selected employees are measured on the basis of the Monte-Carlo simulation. The total value of the stock options granted is recognised in staff costs over the lock-up period of the stock option plan (4 years) and offset against capital reserves.

Sales consist of sales from contracts with customers and lease income from operating leases. Sales from contracts with customers are recognised in line with the provisions of IFRS 15. These sales are determined and recognised using the five-step model described in IFRS 15. Sales are recognised when the contractual performance obligation has been fulfilled through the transfer of the good or service and the customer has gained control over it. Control over the benefit can be transferred either over a period or at a specific point in time. The performance obligation is considered to be fulfilled when the service has been performed or is being used by the customer. Sales are measured at the transaction price. The transaction price is compared against the individual selling price and represents the consideration from the customer for the performance obligation fulfilled by the Group. There are no financing components or variable consideration; all consideration is payable in the short term. For contracts that contain more than one individual performance obligation (multi-component contracts), the transaction price to be determined is allocated to the separate performance obligations within the contract when the contract is concluded based on the individual selling prices of these performance obligations. There are no obligations for returns, refunds or other similar obligations and no bill-and-hold arrangements.

The recognition of sales based on the business models of the individual operating segments is described in detail below:

In the **»ecotel Business Customers« segment**, sales are recognised mainly as follows:

The customer contracts in this segment mainly relate to the following performance obligations, which have a defined minimum contract term. In addition to the provision of a customer-specific **data line** (including necessary hardware components), with or without additional services such as voice transmission (all-IP) or security features (e.g. VPN service), **voice lines** acquired from a third-party provider that do not include any multi-component contracts are also offered as a multi-component contract. This chiefly relates to the monthly provision of voice lines, minutes and flat rates for minutes.

In general, the allocation of the transaction price as required under IFRS 15 is performed in relation to the individual selling prices of the performance obligations. Income that does not belong to any performance obligation and income for which the performance obligation is not mainly fulfilled at the beginning will in future be recognised as revenue over the term of the contract. The transaction price is made up of the sum of all provision charges and the monthly charges multiplied by the average contract term. The customer continuously receives benefits from the multi-component contracts, so sales are recognised over the term of the contract. Because the services are performed at an even rate over the average contract term, the transaction price allocated to these two performance obligations is to be recognised as sales at an even monthly rate. Any portions calculated and billed to the customer in advance as contractually agreed (e.g. monthly charges calculated in advance) that have not yet been performed or provided are recognised with corresponding deferred sales on an accrual basis under sales. Sales from contracts for services billed according to time expenditure and material costs are recognised at the contractually stipulated hourly rate when the work hours are worked and the direct costs are incurred.

Depending on the contractual arrangement, sales from the provision of **hardware and data centre services** are recognised either when these services are provided or in the form of monthly charges. The monthly charges are recognised over a period of time. The revenue that generally arises when the one-off installation of the preconfigured hardware (e.g. router) is performed is recognised over a period of time. The hardware provided to the customer is still owned by ecotel and is capitalised at ecotel as a network component (end point at the customer). The router forms the basis for using the monthly service in the form of the provision of voice and data lines.

Proceeds from the **sale of hardware to customers** (e.g. routers) are recognised on the date when control over the hardware is transferred. In the case of multi-component contracts with the sale of hardware and with additional services (e.g. managed router services), the charges for the services are recognised over the agreed contract term. The hardware is no longer the property of ecotel after control has been transferred.

In the **»ecotel Wholesale« segment**, sales for trading in voice minutes (Wholesale Voice) are recognised when the contractual performance obligations have been completed, and this is always at a specific point in time. These primarily relate to trading in voice minutes for various national and international telecommunication providers. The services are recorded in a statistics portal. They are regularly compared with the suppliers/customers and billed on a monthly basis. Market conditions in trading in voice minutes make it a low-margin business. ecotel is responsible for its own pricing and fulfilling its contracts (including preparing and monitoring technical platforms, generation and commercial management) with its customers. ecotel bears the default risk in full. Accordingly, the »ecotel Wholesale« segment meets the criteria of a principal for the Voice area. Sales from marketing high-margin data lines (wholesale data) are recognised as in the »ecotel Business Customers« segment.

In the **»nacamar« segment**, which belongs to discontinued operations, sales are recognised when the performance obligations have been fulfilled. Fulfilment is always recognised at a specific point in time. Any portions calculated and billed to the customer in advance as contractually agreed (e.g. monthly charges calculated in advance) that have not yet been performed or provided are recognised with corresponding deferred sales on an accrual basis under sales. Sales from contracts for services billed according to time expenditure and material costs are recognised at the contractually stipulated hourly rate when the work hours are worked (transfer of the service) and the direct costs are incurred.

Other operating income and **other operating expense** are recognised in profit or loss when the service is utilised or when they are incurred.

Interest income and expenses are recognised on an accrual basis. Net finance costs also include capital procurement costs that are not offset against equity. Net income from companies accounted for using the equity method is reported separately within net finance costs.

Judgement and estimation uncertainties

When preparing the consolidated financial statements, judgements and assumptions were made and estimates were used that had an impact on the amount and presentation of the recognised assets, liabilities, income, expenses and contingent liabilities. **Judgements** primarily relate to the parameters on which impairment tests for cash-generating units are based.

In addition, judgements, estimates and assumptions were made with regard to determining, recognising and measuring revenue from contracts with customers in accordance with **IFRS 15**. These chiefly relate to the period of the transfer of services to the customer in the case of capitalised contract costs and to considerations regarding the distinction between principal and agent. For further details of judgements in connection with IFRS 15, please refer to the information on accounting policies.

For the application of **IFRS 16,** the incremental borrowing rate was determined on the basis of the risk classification. Depending on the lease object, this varies between 2% and 6%. The incremental borrowing rate is based on ecotel's credit rating, including external financing sources. In addition, assumptions were made in the case of contracts with extension options.

For the share-based payment plans in line with **IFRS 2**, the Monte-Carlo simulation was used to determine the fair value of the stock options. Within the simulation, assumptions and estimates on various conditions such as market prices, performance conditions, interest rates, fluctuation and expected volatilities were made.

Further **estimation uncertainties** exist in connection with valuation allowances for receivables and other assets, current and deferred taxes and provisions.

The assumptions on which the respective **estimates** are based and the corresponding carrying amounts are explained in the information on accounting policies and in the individual items of the consolidated statement of financial position and the consolidated statement of comprehensive income. In individual cases, the actual values may deviate from the assumptions and estimates made. Such deviations are taken into account in profit or loss when better knowledge becomes available. No significant risks as defined in IAS 1.125 that could be inherent in assumptions and estimates were identified at the time the consolidated financial statements were prepared.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(1) INTANGIBLE ASSETS

Intangible assets developed as follows in the 2023 financial year:

in EUR thousand	Goodwill	Concessions, industrial property rights and similar rights and assets	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 1 January 2023	**14,285**	**8,875**	**6,328**	**9,574**	**0**	**39,062**
Additions	–	258	105	–	2,099	2,462
Reclassifications	–	1,760	240	–	–2,000	–
Disposals	–	96	134	–	–	230
Changes in the scope of consolidation	–	–19	–1,413	–1,233	–	–2,665
As at 31 December 2023	**14,285**	**10,779**	**5,125**	**8,341**	**99**	**38,629**
Amortisation as at 1 January 2023	**5,553**	**5,267**	**4,569**	**9,276**	**0**	**24,665**
Amortisation	–	776	402	137	–	1,314
Disposals	–	96	–	–	–	96
Changes in the scope of consolidation	–	–15	–1,302	–1,198	–	–2,515
As at 31 December 2023	**5,553**	**5,931**	**3,669**	**8,215**	**0**	**23,369**
Carrying amounts as at 31 December 2023	**8,732**	**4,848**	**1,455**	**126**	**99**	**15,260**

In the previous year, intangible assets developed as follows:

in EUR thousand	Goodwill	Concessions, industrial property rights and similar rights and assets	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 1 January 2022	**14,427**	**8,676**	**5,966**	**9,769**	**822**	**39,660**
Additions	–	473	436	–	1,699	2,608
Reclassifications	–	1,500	860	–	–2,360	0
Disposals	–	358	–	–	–	358
Changes in the scope of consolidation	–143	–1,415	–934	–195	–161	–2,848
As at 31 December 2022	**14,285**	**8,875**	**6,328**	**9,574**	**0**	**39,062**
Amortisation as at 1 January 2022	**5,553**	**6,117**	**3,897**	**9,328**	**0**	**24,895**
Amortisation	–	747	738	143	–	1,628
Disposals	–	358	–	–	–	358
Changes in the scope of consolidation	–	–1,239	–67	–195	–	–1,501
As at 31 December 2022	**5,553**	**5,267**	**4,569**	**9,276**	**–**	**24,665**
Carrying amounts as at 31 December 2022	**8,732**	**3,609**	**1,759**	**298**	**0**	**14,397**

Disposals listed under the cost of internally generated intangible assets include EUR 134 thousand for a research grant. The amortisation rate was reduced accordingly from the date of this disposal.

The reported goodwill breaks down as follows:

Cash-Generating Unit (CGU)

in EUR thousand	Carrying amount as at 31 December 2022	Carrying amount as at 31 December 2023
Business Customers	8,732	8,732
Total	**8,732**	**8,732**

In accordance with IAS 36, impairment tests were performed in line with the discounted cash flow method in the past financial year to test for impairment of the reported goodwill. This was done based on the data from the respective corporate planning (forecast period: 5 years) and calculating the value in use.

As in the previous year, there were no impairment requirements in the 2023 financial year.

The following assumptions were applied when performing the impairment test for the Business Customers CGU:

- Capitalisation rate (WACC) after taxes: 4.4% (previous year: 4.6%), before taxes: 6.4% (previous year: 6.7%)
- Growth rate (perpetuity): 0.5% (previous year: 0.5%)

When preparing the impairment test for the Business Customers CGU, the following key assumptions were made based on the management's experience supported by external information on anticipated market developments and were incorporated accordingly in the five-year cash flow forecast:

- Development of the CGU's gross profit margin between 62% and 66% (previous year: between 59% and 62%),
- Annual sales growth of the CGU between 6% and 10% (previous year: 4% and 10%),
- The future annual investment volume covers the annual depreciation and amortisation.

A 20 percentage point increase in WACC would not result in impairment.

(2) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows in the 2023 financial year:

in EUR thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery [1]	Other equipment, operating and office equipment [2]	Advance payments and assets under development	Total
Cost as at 1 January 2023	**6,735**	**0**	**27,355**	**284**	**34,374**
Additions	144	–	1,329	55	1,528
Reclassifications	–	–	47	–47	0
Disposals	103	–	881	63	1,048
Changes in the scope of consolidation	–36	–	–1,098	–	–1,134
As at 31 December 2023	**6,740**	**0**	**26,752**	**228**	**33,720**
Amortisation as at 1 January 2023	**5,636**	**0**	**23,279**	**220**	**29,135**
Amortisation	228	–	2,252	–	2,480
Disposals	103	–	881	–	985
Changes in the scope of consolidation	–35	–	–1,087	–	–1,122
As at 31 December 2023	**5,725**	**0**	**23,563**	**220**	**29,509**
Carrying amounts as at 31 December 2023	**1,015**	**0**	**3,189**	**8**	**4,212**

1 Disposals included customer routers that had not yet been activated with acquisition costs of EUR 585 thousand, which, contrary to the original assumption, had been sold to a customer by the end of the 2023 financial year.
2 This item includes customer equipment (e. g. customer routers/gateways).

In the 2022 financial year, property, plant and equipment developed as follows:

in EUR thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment [1]	Advance payments and assets under development	Total
Cost as at 1 January 2022	**6,499**	**392**	**32,846**	**318**	**40,055**
Additions	298	104	2,026	453	2,881
Reclassifications	165	–	12	–177	0
Disposals	197	–	1,866	18	2,081
Changes in the scope of consolidation	–30	–496	–5,662	–292	–6,480
As at 31 December 2022	**6,735**	**0**	**27,355**	**284**	**34,374**
Amortisation as at 1 January 2022	**5,642**	**248**	**25,459**	**220**	**31,569**
Amortisation	214	39	3,521	–	3,774
Disposals	197	–	1,855	–	2,052
Changes in the scope of consolidation	–23	–287	–3,846	–	–4,155
As at 31 December 2022	**5,636**	**0**	**23,279**	**220**	**29,135**
Carrying amounts as at 31 December 2022	**1,099**	**0**	**4,076**	**63**	**5,239**

1 This item includes customer equipment (e. g. customer routers/gateways). If they have not yet been paid, the acquired assets are subject to the usual reservations of title.

(3) RIGHTS OF USE FROM LEASES

The development of rights of use from leases is shown below:

in EUR thousand	Rights of use buildings	Rights of use vehicles	Rights of use infrastructure	Total
Cost as at 1 January 2023	**8,240**	**978**	**206**	**9,425**
Additions	1,156	214	–	1,370
Reclassifications	–	–	–	–
Disposals	80	–	–	80
Changes in the scope of consolidation	–139	–	–	–139
As at 31 December 2023	**9,177**	**1,191**	**206**	**10,575**
Amortisation as at 1 January 2023	**3,076**	**750**	**150**	**3,976**
Amortisation	792	152	42	987
Impairment	–	–	–	–
Disposals	–	–	–	–
Changes in the scope of consolidation	–139	–	–	–139
As at 31 December 2023	**3,729**	**902**	**192**	**4,823**
Carrying amounts as at 31 December 2023	**5,448**	**290**	**14**	**5,752**

The buildings are properties rented on a long-term basis to operate the data centre and for administration. The vehicles relate to ecotel's vehicle fleet, which is rented on a long-term basis, while the infrastructure concerns the network infrastructure rented on a long-term basis (backbone).

The existing rental agreement for the administrative building was extended by two years in April 2023. Based on this contract renewal, the assumed term of the lease was also increased. Due to the extension of the term of the lease, the right of use was revalued with an effective interest rate of 6%.

Expenses for short-term leases amounted to EUR 478 thousand in the 2023 financial year (previous year: EUR 526 thousand). Expenses for leases for low-value assets amounted to EUR 30 thousand in the financial year (previous year: EUR 28 thousand).

In the previous year, the rights of use from leases developed as follows:

in EUR thousand	Rights of use buildings	Rights of use vehicles	Rights of use infrastructure	Total
Cost as at 1 January 2022	**9,437**	**837**	**207**	**10,481**
Additions	353	141	–	494
Reclassifications	–	–	–	–
Disposals	–	–	–	–
Changes in the scope of consolidation	–1,550	–	–	–1,550
As at 31 December 2022	**8,240**	**978**	**206**	**9,425**
Amortisation as at 1 January 2022	**3,262**	**576**	**108**	**3,946**
Amortisation	1,032	173	42	1,248
Impairment	–	–	–	–
Disposals	–	–	–	–
Changes in the scope of consolidation	–1,218	–	–	–1,218
As at 31 December 2022	**3,076**	**750**	**150**	**3,976**
Carrying amounts as at 31 December 2022	**5,164**	**228**	**56**	**5,449**

(4) CAPITALISED CONTRACT COSTS

Capitalised contract costs consist of costs to obtain contracts and costs to fulfil contracts. Costs to obtain contracts mainly consist of commissions for the conclusion of contracts with new customers. Costs to fulfil contracts chiefly consist of payments to upstream suppliers of the Group for connecting lines in order to provide network access to customers.

As at 31 December 2023, capitalised contract costs amounted to EUR 3,263 thousand (31 December 2022: EUR 2,948 thousand) and comprised costs to obtain contracts of EUR 1,327 thousand (31 December 2022: EUR 1,063 thousand) and costs to fulfil contracts of EUR 1,936 thousand (31 December 2022: EUR 1,885 thousand). Depreciation and amortisation amounted to EUR 1,674 thousand (previous year: EUR 1,898 thousand) in the 2023 financial year and was recognised and reported under other operating expenses and the cost of materials. EUR 379 thousand of this (previous year: EUR 318 thousand) was attributable to costs to obtain contracts and EUR 1,295 thousand (previous year: EUR 1,580 thousand) to costs to fulfil contracts. There were no impairment losses in the reporting period.

(5) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method break down as follows:

in EUR thousand	Carrying amount (previous year)	Interest held (previous year)
mvneco GmbH	1,280 (1,267)	33.3 % (33.3 %)

mvneco GmbH

mvneco GmbH is a strategic investment of ecotel. It acts as a technical service provider and advisor for mobile communication solutions and related managed services.

The table below presents the key data on mvneco GmbH (associated company):

in EUR thousand	31 December 2022	31 December 2023
Current assets	4,154	4,294
Non-current assets	381	323
Current liabilities	733	776
Net assets (equity)	3,802	3,841
Pro-rata net assets	1,267	1,280
Carrying amount at equity	1,267	1,280

	2022	2023
Sales	7,292	7,644
Earnings	430	938

(6) OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets comprise the non-current share of a lease receivable from a sublease in the amount of EUR 70 thousand (previous year: EUR 0 thousand) and the holding in UPLINK Digital GmbH of EUR 817 thousand (previous year: EUR 0 thousand).

On 5 April 2023, all shares held by ecotel ag in nacamar GmbH were incorporated into the newly founded company UPLINK Digital GmbH. After completion of the entire transaction, ecotel ag has an interest of 24.9995% in UPLINK Digital GmbH. The carrying amount of the investment of EUR 817 thousand is measured at fair value. The company ecotel Beteiligungs GmbH was founded on 30 October 2023 and the holding in UPLINK Digital GmbH was incorporated into it at fair value.

As ecotel ag holds an interest of approximately 25% in UPLINK Digital GmbH, it is basically assumed that it has a significant influence. This was discussed with all parties – including the Supervisory Board of ecotel ag – when the contract was concluded, and it was also pointed out that in principle it would be necessary to prepare the accounts in accordance with IFRS. With the exception of ecotel ag, all other shareholders in UPLINK Digital GmbH have refused to apply IFRS accounting standards. Likewise, a purchase price allocation was not drawn up when the purchase price was negotiated. That means that no information is available to ecotel ag that would enable initial consolidation or subsequent consolidation at equity. UPLINK Digital GmbH prepares its accounts in accordance with the provisions of the German Commercial Code (HGB) and is also managed solely on this basis. Moreover, the financial statements of UPLINK Digital GmbH are prepared considerably later than those of ecotel ag, which means that up-to-date figures are not available at the time of preparing the consolidated financial statements. In accordance with the provisions of the company agreement, ecotel, as a minority shareholder, is not able to demand that UPLINK Digital GmbH apply IFRS reporting standards. It would not be appropriate to continue the IFRS valuation approaches applied at nacamar GmbH prior to deconsolidation, as the business of UPLINK Digital GmbH has been formed from the merger of three operating companies and ultimately can no longer be compared with the valuations at nacamar GmbH. The assumption that ecotel has a significant influence over UPLINK Digital GmbH has thus been proved incorrect.

For this reason, the shares in UPLINK Digital GmbH are recognised in the consolidated financial statements as other non-current financial assets. The acquisition cost is recognised as the fair value at the time of acquisition. As further information that is relevant to valuation is not available at the time of preparing the consolidated financial statements, subsequent valuation will take into account the information available at that time.

(7) TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER FINANCIAL AND NON-FINANCIAL ASSETS

Non-current trade receivables, other non-current financial assets and other non-current non-financial assets were recognised as such in the statement of financial position for the first time in the 2023 financial year. The previous year's figures were adjusted in accordance with IAS 8.41; there is no impact on equity or total assets.

There was no impairment in 2023. The effect on earnings from the increase in valuation allowances on trade receivables is included in other operating expenses, while the effect from the reversal of valuation allowances is reported under other operating income. The receivables do not bear interest and therefore are not subject to interest rate risk. Due to the short-term payment dates, the carrying amounts correspond to the fair values.

As at 31 December 2023, there are receivables and liabilities with settlement balances agreements with customers and suppliers.

The business activities in the »ecotel Wholesale« segment include trading in telephone minutes (Wholesale Voice) with national and international carriers. Netting is contractually agreed as a »reduced« payment in line with usual industry practice. This netting takes place purely for payment purposes, as the conditions (IAS 32.42) for net reporting in the statement of financial position are not met.

in EUR thousand	Gross (reported)	Netting	Net (cash flow)
Trade receivables	4,287	4,283	4
Trade payables	4,295	4,283	12

In the previous year, receivables and liabilities with settlement balances agreements with customers and suppliers were offset as follows:

in EUR thousand	Gross (reported)	Netting	Net (cash flow))
Trade receivables	4,158	4,096	62
Trade payables	4,196	4,096	100

(8) CURRENT AND DEFERRED INCOME TAX ASSETS

in EUR thousand	31 December 2022	31 December 2023
Deferred income tax assets	0	0
Current income tax assets	1,986	224
Total	**1,986**	**224**
Deferred income tax assets with a remaining term of more than one year	0	0

As in the previous year, the current income tax assets relate to income tax reimbursements from trade tax, corporation tax and capital gains tax. There have been no tax loss carryforwards since the 2022 financial year.

(9) CASH AND CASH EQUIVALENTS

in EUR thousand	31 December 2022	31 December 2023
Bank balances	66,932	3,702
Cash in hand and cheques	0	0
Total	**66,932**	**3,702**

(10) EQUITY

The development of the Group's equity is presented in the statement of changes in equity.

The share capital and capital reserve of the Group correspond to the share capital and capital reserve of the parent company. The total value of the stock options granted over the lock-up period of the stock option plan (4 years) is recognised in capital reserves from staff costs.

Other reserves include cumulative retained earnings.

Share ownership

The table below shows the names of shareholders that held an interest of more than 3% in the share capital of ecotel communication ag at the end of 2023.

in %	2023
Peter Zils	29.91
Andrey Morozov	29.99
CBOSS ORIENT FZ-LLC	7.83
Hans Schmier	3.20
Subtotal	**70.93**
Free float	29.07

The notifications taken into account were those that resulted in disclosures in accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG) in conjunction with section 20 (1) or (4) AktG or in conjunction with section 21 (1) or (1a) of the German Securities Trading Act (WpHG). The underlying notifications are described in detail in the annual financial statements of ecotel ag.

Authorised capital

By way of resolution adopted by the Annual General Meeting on 8 July 2021, the Management Board of ecotel ag is now authorised to increase the share capital of ecotel ag, with the approval of the Supervisory Board, one or more times by a total of up to EUR 1,775,000.00 (previously: EUR 1,755,000.00) in exchange for cash and/or non-cash contributions by 7 July 2026 by issuing new, no-par-value bearer shares **(Authorised Capital)**. The Management Board did not make use of this authorisation in the financial year.

Contingent capital

By way of resolution adopted by the Annual General Meeting on 3 July 2020, a contingent increase in the share capital of up to EUR 1,404,000 by issuing up to 1,404,000 no-par-value bearer shares was resolved **(new version of Contingent Capital 2017)**. In addition, by way of a resolution adopted by the Annual General Meeting on 3 July 2020, a decision was made to issue stock options (Stock Option Plan 2020) and to create new contingent capital (2020) **(Contingent Capital 2020)**.

Capital management

The ecotel Group manages its capital with the primary objective of supporting its business activities and ensuring the long-term continuation of the company as a going concern. Capital management covers both the total reported equity and interest-bearing debt. Summarised quantitative disclosures on the capital managed can be found in the statement of financial position and in the corresponding disclosures in the notes. One important objective is to comply with the financial covenants agreed with the banks. These financial covenants relate to compliance with certain specifications for the equity ratio, the ratio of net financial liabilities to EBITDA and the ratio of EBITDA to sales. The ecotel Group repaid all financial loans in the 2022 financial year. Nevertheless, the financial covenants in connection with existing credit lines are still reviewed as part of intra-year reporting. This also involves analysing future developments with regard to their impact on the financial covenants so that measures can be taken in good time where necessary.

For all current covenants (equity ratio >20%, net debt/EBITDA in % >2.5% and EBITDA/sales in % >5%) as defined by the banks, ecotel was well within the specified limits in the 2023 financial year and as at the reporting date.

(11) LIABILITIES FROM CURRENT AND DEFERRED INCOME TAXES

in EUR thousand	Opening balance as at 1 January 2023	Utilisation	Additions	Changes in the scope of consolidation	Closing balance as at 31 December 2023
Current income taxes	6,112	6,241	2,454	–40	2,285
Deferred income taxes	1,023	653	759	–47	1,082
Total	**7,135**	**6,894**	**3,213**	**–87**	**3,367**
Deferred income taxes with a term of more than one year	351	–	–	–	716

in EUR thousand	Opening balance as at 1 January 2022	Utilisation	Additions	Changes in the scope of consolidation	Closing balance as at 31 December 2022
Current income taxes	1,980	1,980	6,112	–	6,112
Deferred income taxes	1,146	184	426	–365	1,023
Total	**3,125**				**7,135**
Deferred income taxes with a term of more than one year	763				351

(12) OTHER FINANCIAL DEBTS, TRADE PAYABLES, PROVISIONS AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

in EUR thousand	Remaining term up to 1 year	Total 31 Dec. 2022	Remaining term up to 1 year	Total 31 Dec. 2023
Loans	–	–	–	–
Trade payables	**9,554**	**9,554**	**11,048**	**11,048**
thereof to associated companies	8	8	17	17
Provisions	–	–	–	–
Other financial and non-financial liabilities	**1,981**	**2,217**	**1,815**	**1,815**
thereof liabilities from hire purchase agreements	440	675	236	236
thereof liabilities from social security	4	4	25	25
thereof liabilities from wages and salaries	2	2	1	1
thereof other personnel-related liabilities	251	251	235	235
thereof liabilities for audit/Supervisory Board	380	380	355	355

As in the previous year, there were no derivative financial liabilities as at 31 December 2023. The ecotel Group repaid all loan liabilities in the 2022 financial year.

(13) LEASE LIABILITIES

There are extension options for property leases whose utilisation is not sufficiently certain as at the reporting date. If these extension options are in fact exercised in the future, the potential future lease payments would lead to an estimated lease liability of EUR 3,889 thousand (31 December 2022: EUR 2,700 thousand). As at the reporting date, the non-current lease liabilities totalled EUR 5,499 thousand (31 December 2022: EUR 4,948 thousand), of which EUR 3,445 thousand (previous year: EUR 3,460 thousand) is due within the next five years and EUR 2,054 thousand (previous year: EUR 1,488 thousand) in more than five years.

The existing rental agreement for the administrative building was extended by two years in April 2023. Based on this contract renewal, the assumed term of the lease was also increased. Due to the extension of the term of the lease, the lease liability was revalued with an effective interest rate of 6%. Taking into account the new interest rate and the change in leasing rates, the contract renewal led to an increase in the lease liability and the right of use of EUR 1,005 thousand (previous year: EUR 199 thousand).

(14) CONTRACT LIABILITIES

Contract liabilities represent the obligation to provide a service to a customer.

As at 31 December 2023, contract liabilities were reported in the amount of EUR 943 thousand (31 December 2022: EUR 1,368 thousand).

Depending on the type of performance obligation and its allocation to an operating segment, the performance obligation is fulfilled and thus recognised as sales within the average contract term (3–6 years). Contract liabilities are divided into current and non-current liabilities depending on their settlement date.

(15) REPORTING ON FINANCIAL INSTRUMENTS

In the course of its ordinary business operations, the Group faces currency, interest rate and credit rating risks that could have an impact on its net assets, financial position and result of operations.

Foreign currency risk: Foreign currency risks arise from receivables, liabilities, cash and cash equivalents and planned transactions that are not in the Group's functional currency. As the currency risk after the expiry of the concluded hedges in previous years was low, no derivative financial instruments were used for currency hedging in the previous year or in the past financial year.

Interest rate risk: The ecotel Group repaid all loan liabilities in the 2022 financial year. The interest rate risk is thus considered very low.

Credit risk: A credit risk for the Group arises if transaction partners do not or cannot meet their payment obligations. The maximum default risk is presented in the accounts with the carrying amount of the respective financial asset. Due to the different business models and customer structures of the segments, different credit risks are also defined. In the »ecotel Business Customers« segment and the »ecotel Wholesale« segment (Wholesale Data) and at »nacamar« until deconsolidation, trade receivables are divided into different measurement clusters (major customers, customers with special payment agreements, etc.). Within the clusters, impairment is recognised pro rata depending on the length of time by which the receivables are past due. As in the previous year, the range is between 1% and 66%. For trade receivables whose default risk is not already determined on the basis of the clusters, an expected default risk of 1% is assumed.

In the »ecotel Wholesale« segment (Wholesale Voice), for customers involved in minute trading there are mostly settlement balance agreements with the customers. As a result of this netting in line with usual industry practice, default risks are actively reduced. Trade receivables are therefore impaired pro rata at a rate of 1%. Other receivables are impaired based on an age structure from one to more than 90 days. If they are past due by more than 90 days, they are written off completely. The development of the receivables portfolio is continuously monitored so that potential default risks can be identified at an early stage and appropriate measures can be initiated.

As at 31 December 2023, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the »ecotel Wholesale« segment include trading in telephone minutes (Wholesale Voice) with national and international carriers. When trading with telephone minutes, netting is contractually agreed as a »reduced« payment in line with usual industry practice. The conditions (IAS 32.42) for net reporting in the statement of financial position were not met. At the time the statement of financial position was drawn up, these receivables and liabilities were settled in full.

Accordingly, the valuation allowances for the receivables reported under the following items of the statement of financial position developed as follows in the Group:

Valuation allowances for 2023

in EUR thousand	Trade receivables	Contract assets
As at 1 January 2023	179	0
Valuation allowances for the financial year	6	0
Disposals	33	0
Changes in the scope of consolidation	–1	0
As at 31 December 2023	**152**	**0**

Valuation allowances for 2022

in EUR thousand	Trade receivables	Contract assets
As at 1 January 2022	241	0
Valuation allowances for the financial year	84	0
Disposals	1	0
Changes in the scope of consolidation	–144	0
As at 31 December 2022	**180**	**0**

The table below shows the calculated default risk as at 31 December 2023:

in EUR thousand	Maximum default risk	Expected credit loss
Trade receivables	11,018	152
thereof ecotel Business Customers	2,432	152
thereof ecotel Wholesale	8,585	0
Other financial assets	432	–
Contract assets	26	–

In accordance with IFRS 9, the simplified model is used for determining impairment on trade receivables and contract assets. Valuation allowances for trade receivables are measured in the amount of the lifetime expected credit losses. The expected credit loss risk for trade receivables is measured using an impairment matrix. Receivables that are not due and not impaired are expected to be recoverable in their full amount.

As at 31 December 2022, the situation was as follows:

in EUR thousand	Maximum default risk	Expected credit loss
Trade receivables	8,436	179
thereof ecotel Business Customers	2,407	120
thereof ecotel Wholesale	5,961	59
thereof nacamar	68	1
Other financial assets	737	–
Contract assets	70	–

Financial instruments measured at fair value can be classified according to the following measurement hierarchy, which reflects the extent to which the fair value is observable:

Level 1: Fair value measurements based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Fair value measurements based on inputs for the asset or liability that are observable either directly (as prices) or indirectly (derived from prices) and do not constitute quoted prices as defined in level 1.

Level 3: Fair value measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

With the exception of the investment in UPLINK Digital GmbH, the carrying amounts reported in the following tables for financial assets and liabilities that are not accounted for at fair value represent a good approximation of their fair value. The fair values shown in the following tables were measured using inputs for the asset or liability that are not based on observable market data (level 3).

The financial assets and liabilities can be broken down into measurement categories with the following carrying amounts:

Financial assets in 2023

	31 December 2023	
in EUR thousand	At amortised cost	At fair value through profit or loss
Cash and cash equivalents	3,702	–
Trade receivables	11,018	–
Contract assets	26	–
Other non-current financial assets	–	817
Other current financial assets	432	–
Total	**15,178**	**817**

In the 2023 financial year, there was no reclassification between different classes.

Financial liabilities in 2023

	31 December 2023	
in EUR thousand	At amortised cost	At fair value through profit or loss
Trade payables	11,048	–
Lease liabilities	6,425	–
Contract liabilities	943	–
Other financial liabilities	1,075	–
Total	**19,491**	**–**

As at 31 December 2022, the breakdown was as follows:

Financial assets in 2022

	31 December 2022	
in EUR thousand	At amortised cost	At fair value through profit or loss
Cash and cash equivalents	66,932	–
Trade receivables	8,436	–
Contract assets	70	–
Other current financial assets	737	–
Total	**76,175**	**–**

Financial liabilities in 2022

	31 December 2022	
in EUR thousand	At amortised cost	At fair value through profit or loss
Trade payables	9,554	–
Lease liabilities	5,897	–
Contract liabilities	1,368	–
Other financial liabilities	1,463	–
Total	**18,282**	**–**

Liquidity risk: The ecotel Group companies are generally refinanced centrally by ecotel communication ag. There is a risk here that the liquidity reserves may not be sufficient to meet the financial obligations on schedule. Cash and cash equivalents of EUR 3,702 thousand (previous year: EUR 66,932 thousand) are available to cover the liquidity requirements. In addition to the reported cash and cash equivalents, credit lines amounting to EUR 7,000 thousand (previous year: EUR 7,000 thousand) are available to ecotel as at 31 December 2023, up to EUR 1,000 thousand (previous year: EUR 1,000 thousand) of which may be used for guarantee liabilities. No credit lines had been utilised as at the reporting date. Failure to comply with the financial covenants could possibly result in termination of the credit facility if no agreement can be reached on an adjustment of the financial covenants.

In accordance with IFRS 7, interest rate risks are generally presented using sensitivity analyses if the Group is exposed to such risks as at the reporting date. Primary floating-rate financial instruments whose interest payments are not designated as hedged items in cash flow hedges against interest rate risks, together with interest rate derivatives (interest rate swaps) that are not part of a hedging relationship in accordance with IFRS 9, amounted to EUR 0 thousand as at the reporting date (previous year: EUR 0 thousand). On 31 December 2023, as at the previous year's reporting date, there were no primary financial instruments with fixed interest rates (financial liabilities) that were accounted for at fair value, as all financial instruments were accounted for at amortised cost. All loan liabilities were repaid in the 2022 financial year. ecotel therefore was not exposed to any interest rate risks as defined in IFRS 7 on 31 December 2023. For this reason, no sensitivity analysis was performed for the risk from interest rate changes.

In accordance with IFRS 7, exchange rate risks are also presented using sensitivity analyses if the Group is exposed to risk variables as at the reporting date from the use of non-functional currencies in which Group companies enter into financial instruments. This likewise was not the case either in the previous year or as at 31 December 2023, so no sensitivity analysis was performed for the risk from exchange rate changes.

(16) CONTINGENT ASSETS AND LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The carrying amount of the financial assets furnished as collateral totalled EUR 5 thousand as at 31 December 2023 (previous year: EUR 12 thousand). This chiefly relates to security deposits.

On 15 December 2020, ecotel was informed by the responsible tax office (control notification) that the input tax deduction from incoming invoices of an individual material supplier is to be retroactively denied. The reason given was a special sales tax audit at this supplier. The total amount of the sales tax input deduction in question is EUR 3.7 million. In view of the existing documentation and information and on the basis of external expert opinion, ecotel estimates that the risk of an outflow of resources with sales tax as a result of the denial of the input tax deduction is considerably lower than 50%. There was no change to this at the time of preparing the financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes from no. 17 to no. 24 refer exclusively to continuing operations. The presentation of the comparative period was restated accordingly.

(17) SALES

in EUR thousand	2022[1]	2023
Breakdown of sales by segment		
ecotel Business Customers	45,634	46,172
ecotel Wholesale	46,521	60,117
Total	**92,155**	**106,289**
Germany	51,394	59,159
International	40,761	47,131
Total	**92,155**	**106,289**

1 Previous year's figures restated.

Sales for the 2023 financial year consisted of sales of EUR 57,157 thousand (previous year: EUR 42,640 thousand) that were recognised at a specific point in time and sales of EUR 49,132 thousand (previous year: EUR 49,515 thousand) that were realised over a period of time. In the 2023 financial year, sales of EUR 535 thousand (previous year: EUR 1,024 thousand) that had previously been included in the contract liability balance were recognised over a period of time. Sales for the ecotel Business Customers segment include proceeds from the sale of routers in the amount of EUR 838 thousand (previous year: EUR 0 thousand) that were recognised at a specific point in time.

(18) OTHER OPERATING INCOME

Other operating income amounted to EUR 6,549 thousand in the 2023 financial year (previous year: EUR 15,853 thousand). Other operating income includes the proceeds from the transfer of right-of-use assets to online resources in the amount of EUR 6,263 thousand (previous year: EUR 15,654 thousand). After deduction of transaction costs there is income of EUR 5,318 thousand, of which EUR 3,918 thousand was not included in the forecast for 2023. In addition, this item includes income from receipts of impaired trade receivables in the amount of EUR 33 thousand (previous year: EUR 0 thousand) and reversals of impairment losses on trade receivables in the amount of EUR 1 thousand (previous year: EUR 1 thousand).

(19) COST OF MATERIALS

The cost of materials relates entirely to third-party services utilised and mainly includes expenses for trading in voice minutes in the »ecotel Wholesale« segment of EUR 48,733 thousand (previous year: EUR 42,491 thousand), for purchased data products of EUR 22,126 thousand (previous year: EUR 16,188 thousand), own termination fees for voice services of EUR 503 thousand (previous year: EUR 776 thousand), for purchased routers in the amount of EUR 701 thousand (previous year: EUR 0 thousand) and electricity costs for the data centre in Frankfurt am Main of EUR 874 thousand (previous year: EUR 1,724 thousand).

(20) STAFF COSTS

in EUR thousand	2022[1]	2023
Wages and salaries	11,822	13,293
Social security contributions	1,928	2,178
thereof expenses for pensions and other benefits	852	1,000
Total	**13,750**	**15,471**

1 Previous year's figures restated.

For all employees of Group companies in Germany, there is a defined contribution pension plan within the framework of German pension insurance, in which the employer must make contributions at a currently applicable rate of 9.3% (employer portion). There are no other pension plans.

Average number of employees at the consolidated companies in the financial year:

	2022	2023
Salaried employees	194	215

(21) DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

A breakdown of depreciation and amortisation of intangible assets, property, plant and equipment and financial assets can be found in the notes on the respective item.

As in the previous year, the impairment tests performed did not result in any impairment losses on the goodwill of the cash-generating units or other assets in the 2023 financial year.

(22) OTHER OPERATING EXPENSES

Other operating expenses totalled EUR 11,160 thousand in the 2023 financial year (previous year: EUR 9,494 thousand), with expenses for partner and dealer commission accounting for EUR 3,953 thousand (previous year: EUR 3,758 thousand). Technical expenses for operating costs, logistics and field service and similar expenses amounted to EUR 2,499 thousand (previous year: EUR 2,144 thousand), while the change in impairment on receivables and bad debt losses amounted to EUR 155 thousand (previous year: EUR 157 thousand).

(23) NET FINANCE COSTS

in EUR thousand	2022[1]	2023
Interest income		
Other interest and similar income	1	1
Interest income from non-current investments	119	502
Interest expenses		
Interest expenses from loan liabilities	–39	–20
Interest expenses from leases	–181	–279
Other interest and similar expenses	–38	–1
Net interest income	**–138**	**203**
Other financial expense and income		
Income from reversal of impairment on non-current financial assets	–	–
Result from companies measured at equity	143	313
Other financial expense and income	1	0
Net finance costs	**6**	**516**

1 Previous year's figures restated.

(24) INCOME TAXES

in EUR thousand	2022[1]	2023
Current income taxes	–5,062	–2,395
Deferred income taxes	–798	–107
Total	**–5,860**	**–2,501**

1 Previous year's figures restated.

A reconciliation of the anticipated tax expense to the tax expense actually reported is presented below. To calculate the anticipated tax expense, earnings before income taxes are multiplied by a flat income tax rate of 31% (previous year: 31%) specified by the Group. This is made up of a tax rate of 15% (previous year: 15%) for corporation tax plus 5.5% (previous year: 5.5%) for the solidarity surcharge and 15% (previous year: 15%) for trade tax. The expected tax expense is compared with the actual tax expense.

The reconciliation of anticipated and actual income tax expense for the financial year and the previous year is as follows:

in EUR thousand	2022[1]	2023
Earnings before tax	17,833	8,181
Group tax rate (in %)	**31.0**	**31.0**
Forecast tax expense	–5,528	–2,536
Differences arising from tax rates deviating from the Group tax rate	–42	–19
Tax effect from changes in permanent differences	0	0
Tax impact due to tax-free income / expenses for profit distributions	–93	37
Tax increases due to non-deductible expenses	–60	–80
Taxes from previous years	0	18
Results from investments carried at equity	45	98
Other tax effects	–182	–19
Tax expense according to income statement (expense – / income +)	–5,860	–2,501
Effective tax rate (in %)	**32.9**	**30.6**

1 Previous year's figures restated.

Deferred taxes are calculated using the asset and liability method, under which tax relief and tax burdens that are likely to arise in the future are recognised for temporary differences between the carrying amounts recognised in the consolidated financial statements and the tax bases of assets and liabilities. If the temporary differences relate to items that directly increase or reduce equity, the associated deferred taxes are also directly offset against equity.

The deferred taxes are attributable to the following items:

in EUR thousand	2022 assets	2022 liabilities	2023 assets	2023 liabilities
Property, plant and equipment/intangible assets	–	652	–	535
Rights of use from leases, lease liabilities	140	–	186	–
Capitalised contract costs, contrast assets, contract liabilities (IFRS 15)	–	511	–	733
Deferred taxes on loss carryforwards	–	–	–	–
Netting, assets/liabilities	–140	–140	–186	–186
Total	**0**	**1,023**	**0**	**1,082**

Deferred tax assets in a tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction to the extent that the maturities match.

All loss carryforwards were used in the 2022 financial year.

(25) DISCONTINUED OPERATIONS

On 5 April 2023, ecotel incorporated all shares in nacamar GmbH into the newly founded company UPLINK Digital GmbH through a merger by absorption in exchange for the granting of shares. After completion of the transaction, ecotel ag had an interest of approximately 25% in UPLINK Digital GmbH. In addition to the shares granted, ecotel ag received a cash payment of EUR 1,264 thousand.

The accounting requirements pursuant to IFRS 5 »Non-current Assets Held for Sale and Discontinued Operations« were met with the Supervisory Board resolution dated 23 January 2023. ecotel ag relinquished control over nacamar GmbH at the beginning of April. nacamar GmbH was thus deconsolidated on 1 April 2023.

In the financial year, nacamar GmbH's earnings after taxes from 1 January 2023 to 31 March 2023 were recognised in the consolidated statement of comprehensive income and in segment reporting as earnings after taxes from discontinued operations.

The statement of cash flows shows the repayment of the liability from cash pooling owed to nacamar GmbH in the amount of EUR 0.2 million, transaction costs of EUR 0.1 million and the purchase price payment received of EUR 1.3 million as cash receipts from disposals from the scope of the consolidated financial statements in connection with investing activities.

Net income from discontinued operations breaks down as follows:

EUR million	2022 [1]	2023 [2]
Sales	25.8	0.3
Gross profit	**16.3**	**0.2**
Staff costs	–5.0	–0.1
Other operating income and expenses	–2.3	0.0
EBITDA	**8.9**	**0.1**
EBIT	**7.9**	**0.1**
Earnings before tax	**7.8**	**0.1**
Income taxes	–2.3	0.0
Earnings after taxes from discontinued operations	**5.5**	**0.1**
Deconsolidation gains after taxes	**52.7**	**1.7**
Net income from discontinued operations	**58.2**	**1.8**
thereof attributable to owners of the parent	55.6	1.8
thereof attributable to minority interests	2.6	–
Earnings per share (in EUR), calculated on discontinued operations	15.83 [3]	0.51

1 The previous year's figures included easybell up to 17 November 2022 and nacamar.
2 The figures shown cover the period from 1 January 2023 to 31 March 2023.
3 Diluted earnings per share = EUR 0.46 (previous year: EUR 14.41).

Flows of cash and cash equivalents from discontinued operations break down as follows:

EUR million	2022	2023[1]
Net cash generated by / net cash used in operating activities	6.6	–0.2
Net cash used in investing activities	–1.6	0.0
Net cash used in financing activities	–12.0	0.0
Cash-effective change in cash and cash equivalents	**–7.0**	**–0.2**

1 Cash flows cover the period from 1 January 2023 to 31 March 2023.

The following table shows the gain or loss on disposal from the deconsolidation of nacamar GmbH:

EUR million	
Purchase price received	1.3
Fair value of the interest in UPLINK Digital GmbH in the Group	**0.8**
Disposal of net assets and transaction costs	–0.4
Deconsolidation gains before taxes	**1.7**
Tax expense	–
Deconsolidation gains after taxes	**1.7**

The following assets and liabilities were deconsolidated as at 31 March 2023:

EUR million	
Non-current assets	0.2
Current assets	0.3
Total assets	**0.5**
Non-current liabilities	0.0
Current liabilities	0.1
Total liabilities	**0.1**

(26) ALLOCATION OF NET PROFIT TO MINORITY INTERESTS

The share of net profit attributable to minority interests of EUR 2,619 thousand in the previous year related to the pro rata annual results of easybell GmbH (EUR 2,163 thousand), sparcall GmbH (EUR 112 thousand), carrier-services.de GmbH (EUR 148 thousand) and init. voice GmbH (EUR 196 thousand). No allocation of net profit to minority interests took place in the 2023 financial year.

(27) EARNINGS PER SHARE

The number of **ecotel communication ag shares** outstanding as at 31 December 2023 was 3,510,000 (previous year: 3,510,000). The shares are issued as no-par-value shares with a pro-rata amount of the share capital of EUR 1.00.

In accordance with IAS 33, basic earnings per share are calculated as the ratio of the consolidated net income for the year attributable to the shareholders of ecotel communication ag and the weighted average number of bearer shares outstanding during the financial year.

Dilution of the earnings per share may occur if the average number of shares is increased by including the issue of potential shares from options and convertible financial instruments.

Since July 2020, there has been a stock option plan for members of the Management Board and selected employees. In the context of the stock option plan up to 351,000 options can be issued.

The stock option plan stipulates a lock-up period of four years from the respective grant date. Meeting the targets in the stock option plan resulted in dilution of earnings per share as at 31 December 2023, meaning that basic and diluted earnings are not identical.

	2022	2023
Attributable consolidated net income for the year (in EUR)	67,535,264	7,427,593
Weighted average number of shares (in units)	3,510,000	3,510,000
Basic earnings per share (in EUR)	19.24	2.12
Weighted average number of shares plus number of stock options (in units)	3,854,943	3,853,943
Diluted earnings per share (in EUR)	17.51	1.93

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(28) CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared in accordance with IAS 7 and is broken down into cash flows from operating, investing and financing activities.

The cash and cash equivalents in the consolidated statement of cash flows correspond to the »Cash and cash equivalents« item reported in the consolidated statement of financial position.

Effective cash flows are allocated to ecotel's non-current and current loans and its lease liabilities.

Apart from the increase of EUR 1,370 thousand in lease liabilities (previous year: EUR 494 thousand), there were no non-cash transactions in 2023.

	Non-current loans	Current loans	Lease liabilities	Total
1 January 2023	0	0	5,897	5,897
Borrowings	–	–	1,370	1,370
Repayment	–	–	−842	−842
Reclassification	–	–	0	0
Changes in the scope of consolidation	–	–	0	0
31 December 2023	0	0	6,425	6,425

The following effective cash flows arose in the previous year:

	Non-current loans	Current loans	Lease liabilities	Total
1 January 2022	667	2,417	6,969	10,053
Borrowings	–	–	494	494
Repayment	–	−3,084	−1,249	−4,333
Reclassification	−667	667	–	0
Changes in the scope of consolidation	–	–	−317	−317
31 December 2022	0	0	5,897	5,897

Alongside the cash flows described above, EUR 448 thousand (previous year: EUR 539 thousand) was paid for short-term leases and leases for low-value assets in the 2023 financial year.

OTHER DISCLOSURES

(29) APPROPRIATION OF PROFITS

In accordance with section 58 (2) of the German Stock Corporation Act (AktG), the relevant basis for ecotel's appropriation of net profit is the annual financial statements of ecotel communication ag, which are prepared in line with the provisions of German commercial law.

The annual financial statements of ecotel communication ag show an unappropriated surplus of EUR 4,711 thousand (previous year: EUR 66,077 thousand). In the 2023 financial year, ecotel communication ag distributed a dividend of EUR 66,058 thousand for the 2022 financial year (previous year: EUR 7,898 thousand).

(30) RELATED PARTY DISCLOSURES

The volume of services performed or utilised by related parties is as follows:

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
in EUR thousand	2022	**2023**	2022	**2023**
mvneco GmbH				
– from deliveries and services	56	61	1,094	1,954

As at 31 December 2023, there were receivables from mvneco GmbH of EUR 6 thousand (previous year: EUR 7 thousand) and trade payables to mvneco GmbH of EUR 17 thousand (previous year: EUR 8 thousand).

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
in EUR thousand	2022	**2023**	2022	**2023**
UPLINK Digital GmbH				
– from deliveries and services	–	172	–	21

As at 31 December 2023, there were receivables from UPLINK Digital GmbH of EUR 28 thousand (previous year: EUR 0 thousand) and trade payables to UPLINK Digital GmbH of EUR 0 thousand (previous year: EUR 0 thousand).

The ecotel Group had service relationships with the following related persons (or their companies) in 2023:

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
in EUR thousand	2022	**2023**	2022	**2023**
MPC Serivces GmbH				
– from deliveries and services	7	6	509	483

Agreement with MPC Service GmbH

A commercial agency agreement is in place between MPC Service GmbH and ecotel. Under this agreement, MPC Service GmbH receives an acquisition commission and a product-based commission for monthly incoming orders based on the monthly sales of all customers acquired through MPC Service GmbH. The Supervisory Board member Mirko Mach is a Managing Director and partner of MPC Service GmbH. As at the reporting date, there were receivables from MPC Service GmbH of EUR 1 thousand (previous year: EUR 0 thousand) and liabilities of EUR 46 thousand (previous year: EUR 42 thousand).

	Volume of services performed by ecotel		Volume of services utilised by ecotel	
in EUR thousand	2022	**2023**	2022	**2023**
Noerr PartG mbB				
– from deliveries and services	–	–	280	145

Agreement with Noerr Partnerschaftsgesellschaft mbB Rechtsanwälte Steuerberater Wirtschaftsprüfer:

Noerr PartGmbB and ecotel have concluded a service contract. Under this contract, Noerr PartGmbB provides legal advice for ecotel ag. The Supervisory Board member Dr Thorsten Reinhard is a partner at the company. As at the reporting date, there were liabilities to Noerr PartGmbB of EUR 0 thousand (previous year: EUR 0 thousand).

(31) SEGMENT REPORTING

The internal organisational and management structure and the internal reporting to the Management Board and the Supervisory Board form the basis for defining ecotel's segments.

Segmentation is based on the internal reporting by business areas. Continuing operations can be differentiated as follows:

- In the »ecotel Business Customers« segment (the core operating segment), ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions) from a single source. In this segment, ecotel also provides products as a supplier for other ICT companies (e. g. resellers). The affiliated companies and subsidiary of ecotel ag are also allocated to this segment.
- In the »ecotel Wholesale« segment, ecotel offers cross-network trading in telephone minutes and marketing data lines for national and international carriers.

The following operation will not be continued:

- In the »nacamar« segment, the company offers its own content delivery network (CDN) streaming services for media companies.

Segment earnings, a figure that is used by the Management Board for corporate management and monitoring, refers to annual earnings before interest, taxes, depreciation and amortisation (EBITDA). The segments presented here are prepared in line with the Group's accounting policies. There are consequently no valuation adjustments.

In the 2023 financial year, the »ecotel Wholesale« segment generated more than 10% of consolidated sales with two international carriers (EUR 21.5 million and EUR 22.4 million). The highest international sales were generated with a customer based in Romania. In the previous year, more than 10% of consolidated sales were generated with two international carriers (EUR 20.4 million and EUR 14.9 million respectively), and the highest international sales were likewise generated with a customer based in Romania.

	ecotel Business Customers		ecotel Wholesale		Cross-segment consolidation		Continuing operations[1]		Discontinued operations	
in EUR thousand	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
External sales	45,634	46,172	46,521	60,117	–	–	92,155	106,289	25,778	298
Intersegment sales			5,828	45	–5,828	–45	0	0	0	0
Gross profit	29,073	30,195	1,224	1,890	–	–	30,297	32,085	16,347	248
EBITDA	22,828	11,271	555	1,175	–	–	23,383	12,446	8,950	130
Operating EBIDTA	**8,257**	**7,816**	**555**	**1,175**	–	–	**8,812**	**8,991**	**8,950**	**130**
Depreciation and amortisation	–5,557	–4,781	–	–	–	–	–5,557	–4,781	–1,093	0
Unscheduled impairment	–	–	–	–	–	–	–	–	–	–
EBIT	17,271	6,490	555	1,175	–	–	17,826	7,665	7,857	130
Net finance costs							6	516	–10	0
Profit from ordinary activities							17,832	8,181	7,847	130
Income tax expense							–5,860	–2,501	–2,316	–41
Deconsolidation gains after taxes							–	–	52,650	1,684
Earnings							11,973	5,680	58,182	1,773

1 Includes income from the transfer of right-of-use assets to online resources.

Intersegment transactions were performed at market prices. The Group's sales were mostly generated in Germany. Sales were broken down into German and international sales based on the customer location. For further information, please refer to the disclosures on sales. All assets and investments are attributable to Germany.

(32) SHARE-BASED PAYMENTS

Since July 2020 there has been a stock option plan in which members of the Management Board and selected employees can participate. In the context of the stock option plan up to 351,000 options can be issued.

Each stock option entitles the participant to acquire a share of the company at an option price at the level of the weighted average stock price of the company in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) in a three-month period from the grant date. The claim to the rights to shares can be satisfied either from the created contingent capital or from the company's treasury shares or by making a cash payment at the corresponding level. The Stock Option Plan (2020) stipulates a vesting period of four years from the respective grant date until the first exercisability.

After the end of the four-year vesting period, the participants are entitled to exercise the options if the targets stipulated in the stock option plan have been achieved. In the period from the grant date to the exercise date of the relevant option, the company's share price must have performed better in percentage terms than the comparable index, the TecDAX. In addition, in the period from the grant date to the exercise date of the relevant option, the company's share price must have increased by at least 20%. Both performance targets must be met.

Whether the above-mentioned price-related targets are achieved is determined by the actual performance of the company's weighted average three-month share price and that of the TecDAX. If the performance targets are not reached, the company will reject exercise declarations it receives for stock options.

The stock option plan stipulates that after the end of the four-year vesting period the stock options can be exercised within three-week exercise periods, each of which starts after the publication of the half-year financial report and the annual report/notification for the first and third quarter of each financial year. The stock option plan does not stipulate any vesting periods for shares participants acquire by exercising stock options. If the options granted are not exercised within two years after the end of the vesting period, they are forfeited without replacement.

Options granted to a participant in a financial year which can be exercised may be exercised only to the extent that the company's weighted average share price in XETRA trading on the Frankfurt Stock Exchange does not exceed a factor of seven of the exercise price within a three-month period before the exercise date.

In the case of a change of control, i.e. the acquisition of a majority in the company by a person (acting alone or in concert) with the exception of such parties which directly or indirectly are full subsidiaries of the company or hold more than 5% of the share capital of the company when this stock option plan was set up and certain economically comparable transactions or a revocation of the approval of the shares to be traded in the regulated market, the grant agreements stipulate that the outstanding stock options lapse against a cash payment.

The number and exercise prices of the stock options for different groups of options is shown below:

	Number (shares)	Exercise price in EUR
Options outstanding at the beginning of the reporting period	344,943	6.8691
Options granted during the reporting period	–	
Options forfeited during the reporting period	–	
Options exercised during the reporting period	–	
Options expired during the reporting period	1,000	
Options outstanding at the end of the reporting period	343,943	6.8691
Options exercised at the end of the period	–	

As in the previous year, for options outstanding at the end of the reporting period, the exercise price is EUR 6.87. The remaining contractual period is 2 years and 7 months.

The stock options granted to the Management Board and selected employees are measured on the basis of the Monte-Carlo simulation. The performance targets – firstly that in the period from the grant date to the exercise date of the relevant option, the company's share price must have performed better in percentage terms than the comparable index, the TecDAX, and secondly that in the period from the grant date to the exercise date of the relevant option, the company's share price must have increased by at least 20% – were taken into account in the assessment. In addition, account was taken of the fact that options granted to a participant in a financial year may be exercised only to the extent that the company's weighted average share price in XETRA trading on the Frankfurt Stock Exchange does not exceed a factor of seven of the exercise price within a three-month period before the exercise date.

At the time of grant, the value of one stock option was EUR 1.41. The following parameters were used for the valuation:

	Disclosure
Share price (in EUR)	7.15
Exercise price (in EUR)	6.87
Option term (in years)	6.0
Term to expected exercise (in years)	4.4
Expected share price volatility (in %)	28.3
Current level of the TecDAX (in EUR)	3,005.0
Expected volatility of the TecDAX (in %)	17.0
Correlation between the share yield and the TecDAX	0.39
Risk-free return (in %)	–0.73
Expected dividend yield (in %)	2.0

The expected share price volatility of shares and the TecDAX is based on the analysis of historical volatilities calculated over a period corresponding to the remaining duration of the stock options.

Expected volatilities are based on the assumption that future trends can be extrapolated from historical volatilities. Actual volatilities may deviate from the assumptions made.

For the stock option plan, which provides for equity-settled remuneration, taking account of expected employee fluctuation, EUR 119 thousand (previous year: EUR 119 thousand) was expensed with a corresponding increase in capital reserves of EUR 119 thousand (previous year: EUR 119 thousand).

(33) REMUNERATION OF KEY MANAGEMENT PERSONNEL (DISCLOSURES IN ACCORDANCE WITH SECTION 314 HGB AND IAS 24)

Total remuneration for members of the Management Board amounted to EUR 1,671 thousand in the 2023 financial year (previous year: EUR 858 thousand). In addition to fixed remuneration of EUR 654 thousand (previous year: EUR 800 thousand) and fringe benefits of EUR 46 thousand (previous year: EUR 58 thousand), this includes securely earned variable remuneration of EUR 971 thousand for the 2023 financial year (previous year: EUR 0 thousand). Variable remuneration includes special payments of EUR 946 thousand (previous year: EUR 0 thousand). After deducting the remuneration components already paid, corresponding liabilities were recognised. This remuneration consists of short-term benefits.

Since 2020, there have been only personal targets for variable remuneration. In order to align financial incentives for the Management Board and the management more closely to the interests of shareholders with a long-term orientation, a stock option programme was initiated in July 2020. The members of the Management Board take part in the existing stock option programme. In 2020, the Management Board members were granted a total of 222,943 stock options. For these stock options, there is a vesting period of four years from the respective grant date until the first exercisability. EUR 57 thousand is recognised in expenses for current and former members of the Management Board.

Total remuneration for members of the Supervisory Board amounted to EUR 220 thousand in the 2023 financial year (previous year: EUR 210 thousand).

ecotel has also included the four members of the Governing Board among its key management personnel in accordance with IAS 24 in addition to the Management Board and Supervisory Board members. The total remuneration for all key management personnel thus amounts to EUR 2,783 thousand (previous year: EUR 1,700 thousand) and is all short-term. EUR 61 thousand (previous year: EUR 44 thousand) of this was attributable to contributions to retirement provisions in the reporting period. For further information on the remuneration of the Management Board and the Supervisory Board, please refer to the statements in the remuneration report.

(34) DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289F AND SECTION 315D OF THE GERMAN COMMERCIAL CODE (HGB) INCLUDING THE DECLARATION IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of ecotel communication ag have issued the declaration on corporate governance required in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the corporate governance report including the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and have made them permanently available to the public at www.ecotel.de under Investor Relations / Corporate Governance.

(35) AUDITOR'S FEES

In the 2023 financial year, the expensed fee for the auditor of the annual and consolidated financial statements of ecotel ag for auditing services amounted to EUR 229 thousand and comprises the fees for the statutory audit of the annual and consolidated financial statements of the company and its consolidated subsidiaries, EUR 37 thousand of which related to prior periods. EUR 8 thousand was recognised for other assurance services. As in the previous year, there were no expenses for tax consulting services or other services.

Düsseldorf, 8 March 2024
The Management Board

Markus Hendrich
Chairman of the Management Board

Achim Theis
Member of the Management Board

2.6 INDEPENDENT AUDITOR'S REPORT

To ecotel communication ag, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the Consolidated Financial Statements of **ecotel communication ag, Düsseldorf**, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2023 as well as the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial year from 1 January to 31 December 2023, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of ecotel communication ag, Düsseldorf, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have neither audited the Group Statement of Corporate Governance pursuant to section 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) nor the Corporate Governance Report (including the statement pursuant to section 161 of the German Stock Corporation Act (AktG [Aktiengesetz]) listed in section 1.5 of the Group Management Report.

In our opinion, based on the knowledge obtained in the audit,

- // the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 of the German Commercial Code (HGB [Handelsgesetzbuch]) and, in compliance with these requirements, give a true and fair view of the assets, the liabilities and the financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- // the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover the content of the unaudited parts of the Group Management Report listed above.

Pursuant to section 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Group Management Report.

Basis for the Audit Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as »EU Audit Regulation«) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditor (IDW [Institut der Wirtschaftsprüfer]). Our responsibilities under those requirements and principles are further described in the »Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report« section of our Auditor's Report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other professional responsibilities as applicable in Germany in accordance with these requirements. In addition, in accordance with Article 10 para. 2 lit. (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 para. 1 of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Audit Opinions on the Consolidated Financial Statements and on the Group Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our audit opinion thereon. We do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was

// recognition and proper allocation of revenues to the correct periods

a) The Risks for the Consolidated Financial Statements

The Consolidated Financial Statements disclose revenues amounting to EUR 106.3 million (previous year: EUR 92.2 million), EUR 46.2 million (previous year: EUR 45.6 million) of these relate to the ecotel Business Customers segment. Revenue is generally recognized as of the date on which the service has been rendered or the asset has been delivered. To allocate revenue to the correct periods, revenue from monthly base fees for voice connections and data services from services already invoiced but not yet rendered is deferred to the relevant periods. The Company has implemented processes for this purpose so that the relevant revenue groups are recognized by the system in the correct period.

The Company's disclosures relating to the specifics of performance-based recognition of revenues and allocation to the correct period in the Consolidated Financial Statements are included in the section »Accounting Principles« of the Notes to the Consolidated Financial Statements.

Due to the materiality of the deferred revenues on a monthly basis, there is an aggravated risk regarding the recognition and improper allocation of revenues as of the balance sheet date. For this reason, we consider this matter to be a key audit matter for the financial year.

b) Audit Approach and Conclusions

During our audit we initially assessed the appropriateness and the effectiveness of the processes and controls over financial reporting for revenue recognition and allocation to correct periods implemented by the Company. Building on this, we conducted substantive procedures regarding recognition during the year and allocation to correct periods as of the balance sheet date. In doing so, we not only conducted an analytical assessment of the monthly deferrals over the course of the year but also assessed based on samples whether the revenues were recognized in the correct period based on the date of performance.

We were able to satisfy ourselves that the implemented accounting systems and processes as well as the relevant internal controls are appropriate, and that revenue recognition and revenue deferral as of the balance sheet date were sufficiently documented and substantiated by the Legal Representatives of the Company to ensure proper recognition of revenues within the reporting period covered.

Other Information

The Legal Representatives or the Supervisory Board are responsible for the other information. The other information, as of the date of the Auditor's report, comprises the:

// Unaudited content of those parts of the Group Management Report listed in the section »Audit Opinions« above,
// The report of the Supervisory Board
// The remaining parts of the published Annual Report except for the audited Consolidated Financial Statements and the audited information in the Group Management Report including our audit opinion, and
// The confirmation pursuant to section 297 para. 2 sentence 4 HGB regarding the Consolidated Financial Statements and the confirmation pursuant to section 315 para. 1 sentence 5 HGB regarding the Group Management Report.

The letter to shareholders as part of the annual report is expected to be made available to us following the date of this Auditor's Report.

The Supervisory Board is responsible for the report of the Supervisory Board. The Legal Representatives and the Supervisory Board are responsible pursuant to Section 161 of the German Stock Corporation Act (AktG [Aktiengesetz]) for the declaration pursuant to the German Corporate Governance Code, which is part of the Group's corporate governance declaration contained in section 1.5 of the Group Management Report. Besides, the Legal Representatives are responsible for the other information.

Our Audit Opinions on the Consolidated Financial Statements and the Group Management Report do not cover the other information and, consequently, we neither issue an opinion nor do we express any form of assurance conclusion on this.

In connection with our audit of the Consolidated Financial Statements and the Group Management Report, our responsibility is to read the other information and, in doing so, consider whether the other information

- // is materially inconsistent with the Consolidated Financial Statements, the audited parts of the Group Management Report or our knowledge obtained in the audit or
- // otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained before the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Legal Representatives are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315 e para. 1 HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Legal Representatives are responsible for such internal controls as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, due to fraudulent acts (i. e. manipulation of accounting and damage to assets) or errors.

In preparing the Consolidated Financial Statements, the Legal Representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Legal Representatives are responsible for the preparation of the Group Management Report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Legal Representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, due to fraudulent acts or errors, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an Auditor's Report that includes our Audit Opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraudulent acts or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group Management Report, due to fraudulent acts or errors, design and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our Audit Opinions. The risk of not detecting a material misstatement resulting from fraudulent acts is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent acts may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Legal Representatives and the reasonableness of estimates made by the Legal Representatives and related disclosures.
- Conclude on the appropriateness of the Legal Representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective Audit Opinions. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the presentation, structure and content of the Consolidated Financial Statements as a whole, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express Audit Opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group Audit. We remain solely responsible for our Audit Opinions.
- Assess the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the actions taken or safeguards implemented to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in Accordance with § 317 para. 3a HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 para. 3a HGB to obtain reasonable assurance about whether the reproduction of the Consolidated Financial Statements and the Group Management Report (hereinafter the »ESEF documents«) contained in the attached electronic file »ecotelag-2023-12-31-de-KA.zip« and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format (»ESEF format«). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the Consolidated Financial Statements and the Group Management Report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying Consolidated Financial Statements and the accompanying Group Management Report for the financial year from 1 January to 31 December 2023 contained in the »Auditor's Report on the Consolidated Financial Statements and on the Group Management Report« above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned attached electronic file in accordance with § 317 para 3a HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the »Auditor's Responsibilities for the Assurance Work on the ESEF Documents« section. Our audit firm has applied the quality management requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1) (09.2022)).

Responsibilities of the Legal Representatives and the Supervisory Board for the ESEF Documents

The Company's Legal Representatives are responsible for the preparation of the ESEF documents with the electronic reproductions of the Consolidated Financial Statements and the Group Management Report in accordance with section 328 para. 1 sentence 4 no. 1 HGB and for the marking up of the Consolidated Financial Statements in accordance with section 328 para. 1 sentence 4 no. 2 HGB.

In addition, the Company's Legal Representatives are responsible for such internal controls as they have determined necessary to enable the preparation of ESEF documents that are free from breaches of the requirements of section 328 para. 1 HGB relating to electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparation of the ESEF documents as part of the accounting process.

Auditor’s Responsibilities for the Assurance Work on the ESEF Documents

Our objectives are to obtain reasonable assurance about whether the ESEF documents are free from breaches, whether due to fraud or error, of the requirements of section 328 para. 1 HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material breaches, whether due to fraud or error, of the requirements of section 328 para. 1 HGB, we plan and perform procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our Audit Opinion.
- Obtain an understanding of internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the date of the end of the report period concerning the technical specification for this file.
- Assess whether the ESEF documents enable an XHTML reproduction with the same content as the audited Consolidated Financial Statements and the audited Group Management Report.
- Assess whether the marking up of the ESEF documents using Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU 2019/815, in the version in force at the date of the financial statements, enables an adequate and completely machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group Auditor by the Annual General Meeting on 21 April 2023. We were engaged by the Supervisory Board on 15 September 2023.

We have been the Auditor of ecotel communication ag, Düsseldorf, continuously since the financial year 2018.

We declare that the Audit Opinions expressed in this Auditor’s Report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor’s Report

Our Auditor’s Report must always be read together with the audited Consolidated Financial Statements and the audited Group Management Report as well as the assured ESEF documents. The Consolidated Financial Statements and the Group Management Report converted to the ESEF format – including the versions to be published in the Companies Register – are merely electronic renderings of the audited Consolidated Financial Statements and the audited Group Management Report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor [Wirtschaftsprüfer] responsible for the engagement is Mr. Tobias Schmelter.

Bonn, 8 March 2024

RSM Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martin Theis Public Auditor	Tobias Schmelter Public Auditor

04 NOTES

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FINANCIAL CALENDAR AND LEGAL NOTICE

14 March 2024	Publication of annual financial report
8 May 2024	Publication of quarterly report (Q1)
28 June 2024	Annual General Meeting
12 August 2024	Publication of half-year financial report
6 November 2024	Publication of quarterly report (Q3)

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