2018

Quarterly Statement

for the 3rd quarter

20th anniversary

ecotel®

all around communication

Profit and loss account (IFRS)		9 months 2017 (IFRS)	9 months 2018 (IFRS)	3rd quarter 2017 (IFRS)	3rd quarter 2018 (IFRS)
Revenue	in million €	**95.6**	**76.4**	**33.3**	**34.2**
ecotel Business Solutions	in million €	35.2	35.9	12.0	12.1
ecotel Wholesale Solutions	in million €	47.7	27.3	17.0	17.7
easybell	in million €	11.4	11.9	3.7	4.0
nacamar	in million €	1.4	1.4	0.5	0.4
Gross profit	in million €	**21.9**	**23.4**	**7.3**	**8.0**
ecotel Business Solutions	in million €	16.6	17.5	5.5	5.9
ecotel Wholesale Solutions	in million €	0.3	0.2	0.1	0.1
easybell	in million €	4.3	5.0	1.5	1.7
nacamar	in million €	0.6	0.7	0.2	0.3
EBITDA [1,2]	in million €	**5.2**	**5.6**	**1.8**	**2.0**
in % of revenue		5.4 %	7.4 %	5.4 %	5.9 %
Operating result (EBIT)	in million €	1.6	1.6	0.5	0.6
Consolidated profit [3]	in million €	0.4	0.4	0.0	0.1
Earnings per share [4]	in €	0.10	0.11	0.00	0.03

Cash flow		9 months 2017 (IFRS)	9 months 2018 (IFRS)
Cash and cash equivalents as of 01/01	in million €	7.5	6.4
Cash flow from ongoing business activities	in million €	3.6	3.7
Cash flow from investment activities	in million €	–4.1	–4.5
Cash flow from financing activities	in million €	0.4	–2.6
Financial resources as of 30/09	in million €	7.4	3.0
Free cash flow	**in million €**	**–0.4**	**–0.8**

Balance sheet (IFRS)		9 months 2017 (IFRS)	9 months 2018 (IFRS)
Balance sheet total	in million €	47.1	51.7
Equity	in million €	22.2	22.4
in % of the balance sheet total		47.1 %	43.4 %
Net financial assets	in million €	**1.6**	**–1.1**

Other key figures		9 months 2017	9 months 2018
Number of shares as of 30/09 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 30/09	Quantity	229	247
Personnel expenses	in million €	–10.0	–10.5

[1] *Earnings before interest, taxes, depreciation and amortisation*
[2] *Corresponds to the consolidated profit after deduction of minority interests*
[3] *Both undiluted and diluted*
[4] *Free cash flow = cash flow from ongoing business activities + cash flow from investment activities*

Differences in the totals can occur due to commercial rounding.

Dear Shareholders,

We are very satisfied with the business development in the first nine months of the year 2018 and especially in the third quarter, and remain on course in the process of transformation from a reseller to a network operator. The »ecotel Business Customers« segment increased in the third quarter 2018 by € 12.1 million (previous year: € 12.0 million) to € 35.9 million (previous year: € 35.2 million). In addition, revenue in the »easybell« segment increased both in the quarter comparison (€ +0.3 million) and in comparison with the first nine months of the previous year (€ +0.5 million) to € 11.9 million (previous year: € 11.4 million). As expected, revenue in the »nacamar« segment remained at the previous year's level, with € 0.4 million in the third quarter and € 1.4 million for the first nine months. In the »ecotel Wholesale« segment, which has proven difficult to plan but does not contribute substantially to the group's profit margin, revenue totalled € 27.3 million (previous year: € 47.7 million). The group's total revenue therefore decreased to € 76.4 million (previous year: € 95.6 million).

The »ecotel Business Customers« segment is increasingly benefiting from the positive effects of the transformation from conventional ISDN-based products to higher-margin all-IP voice products. The share of these products in the revenue is continuously rising and already constitutes about 10 % of the segment revenue as of the end of the third quarter 2018. Of all telephone minutes of ecotel customers, about 30 % are now generated via the new All-IP voice products. As a result of deeper value creation, it is possible to achieve higher gross profit here than with conventional ISDN-based products. The »ecotel Business Customers« segment therefore reports a gross profit margin of 48.8 % (previous year: 45.8 %) for the third quarter and 48.7 % (previous year: 47.2 %) for the first nine months of 2018.

Gross profit also increased substantially in the »easybell« segment, both in the quarter comparison (€ +0.2 million) and in the reporting period (€ +0.7 million) (3rd quarter 2018: € 1.7 million; 9 months 2018: € 5.0 million). This growth is due especially to the marketing of SIP trunking products for smaller business customers.

In the »nacamar« segment the focus on the business field of radio streaming (Internet radio) has increasingly resulted in a positive business development, which is already evident in an initial increase in gross profit to € 0.7 million (previous year: € 0.6 million).

Consolidated gross profit increased in the third quarter to € 8.0 million (previous year: € 7.3 million) and in the first nine months of 2018 by € 1.5 million to € 23.4 million. Consolidated EBITDA in the same period totalled € 5.6 million (previous year: € 5.2 million) and in the third quarter € 2.0 million (previous year: € 1.8 million). As a result, ecotel can report earnings per share of € 0.11 (previous year: € 0.10) for the first nine months of the year 2018.

The continued high investments totalling € 4.5 million (previous year: € 4.1 million) in high-performance customer-specific equipment, process optimisations and IT developments, as well as the expansion of the computer centre result in a negative free cash flow of minus € 0.8 million (previous year: minus € 0.4 million) for the first nine months of 2018. In the third quarter, on the other hand, the free cash flow totalled € 0.1 million (previous year: € 0.4 million). Based on a resolution of the Annual General Meeting, the payment of a cash dividend to the shareholders totalling € 0.5 million (previous year: € 0.8 million) also took place during this period. The net financial debt increased slightly to € 1.1 million.

The Management Board is convinced that ecotel is continuing on the right path, and adjusts the previous forecast. For financial year 2018, the group expects consolidated revenue of about € 100 million and EBITDA between € 7.0 and 8.0 million.

Düsseldorf, November 2018

Peter Zils
Chief Executive Officer

Achim Theis
Management Board

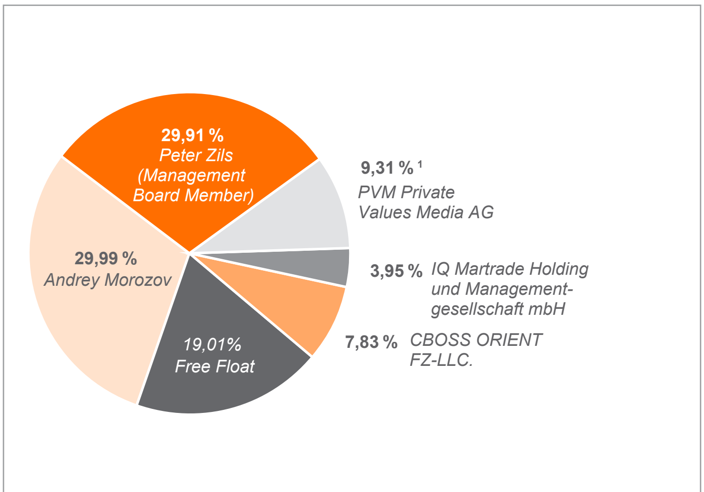
Overview of the ecotel share

The ecotel share started the year 2018 at € 10.73. In the course of the year the share price ranged between € 11.60 and € 7.75. Since the end of the first quarter 2018, the development of the ecotel share has been weaker in comparison with the German share index DAX and also TecDAX. As of 30 September 2108 the ecotel share closed at € 7.75. With an unchanged total of 3.51 million outstanding shares this results in market capitalisation of € 27.2 million (previous year: € 32.9 million). The average trading volume was 1,720 shares (previous year: 3,984 shares).

Shareholder structure

As of 30 September the share capital of ecotel communication ag remained unchanged at 3,510,000 shares. In the third quarter the following significant changes in the shareholder structure occurred: Magic Assets Investment Ltd. no longer holds any shares. CBOSS Orient FZ-LLC announced shareholdings of 7.83 %. The 29.99 % previously held by Intellect Investment & Management Ltd. are now held directly by Andrey Morozov. The diversified holdings therefore total approximately 19 %. Additional details are provided on our IR website.

Shareholdings (30/09/2018) in percent



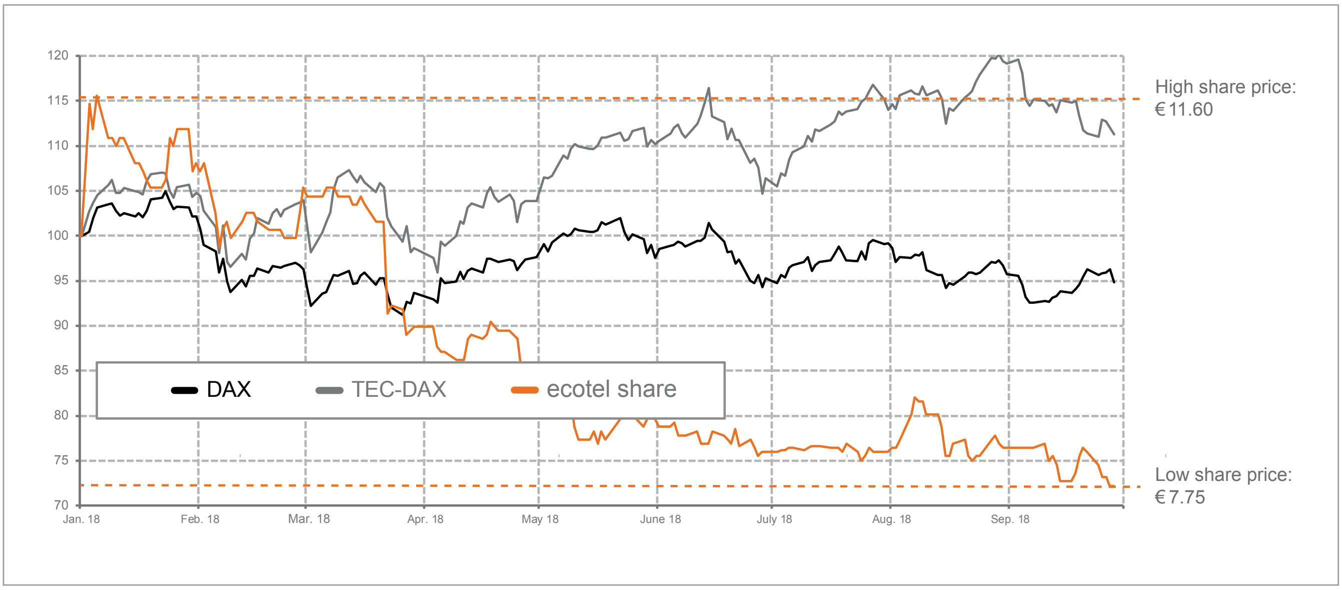
[1] *% rate according to the last voting rights announcement of 07/04/2011 prior to call-in of treasury shares (basis: Share capital in shares: 3,900,000)*

Key figures Ø 2018

WKN	585434
ISIN	DE0005854343
Symbol	E4C
Market segment since 08/08/2007	Prime Standard
Index affiliation	CDAX, Prime All Share Technology All Share
Class	Non par value shares
Date of first listing	29/03/2006
Number of shares as of 30/09/2018	3,510,000
Average daily trading volume 2018	1,720
High share price 2018 (€)	11.60
Low share price 2018 (€)	7.75
Market capitalisation as of 30/09/2018 (in million €)*	27.2
Designated sponsor	Lang & Schwarz Broker GmbH

** Based on the closing price of € 7.75 per share for 3,510,000 outstanding shares as of 30 September 2018*

Price trend of the ecotel stock in 2018 in percent



Consolidated balance sheet as of 30 September 2018 (unaudited)

€	31/12/2017	30/09/2018
Assets		
A. Non-current assets		
I. Intangible assets	12,692,591.72	12,864,743.37
II. Fixed assets	8,751,550.31	9,224,993.00
III. Capitalised contract costs	–	2,832,900.00
IV. Financial assets measured at equity	704,062.70	734,519.70
V. Deferred income tax claims	333,732.79	613,782.13
Total non-current assets	**22,481,937.52**	**26,270,938.20**
B. Current assets		
I. Trade receivables	9,294,375.00	19,376,377.25
II. Contract assets	–	59,421.00
III. Other financial assets	1,845,388.63	1,581,147.73
IV. Other non-financial assets	996,286.89	707,887.74
V. Actual income tax claims	783,621.13	641,185.70
VI. Cash and cash equivalents	6,393,218.27	3,028,791.80
Total current assets	**19,312,889.92**	**25,394,811.22**
Total assets	**41,794,827.44**	**51,665,749.42**

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have been applied since 1 January 2018. The previous year’s figures have not been adjusted. For further information, please refer to the section “New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2018 and changes in accounting policies” on page 15ff.

Consolidated balance sheet as of 30 September 2018 (unaudited)

€	31/12/2017	30/09/2018
Liabilities		
A. Equity capital		
I. Subscribed capital	3,510,000.00	3,510,000.00
II. Capital reserves	1,833,254.38	1,833,254.38
III. Other provisions	13,934,160.76	13,980,397.84
Shares of the owners of the parent company	**19,277,415.14**	**19,323,652.22**
IV. Shares of other shareholders	3,235,118.67	3,090,536.86
Total equity capital	**22,512,533.81**	**22,414,189.08**
B. Non-current liabilities		
I. Latent income tax	842,999.57	1,090,541.64
II. Non-current loans	3,859,369.00	2,437,500.00
III. Contract liabilities	–	814,054.00
Total non-current liabilities	**4,702,368.57**	**4,342,095.64**
C. Current liabilities		
I. Actual income tax	759,628.75	583,448.48
II. Current loans	1,308,336.00	1,708,328.00
III. Accounts payable	10,408,124.87	19,539,338.05
IV. Contract liabilities	–	942,052.00
V. Provisions	54,176.00	25,500.00
VI. Other financial liabilities	1,330,004.48	1,232,197.42
VII. Other non-financial liabilities	719,654.96	878,600.75
Total current liabilities	**14,579,925.06**	**24,909,464.70**
Total liabilities	**41,794,827.44**	**51,665,749.42**

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have been applied since 1 January 2018. The previous year’s figures have not been adjusted. For further information, please refer to the section “New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2018 and changes in accounting policies” on page 15ff.

Consolidated profit statement

for the third quarter 2018 and for the first nine months of 2018 (unaudited)

€		1st – 3rd quarter 2017	1st – 3rd quarter 2018	3rd quarter 2017	1st – 3rd quarter 2018
1.	Sales revenue	95,642,357.53	76,371,573.53	33,323,398.06	34,200,595.83
2.	Other operating income	188,751.55	182,579.98	59,730.62	57,681.03
3.	Other company-manufactured items capitalised	403,567.05	388,045.28	132,870.12	125,192.20
4.	**Total revenue**	**96,234,676.13**	**76,942,198.79**	**33,515,998.80**	**34,383,469.06**
5.	Cost of materials				
	Expenses for services purchased	–73,780,107.72	–52,967,167.50	–25,988,752.37	–26,216,547.22
6.	Personnel expenses				
6.1	Wages and salaries	–8,426,517.20	–8,949,183.07	–2,740,962.69	–3,061,782.36
6.2	Social contributions and expenses for pensions and benefits	–1,401,254.25	–1,503,373.29	–471,281.29	–504,599.34
7.	Scheduled depreciations	–3,470,863.48	–3,903,505.10	–1,229,228.59	–1,342,905.26
8.	Other operating expenses	–7,656,359.26	–7,977,677.09	–2,674,050.74	–2,630,196.37
9.	**Operating result (EBIT)**	**1,499,574.22**	**1,641,292.74**	**411,723.12**	**627,438.51**
10.	Interest income	20.40	782.00	4.40	1.13
11.	Interest expense	–135,549.35	–129,496.96	–42,160.79	–51,110.19
12.	Earnings from financial assets measured at equity	185,504.95	30,457.00	43,094.78	–10,051.27
13.	**Financial result**	**49,976**	**–98,257.96**	**938.39**	**–61,160.33**
14.	**Earnings from normal business activities before income tax**	**1,549,550.22**	**1,543,034.78**	**412,661.51**	**566,278.18**
15.	Taxes on income and earnings	–541,676.72	–461,335.16	–187,898.73	–196,904.18
16.	**Surplus (= total consolidated profit)**	**1,007,873.50**	**1,081,699.62**	**224,762.78**	**369,374.00**
17.	Allocation of the surplus to the				
17.1	**Owners of the parent company (consolidated surplus)**	**356,367.40**	**369,712.32**	**1,778.54**	**111,826.21**
17.2	Shares of other shareholders	651,506.10	711,987.30	222,984.24	257,547.79

€	1st – 3rd quarter 2017	1st – 3rd quarter 2018	3rd quarter 2017	3rd quarter 2018
Undiluted earnings per share	0.10	0.11	0.00	0.03
Diluted earnings per share	0.10	0.11	0.00	0.03

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

The previous year’s figures have been adjusted. For further information, please refer to the section “New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2018 and changes in accounting policies” on page 15ff.

New or changed provisions of the IASB to be applied for the first time in the consolidated financial statement as per 1 January 2018:

The following table shows the new or changed stipulations of the IASB to be applied in the consolidated financial statement for the first time as per 1 January 2018 that have effects on the consolidated financial statement of ecotel communication ag:

Standard / Interpretation
IFRS 9 »Financial Instruments«
IFRS 15 »Revenue from Contracts with Customers«
Changes to IFRS 15 »Revenue from Contracts with Customers«: Clarifications
Changes to IFRS 15 »Revenue from Contracts with Customers«: Time of first application

IFRS 9 »Financial Instruments« contains regulations for the recognition, accounting and derecognition of financial assets and debts, as well as for the accounting of hedging relationships. The previous method for accounting of financial instruments in accordance with IAS 39 »Financial Instruments: Recognition and Measurement« has now been completely replaced by accounting in accordance with IFRS 9. The central requirements of IFRS 9 can be summarised as follows:

- Compared with the previous IAS 39 standard the requirements of IFRS 9 for the area of application as well as recognition and derecognition are unchanged for the most part.

- However, the provisions of IFRS 9 provide for a new classification model for financial assets that differs from IAS 39.

- The subsequent measurement of financial assets in the future will be based on three categories with different standards of value and a different recognition of changes in value. This categorisation is based both on the contractual cash flows of the instrument and on the business model in which the instrument is held. In principal, it is therefore a matter of obligatory categories. In addition, enterprises also have individual options at their disposal.

- For financial liabilities, on the other hand, the existing provisions have been retained in IFRS 9 for the most part. The only significant change relates to financial liabilities in the fair value option. For these, due to changes in the credit risk, fair value fluctuations are to be recognised in the other comprehensive income.

- IFRS 9 provides for three levels that will define the amount of losses and interest received to be recognised in the future. Accordingly, expected losses amounting to the cash value of an expected 12-month loss are to be recognised at the time of inflow (level 1). In the event of a significant increase in the credit risk, the provision for risks is to be increased to the amount of the expected losses for the entire remaining term (level 2). Upon the occurrence of an objective indication of loss of value the interest income is to be recognised on the basis of the net carrying value (carrying value minus provision for risk) (level 3). A simplified model is to be applied for certain financial assets (such as trade receivables without significant financing components).

- In addition to extensive transitional provisions, IFRS 9 is also connected with extensive disclosure requirements both during the transition and in ongoing application. Changes in comparison to IFRS 7 »Financial Instruments: Notes« relate primarily to the provisions for impairments.

ecotel applied the new standard retrospectively as per 1 January 2018 with the practical exception allowed by the standard. Comparison values for 2017 were therefore not adjusted. The cumulative effect (before deferred taxes) on the trade receivables totalling € 77 thousand was set off with the reserves as not affecting net income. The relevant categories for ecotel are essentially trade receivables with no significant financing components. The business model currently provides for carrying of the receivables, so that no significant effects will result from a different classification. ecotel does not use a fair value option in the classification of financial liabilities, so that no significant effects occurred here either.

In May 2014 the IASB published the new standard **IFRS 15 »Revenue from Contracts with Customers«.** The goal of the new standard for revenue recognition is to combine the provisions previously contained in diverse standards and interpretations in one standard. In addition, standardised principles are defined that can be applied to all industries and all types of sales transactions. Questions about the amount and time frame for recognising revenue are answered by the 5-level model.

The standard also contains numerous additional provisions with detailed explanations and an expansion of the information required in the notes. The new standard must be applied for financial years that start on or after 1 January 2018. The first-time application must be retrospective, however diverse simplification options are granted; earlier application is permissible.

With its business model, the Group is affected by the changes in IFRS 15. The Group's business model – especially in the ecotel Business Solutions segment – provides for multi-component contracts with separate performance obligations over a defined contract term. Besides the provision of a custom data line (including the necessary hardware components), various services and provision services are bundled in one customer contract. Due to the requirement in IFRS 15 for distribution of the transaction price in relation to the single selling prices of the performance obligations, the income not allocated to any performance obligation and the income for which the performance obligation is not rendered predominantly at the beginning, will be achieved as revenue over the term of the contract in the future. In addition, contract fulfilment costs, such as payments for supplier connection services as well as customer acquisition costs, which at ecotel comprise incurred commissions for acquired contracts, will be deferred over the contract term in the future. This results in the formation of "capitalised contract costs", "contract assets", and short- and long-term "contract liabilities". ecotel has used the option of simplified first-time adoption, which means that comparative figures of the previous year's periods were not adjusted. The cumulative effect of the change-over was recognised as of 1 January 2018 in the equity as not affecting net income against other reserves.

The first-time application of IFRS 15 as of 1 January 2018 had the following effects on the reporting in the consolidated balance sheet. The cumulative effect was set off with the reserves as not affecting net income.

Balance sheet line	01 January 2018
Capitalised contract costs	€ 2,386 thousand
Contract assets	€ 0 thousand
Other non-financial assets	€ –398 thousand
Total assets	**€ 1,988 thousand**
Deferred income tax	€ 140 thousand
Long-term contract liabilities	€ 780 thousand
Short-term contract liabilities	€ 758 thousand
Other provisions	€ 310 thousand
Profit effects from IFRS 15	**€ 0 thousand**
Total liabilities	**€ 1,988 thousand**

In addition, the following changes in accounting were made in the consolidated financial statement as of 1 January 2018:

In the past, revenue from payments in kind for motor vehicle use, which represent a fictive claim for compensation for the fictive expenses from the cash value advantage of motor vehicle use previously reported in personnel expenses, were reported under other operating expenses. Since 1 January 2018 these two items are now balanced out. For better comparison the prior periods were adjusted accordingly. Other operating expenses and personnel expenses were therefore reduced by € 274 thousand in 2017. In the first nine months of 2017, other operating income and personnel expenses were reduced by € 203 thousand.

Since 1 January 2018, the capital market support costs previously reported in financial expenses are reported in other operating expenses and the term "financial expenses" in the consolidated profit statement has now been changed to "interest expenses". For better comparison the prior periods were adjusted accordingly. Interest expenses therefore decreased in 2017 by € 117 thousand and other operating expenses increased by € 117 thousand. In the first nine months of 2017, interest expenses decreased by € 103 thousand and other operating expenses increased by € 103 thousand.

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Disclaimer

Exclusion of liability:

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

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

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

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