2018

Quarterly statement

for 2nd Quarter

ecotel®

all around communication

20th anniversary

Profit and loss account (IFRS)		1st half year 2017 (IFRS)	1st half year 2018 (IFRS)	2nd quarter 2017 (IFRS)	2nd quarter 2018 (IFRS)
Revenue	in million €	**62.3**	**42.2**	**35.5**	**22.6**
ecotel Business Solutions	in million €	23.3	23.8	11.7	11.9
ecotel Wholesale Solutions	in million €	30.6	9.6	19.6	6.4
easybell	in million €	7.6	7.8	3.7	3.9
nacamar	in million €	0.8	0.9	0.5	0.5
Gross profit	in million €	**14.5**	**15.4**	**7.2**	**7.8**
ecotel Business Solutions	in million €	11.1	11.6	5.5	5.8
ecotel Wholesale Solutions	in million €	0.2	0.1	0.1	0.1
easybell	in million €	2.8	3.2	1.3	1.7
nacamar	in million €	0.4	0.5	0.2	0.3
EBITDA [1]	in million €	**3.4**	**3.6**	**1.6**	**1.8**
in % of revenue		5.4 %	8.5 %	4.5 %	8.1 %
Operating result (EBIT)	in million €	1.1	1.0	0.4	0.5
Consolidated profit [2]	in million €	0.4	0.3	0.1	0.1
Earnings per share [3]	in €	0.10	0.07	0.03	0.04

Cash flow		1st half year 2017 *(IFRS)*	1st half year 2018 *(IFRS)*
Financial resources at beginning of period	in million €	7.5	6.4
Cash flow from ongoing business activities	in million €	1.9	2.2
Cash flow from investment activities	in million €	–2.7	–3.1
Cash flow from financing activities	in million €	1.5	–1.8
Financial resources as of 30/06	in million €	8.2	3.7
Free cash flow [4]	**in million €**	**–0.8**	**–0.9**

Balance sheet (IFRS)		1st half year 2017 *(IFRS)*	1st half year 2018 *(IFRS)*
Balance sheet total	in million €	53.1	43.0
Equity	in million €	22.7	22.5
in % of the balance sheet total		42.9 %	52.4 %
Net financial assets	in million €	**2.1**	**–0.7**

Other key figures		1st half year 2017	1st half year 2018
Number of shares as of 30/06 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 30/06	Quantity	237	246
Personnel expenses	in million €	6.6	6.9

[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 second quarter and we remain on course in the process of transformation from a reseller to a network operator. The »ecotel Business Solutions« segment continues to grow and reached € 23.8 million in the first half year 2018 (previous year: € 23.3 million). Revenue in the »easybell« (€ +0.2 million) and »nacamar« (€ +0.1 million) segments is likewise developing as planned for 2018. In the »ecotel Wholesale Solutions« segment, which has proven difficult to plan but does not contribute substantially to the Group's profit margin, revenue decreased to € 9.6 million in the first half-year 2018 (previous year: € 30.6 million). The Group's total revenue therefore declined in the first half-year to € 42.2 million (previous year: € 62.3 million). These tendencies and developments are also virtually identical in the quarterly comparison: Revenue in the »ecotel Business Solutions« segment increased in the second quarter by € 0.2 million to € 11.9 million. Revenue in the »easybell« segment increased by € 0.2 million to € 3.9 million in the same period. The »nacamar« segment was able to repeat the previous year's revenue of € 0.5 million.

Continued essential driving factors that shape the revenue and gross profit development in the »ecotel Business Solutions« segment are the successful implementation of large-scale projects, the transformation from conventional ISDN-based products to higher-margin all-IP voice products with a broadband baseline, as well as the acquisition of new customers in the area of All-IP voice products. With its own local exchange network ecotel achieves higher value creation and therefore higher gross profits. The gross profit margin in the »ecotel Business Solutions« segment increased in the first half-year 2018 to 48.5 % (previous year: 47.9 %) and in the second quarter 2018 to 48.8 % (previous year: 47.4 %). Currently, approximately 25 % of all telephone minutes are generated via the new all-IP voice products, and the tendency is on the rise.

Gross profit also increased substantially in the »easybell« segment, both in the half-year comparison (+16 %) and the quarterly comparison (+25 %) (2nd quarter 2018: € 1.7 million; 1st half year 2018 € 3.2 million). This is evident in the growth of the small business customers segment; these customers essentially obtain all-IP services (SIP telephony) via easybell. Due to the modified strategy in the »nacamar« segment of focussing on the business area of radio streaming (Internet radio), gross profit in this segment increased to € 0.5 million (previous year: € 0.4 million). Consolidated gross profit increased by € 0.9 million to € 15.4 million in the first half-year. Consolidated EBITDA totalled € 3.6 million (previous year: € 3.4 million), or € 1.8 million (previous year: € 1.6 million). Personnel expenses increased in the first half-year by € 0.3 million as a result of the increased number of employees. At the same time, the higher order volume and the temporary higher expenses for the transformation from ISDN-based connections to the new ecotel product portfolio have necessitated higher expenses since mid-2017 for service and availability of the customer service organisation. Consequently in comparison with the first half-year 2017 the expenses in this area increased by € 0.2 million. In addition, expenses for maintenance and scheduled repairs in the computer centre in the first half year 2018 totalled € 0.1 million.

With a balance sheet total of € 43.0 million (previous year: € 53.1 million and equity of € 22.5 million (previous year: € 22.7 million) ecotel reports an equity ratio of 52.4 % (previous year: 42.9 %). The expected continued high investments in customer equipment, IT developments, the computer centre and process optimisations totalling € 3.1 million in the first half year 2018 (previous year: € 2.7 million) result in a negative free cash flow of € 0.9 million (previous year: € –0.8 million) and a net financial debt of € 0.7 million. The high value creation and resulting possibility of achieving high gross profit margins with future-viable all-IP products, together with the opportunities on the market for acquiring additional large-scale projects leave ecotel no other choice but to continue planning these investments for the near future.

The Management Board is convinced that ecotel is continuing on the right path, and therefore reconfirms the forecast for 2018. Accordingly, for 2018 the Management Board is predicting consolidated revenue ranging between € 90 and € 120 million and EBITDA in the realm of € 7.0 to € 8.0 million with a slightly increased gross profit margin, resulting in enhanced gross profits in the »ecotel Business Solutions« segment.

Düsseldorf, in August 2018

Peter Zils
Chief Executive Officer

Achim Theis
Management Board

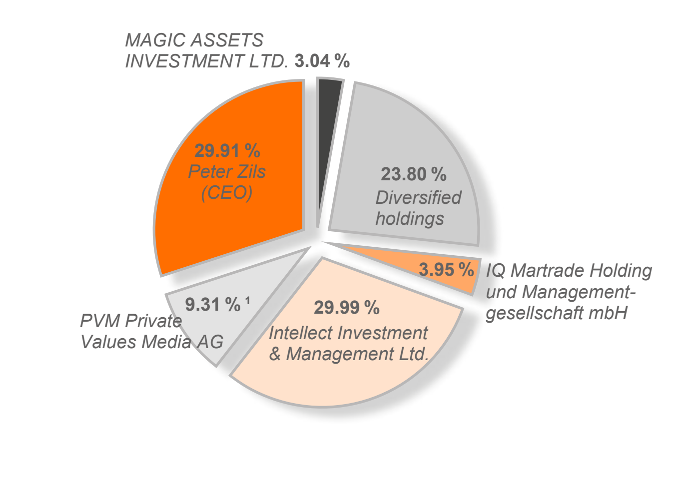
Overview of the ecotel share

The ecotel share started the year 2018 at € 10.73. In the course of the first half year the share price ranged from € 11.60 to € 8.10. Since the end of the first quarter, compared to the German share index DAX and also TecDAX the development of the ecotel share has been weaker. The ecotel share closed the first half year 2018 at a price of € 8.15. With an unchanged total of 3.51 million outstanding shares this results in a market capitalization of € 28.6 million (30 June 2017: € 33.4 million). The average trading volume was 1,946 shares (1st HY 2017: 4,493 shares).

Shareholder structure

As of 30 June 2018 the share capital of ecotel communication ag was unchanged at 3,510,000 shares. There were no significant changes in the shareholder structure. Peter Zils (CEO of the company) holds a share of 29.91 %, Intellect Investment & Management Ltd. a share of 29.99 %, IQ Martrade Holding und Managementgesellschaft mbH a share of 9.97 %, PVM Private Value Media AG a share of 9.31 %, and Magic Assets Investment Ltd a share of 3.04 % of the company's stock. The diversified holdings therefore amount to approximately 24 %. More details are provided on our IR website.

Shareholdings (30/06/2018) in percent



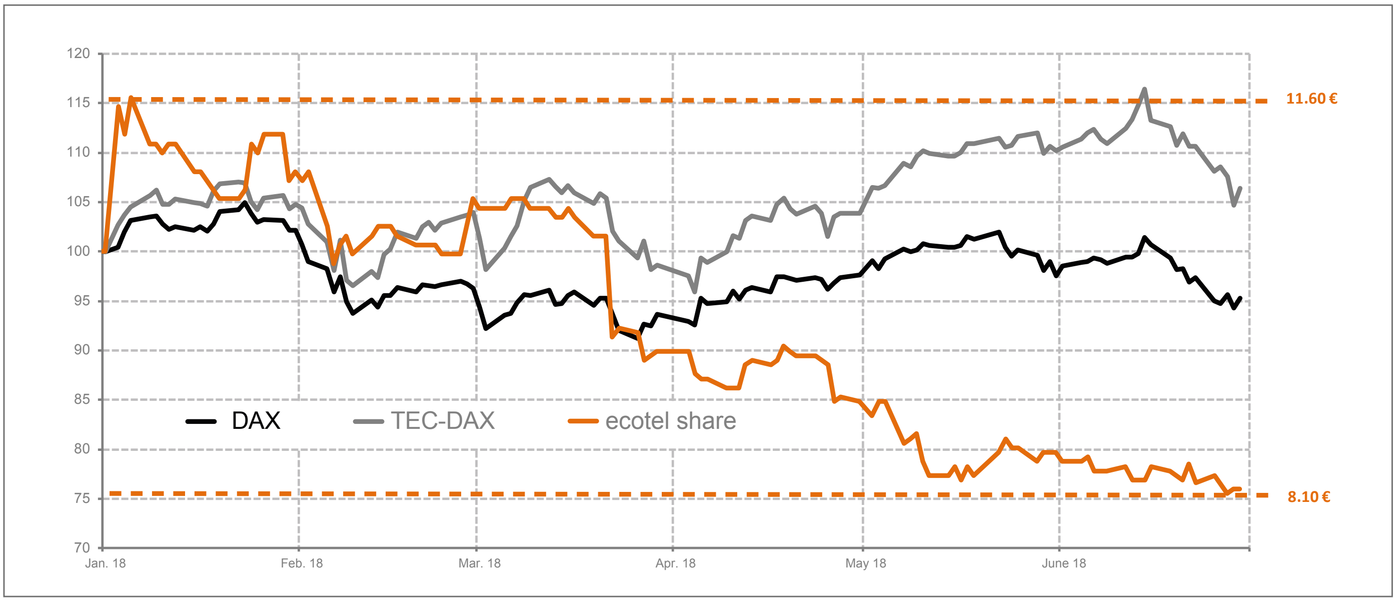
[1] % rate according to the last vote announcement of 07/04/2011 prior to call-in of treasury shares (basis: capital stock in shares: capital stock in shares: 3,900,000)

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 30/06/2018	3,510,000
Average daily trading volume 2018 (number)	1,946
High share price 2018 (€)	11.60
Low share price 2018 (€)	8.10
Market capitalisation as of 30/06/2018 (in million €)*	28.6
Designated sponsor	Lang & Schwarz Broker GmbH

** Based on the closing price of € 8.15 per share for 3,510,000 outstanding shares as of 30 June 2018*

Price trend of the ecotel share in 2018 in percent



Earnings and performance

In the first half year 2018, in the **core segment Business Solutions** ecotel was able to increase revenue by € 0.5 million to € 23.8 million. The **easybell** and **nacamar** segments likewise were able to increase their revenue with € 0.2 million and € 0.1 million respectively, compared to the first half year 2017. In the difficult to plan and also low margin segment **ecotel Wholesale Solutions** revenue declined from € 21.0 million to € 9.6 million. Overall in the first half year 2018 ecotel was able to achieve **consolidated revenue** of € 42.2 million (1st HY 2017: € 62.3 million).

In the quarterly comparison, consolidated revenue decreased by € 12.9 million to € 22.6 million. In this respect as well the Group was able to increase the revenues of all segments with the exception of the Wholesale Solutions segment, or keep revenues unchanged compared to the same quarter of the previous year.

The revenue increase in the **core segment ecotel Business Solutions** to € 23.8 million (1st HY 2017: € 23.3 million) is quite positive in light of the continuing transformation of technologies from ISDN to all-IP services and the associated inevitable decline in sales in the traditional product areas. In the quarterly comparison revenue increased by € 0.2 million to € 11.9 million. The product mix continues to shift towards revenues with broadband access lines and the corresponding services on an all-IP basis, which ecotel as a local exchange carrier can offer autonomously. This higher value creation for the new products results in a higher gross profit margin in this segment. In the first half year this was 48.5 % (1st HY 2017: 47.9 %), or in the quarterly comparison 48.8 % (2nd Q 2017: 47.4 %).

Likewise, in the **easybell** and **nacamar** segments it was also possible to achieve increased revenues. The change in strategy and the transformations carried out in these segments are reflected in this positive development. easybell is growing, particularly in the area of small business customers, who essentially procure all-IP services (SIP telephony) via easybell. nacamar is a market leader in the area of radio streaming (Internet radio) in Germany and specializes in this business area.

In the **segment ecotel Wholesale Solutions,** which experience has shown is subject to high fluctuations, revenue in the first half year amounted to € 9.6 million (1st HY 2017: € 30.6 million). In this segment cross-network trading in telephone minutes (wholesale) is conducted with national and international carriers. This so-called routing is in part subject to strong fluctuations that ecotel cannot influence or can only influence to a limited extent.

Consolidated **gross profit** increased in the first half year by € 0.9 million to € 15.4 million. The Business Solutions segment contributed to this increase with € 0.5 million, and the easybell segment contributed to this increase with € 0.4 million. In the quarterly comparison gross profit increased by € 0.6 million to € 7.8 million.

Personnel expenses of € 6.9 million increased compared to the first half year 2017 by € 0.3 million. This increase was essentially due to the increase in the number of employees. As of 30 June 2018 there were 246 people employed in the ecotel Group, which constitutes an increase of nine employees from 30 June 2017.

In the first half year 2018 **other operating expenses** increased compared to the previous year by € 0.4 million to € 5.3 million. Since mid-2017 the higher order volume and the temporary higher expenses for the transformation of ISDN-based connections to the new ecotel product portfolio necessitated higher expenses for service and reachability of the customer service organisation. Consequently in comparison with the first half-year 2017 the expenses in this area increased by € 0.2 million. In addition, expenses for maintenance and scheduled repairs in the computer centre in the first half year 2018 totalled € 0.1 million.

As a result of the effects previously described, in the first half year 2018 **EBITDA** increased to € 3.6 million (1st HY 2017: € 3.4 million). In the quarterly comparison this increase was € 0.2 million to € 1.8 million.

Depreciations totalled: € 2.6 million (1st HY 2017: € 2.2 million). This increase is the result of necessary investments in high-performance and custom hardware components and investments in IT systems and processes.

In the first half year 2018 ecotel achieved an **EBIT** of € 1.0 million (1st HY 2017: € 1.1 million). EBIT in the second quarter 2018 was € 0.5 million (2nd Q 2017: € 0.4 million).

In addition to scheduled interest expenses, the **financial result** is mainly influenced by the earnings of mvneco GmbH, which are included in the consolidated financial statement as part of the at-equity consolidation. In the second quarter 2018 this share of the earnings amounted to € 3 thousand. Due to this decline, the financial result was negatively impaired in both the half-yearly and quarterly comparison of earnings before taxes.

The consolidated **tax expenses** totalled € 0.3 million in the first half year 2018 (1st HY 2017: € 0.4 million).

With regard to earnings, the developments described above resulted in a **total consolidated profit** for the first half year 2018 of € 0.7 million (1st HY 2017: € 0.8 million).

After deduction of minority interests in the surplus, the net income to which ecotel shareholders are entitled **(consolidated surplus is € 0.3 million** (1st HY 2017: € 0.4 million). This corresponds to **earnings per share** of € 0.07 (1st HY 2017: € 0.10).

Financial position

In the first half year 2018 the financial position of the ecotel Group was still shaped by the fact that as anticipated, high investments are being undertaken in intangible assets and property, plant and equipment. In the first half year these investments result in a **free cash flow** of € –0.9 million (1st HY 2017: € –0.8 million EUR). As of 30 June 2018 consolidated financial resources totalled € 3.7 million (30 June 2017: € 8.2 million).

The **cash flow from ongoing business activities** at € 2.2 million, was above the previous year's level (€ 1.9 million). In the first half year 2018 active working capital decreased by € 1.3 million (1st HY 2017: € 10.0 million). In the first half year the other passive working capital increased by € 0.5 million (1st HY 2017: € 8.9 million). The essential driver of these developments was the fluctuating business volume in the ecotel Wholesale Solutions segment.

The **net cash used in investment activities** totalled € 3.1 million (1st HY 2017: € 2.7 million). Of which € 2.4 million was for investments in customer equipment, as well as in the computer centre and in the IT necessary to operate the services for customers. € 0.8 million was used for investments in intangible assets.

Cash flow from financing activities in the first half year 2018 totalled € –1.8 million. In 2018, in addition to scheduled interest and repayments, dividends of € 1.0 million were distributed to non-controlling shareholders (1st HY 2017: € 0.5 million). A long-term loan of € 3.0 million taken out in the previous year resulted in the positive cash flow from financing activities in the first half of 2017.

Net worth

The consolidated **balance sheet total** increased in comparison with end of year 2017 to € 43.0 million (31/12/2017: € 41.8 million). The effects of the first-time application of the new accounting standard IFRS 15 »Revenue from Contracts with Customers« resulted in an increase in the balance sheet total of € 2.0 million. 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 January 1, 2018« on page 15ff.

In addition to these changeover effects there was an increase in **non-current assets,** since the investments (€ 3.2 million) exceeded the depreciations (€ 2.6 million).

Overall **current assets** decreased by € 2.6 million. While receivables and other financial and non-financial assets remained virtually unchanged on balance, financial resources dropped to € 3.7 million as of 30 June 2018.

Non-current liabilities increased slightly by € 0.1 million to € 4.8 million. Scheduled repayments were not able to compensate for the increase due to the new accounting standards.

Overall **current liabilities** increased by € 1.1 million. Here as well essentially the changeover effect at € 0.9 million contributed to this increase.

Equity remained constant at € 22.5 million While the shares of other shareholders (minorities) at € 2.8 million decreased by € 0.4 million the share in equity allocated to the shareholders of ecotel communication ag increased by € 0.4 million to € 19.7 million.

Risk report

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

In this context we refer to the information in the Risk report of the 2017 Group management report, which remains valid with respect to the current risk and opportunity situation.

Outlook

The Management of ecotel communication ag reaffirms the forecast published in the 2017 Annual Report, also taking into account the partial increase cited in the Q1 quarterly report and expects consolidated turnover for the year 2018 of € 90 to 120 million and EBITDA of € 7.0 to 8.0 million. The Management Board expects that revenue in the core segment ecotel Business Solutions will move in a corridor between € 48 million and € 50 million with a slightly increasing gross profit margin, and thus with concomitant increasing gross profits. Revenue of € 14 million to € 16 million is anticipated for the easybell segment; revenue of € 2 million to € 3 million is anticipated for the nacamar segment. Revenue planning for the low-margin ecotel Wholesale segment is possible only to a limited extent, since this segment, in our experience, is subject to significant fluctuations. ecotel forecasts revenue in this segment of € 25 million to € 50 million. In this context we refer to the information in the Forecast report of the 2017 Group management report, which remains valid.

Supplementary report

After the balance sheet date, there were no events of major significance for the ecotel Group that substantially affect the financial, assets and earnings situation of the Group.

Consolidated balance sheet as of 30 June 2018 (unaudited)

€	31/12/2017	30/06/2018
Assets		
A. Non-current assets		
I. Intangible assets	12,692,591.72	12,880,594.82
II. Property, plant and equipment	8,751,550.31	9,133,556.90
III. Capitalised contract costs	–	2,916,956.00
IV. Financial assets measured at equity	704,062.70	744,570.97
V. Deferred income tax claims	333,732.79	639,580.94
Total non-current assets	**22,481,937.52**	**26,315,259.63**
B. Current assets		
I. Trade receivables	9,294,375.00	9,873,284.61
II. Contract assets	–	62,663.00
III. Other financial assets	1,845,388.63	1,402,296.15
IV. Other non-financial assets	996,286.89	848,181.55
V. Actual income tax claims	783,621.13	772,790.46
VI. Cash and cash equivalents	6,393,218.27	3,707,217.97
Total current assets	**19,312,889.92**	**16,666,433.74**
Total assets	**41,794,827.44**	**42,981,693.37**

The new accounting standards IFRS 15 »Revenue from Contracts with Customers« and IFRS 9 »Financial Instruments« have been applied since January 1, 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 January 1, 2018 and changes in accounting policies« on page 15ff.

Consolidated balance sheet as of 30 June 2018 (unaudited)

€	31/12/2017	30/06/2018
Liabilities		
A. Equity		
I. Subscribed capital	3,510,000.00	3,510,000.00
II. Capital reserves	1,833,254.38	1,833,254.38
III. Other reserves	13,934,160.76	14,324,871.63
Shares of the owners of the parent company	**19,277,415.14**	**19,668,126.01**
IV. Shares of other shareholders	3,235,118.67	2,832,989.07
Total equity	**22,512,533.81**	**22,501,115.08**
B. Non-current liabilities		
I. Deferred income tax	842,999.57	1,144,897.29
II. Non-current loans	3,859,369.00	2,911,451.00
III. Non-current contract liabilities	–	763,501.00
Total non-current liabilities	**4,702,368.57**	**4,819,849.29**
C. Current liabilities		
I. Actual income tax	759,628.75	542,740.84
II. Current loans	1,308,336.00	1,520,836.00
III. Accounts payable	10,408,124.87	10,815,223.35
IV. Contract liabilities	–	940,336.00
V. Provisions	54,176.00	25,945.00
VI. Other financial liabilities	1,330,004.48	1,158,217.94
VII. Other non-financial liabilities	719,654.96	657,429.87
Total current liabilities	**14,579,925.06**	**15,660,729.00**

Total liabilities	**41,794,827.44**	**42,981,693.37**

The new accounting standards IFRS 15 »Revenue from Contracts with Customers« and IFRS 9 »Financial Instruments« have been applied since January 1, 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 January 1, 2018 and changes in accounting policies« on page 15ff.

Consolidated profit statement

for the second quarter 2018 and for the first half year 2018 (unaudited)

€		1st half year 2017	1st half year 2018	2nd quarter 2017	2nd quarter 2018
1.	**Sales revenue**	**62,318,959.47**	**42,170,977.70**	**35,454,970.51**	**22,592,660.24**
2.	Other operating income	129,020.93	124,898.95	63,430.14	66,253.77
3.	Other company-manufactured items capitalized	270,696.93	262,853.08	113,838.38	135,785.21
4.	**Total revenue**	**62,718,677.33**	**42,558,729.73**	**35,632,239.03**	**22,794,699.22**
5.	Cost of materials				
5.1	Expenses for services purchased	–47,791,355.35	–26,750,620.28	–28,215,109.21	–14,788,735.27
6.	Personnel expenses				
6.1	Wages and salary	–5,685,554.51	–5,887,400.71	–2,883,011.62	–2,943,105.28
6.2	Social contributions and expenses for pensions and benefits	–929,972.96	–998,773.95	–465,464.75	–507,307.50
7.	Scheduled depreciations	–2,241,634.89	–2,560,599.84	–1,139,816.66	–1,285,537.11
8.	Other operating expenses	–4,982,308.52	–5,347,480.72	–2,507,693.09	–2,747,146.39
9.	**Operating result (EBIT)**	**1,087,851.10**	**1,013,854.23**	**421,143.70**	**522,867.67**
10.	Financial income	16.00	780.87	7.08	60.55
11.	Interest expenses	–93,388.56	–78,386.77	–45,577.59	–42,214.53
12.	Earnings from financial assets measured at equity	142,410.17	40,508.27	63,028.84	2,749.73
13.	**Financial result**	**49,037.61**	**–37,097.63**	**17,458.33**	**–39,404.25**
14.	**Earnings from normal business activities before income tax**	**1,136,888.71**	**976,756.60**	**438,602.03**	**483,463.42**
15.	Taxes on income and earnings	–353,777.99	–264,430.98	–145,465.68	–116,443.08
16.	**Surplus (= total consolidated profit)**	**783,110.72**	**712,325.62**	**293,136.35**	**367,020.34**
17.	Allocation of the surplus to the				
17.1	**Owners of the parent company (consolidated surplus)**	**354,588.86**	**257,886.11**	**91,767.47**	**132,094.60**
17.2	Shares of other shareholders	428,521.86	454,439.51	201,368.88	234,925.74

€	1st half year 2017	1st half year 2018	2nd quarter 2017	2nd quarter 2018
Undiluted earnings per share	0.10	0.07	0.03	0.04
Diluted earnings per share	0.10	0.07	0.03	0.04

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 January 1, 2018 and changes in accounting policies« on page 15ff.

Consolidated cash flow statement for the first half year 2018 (unaudited)

Thousand €	1st half year 2017	1st half year 2018
Earnings from normal business activities before income tax	1,137	977
Net interest income	93	78
Depreciation and amortisation expense	2,242	2,561
Earnings from financial assets measured at equity	–142	–41
Profit (–) / loss (+) from retirements of intangible assets	2	7
Change in the active working capital	–10,044	–1,362
Change in the provisions	0	–28
Change in other passive working capital	8,927	524
Paid (–) / received (+) income tax	–342	–471
Inflow of funds from ongoing business activities	**1,872**	**2,245**
Payments made for investments in intangible assets and property, plant, and equipment	–2,670	–3,138
Deposits from repayment of equity from companies valued at equity	0	0
Interest paid in	0	1
Outflow of funds from investment activities	**–2,670**	**–3,137**
Inflow of funds from financial loans	3,000	0
Payments to non-controlling shareholders	–490	–980
Payments for repayment of financial loans	–898	–735
Interest paid out	–93	–78
Cash flow from financing activities	**1,519**	**–1,794**
Cash-effective change in financial resources	**721**	**–2,686**
Financial resources at start of period	7,454	6,393
Financial resources at end of period	**8,175**	**3,707**

Differences in the totals can occur due to commercial rounding.

Development of consolidated equity as of 30 June 2018 (unaudited)

Amounts in thousand €	Retained earnings						
	Sub-scribed capital	Capital reserves	Other retained earnings	Consol-idated profit	Equity capital to be allocated to share-holders of ecotel communi-cation ag	Shares of non-con-trolling share-holders	Total[1]
As of 01 January 2017	**3,510**	**1,833**	**13,442**	**834**	**19,619**	**2,829**	**22,448**
Reposting of previous year's earnings	0	0	834	–834	0	0	0
Distributions	0	0	0	0	0	–490	–490
Change in equity not affecting the earnings	**0**	**0**	**834**	**–834**	**0**	**–490**	**–490**
Consolidated profit 1st half year 2017	0	0	0	355	355	429	783
Change in equity affecting the earnings	**0**	**0**	**0**	**355**	**355**	**429**	**783**
As of 30 June 2017	**3,510**	**1,833**	**14,276**	**355**	**19,973**	**2,768**	**22,741**
As of 31 December 2017	**3,510**	**1,833**	**13,468**	**466**	**19,277**	**3,235**	**22,513**
Adjustment due to first-time application of IFRS 15 and IFRS 9	0	0	133	0	133	124	257
As of 01 January 2018	**3,510**	**1,833**	**13,601**	**466**	**19,410**	**3,359**	**22,769**
Reposting of previous year's earnings	0	0	466	–466	0	0	0
Distributions	0	0	0	0	0	–980	–980
Change in equity not affecting the earnings	**0**	**0**	**466**	**–466**	**0**	**–980**	**–980**
Consolidated profit 1st half year 2018	0	0	0	258	258	454	712
Change in equity affecting the earnings	**0**	**0**	**0**	**258**	**258**	**454**	**712**
As of 30 June 2018	**3,510**	**1,833**	**14,067**	**258**	**19,668**	**2,832**	**22,501**

Differences in the totals can occur due to commercial rounding.

General information

The consolidated financial statements of ecotel communication ag as the reporting parent company were prepared as of 30 June 2018 in compliance with the regulations of IAS 34 and applying Section 315a of the German Commercial Code in accordance with the rules in force on the closing date of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) taking into account the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC) – as accepted by the EU. IFRS/IAS not yet in force or their interpretations have not been prematurely applied. The comparative figures of the previous period were determined based on the same principles.

Segments

The operative segments are classified in accordance with the internal reporting and can be delimited as follows:

- In the segment **ecotel Business Solutions** (operative core area) ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions) from a single source. In this segment the focus is on business customers with more than 50 employees. These can be customers with only one location, with several locations or large retail chain stores, insurance companies or banks. ecotel has suitable TC solutions for all of these customer groups. As an upstream supplier for other ITC companies (e.g. resellers) ecotel also makes products available in this segment.

- The segment **ecotel Wholesale Solutions** includes the cross-network trading of telephone minutes (wholesale) for national and international carriers. To do this ecotel maintains network interconnections with approximately 100 national and international carriers.

- In the **easybell** segment the entire business of the easybell group is combined; this group consists of four companies. In this segment easybell markets broadband Internet access and VoIP telephony for private customers, as well as SIP trunking offerings for smaller enterprises. In addition the easybell group operates a router rental model (www.routermiete.de) and offers inexpensive Call-by-Call for domestic and foreign telephone calls.

- In the **nacamar** segment nacamar GmbH offers streaming services for media enterprises based on its own Content Delivery Network (CDN) – hosted in the ecotel computer centre.

New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of January 1, 2018 and changes in accounting and valuation methods:

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 of 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 of 01 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. Essentially ecotel has 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 half year 2017, other operating income and personnel expenses were reduced by € 135 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 half year 2017, interest expenses decreased by € 47 thousand and other operating expenses increased by € 47 thousand.

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

thousand €	ecotel Business Solutions		ecotel Wholesale Solutions		easybell		nacamar		Consolidation, cross-segment		Group	
	2017 1st HY	2018 1st HY	2017 1st HY	2018 1st HY	2017 1st HY	2018 1st HY	2017 1st HY	2018 1st HY	2018 1st HY	2018 1st HY	2017 1st HY	2018 1st HY
Sales revenue	23,225	23,828	30,617	9,587	7,628	7,826	848	931	–	–	62,319	42,171
Inter-segment revenue	–	–	437	1,800	188	221	–	–	–626	–2,021	0	0
Gross profit	11,117	11,568	200	120	2,795	3,243	415	488	–	–	14,528	15,420
EBITDA	1,947	1,911	–77	–32	1,449	1,632	57	94	–	–	3,377	3,605
Operating result (EBIT)	–37	–309	–77	–32	1,239	1,344	9	41	–	–	1,135	1,044

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

thousand €	ecotel Business Solutions		ecotel Wholesale Solutions		easybell		nacamar		Consolidation, cross-segment		Group	
	2017 2nd Q	2018 2nd Q	2017 2nd Q	2018 2nd Q	2017 2nd Q	2018 2nd Q	2017 2nd Q	2018 2nd Q	2017 2nd Q	2018 2nd Q	2017 2nd Q	2018 2nd Q
Sales revenue	11,653	11,891	19,635	6,383	3,711	3,850	455	468	–	–	35,455	22,593
Inter-segment revenue	–	–	249	1,121	101	117	–	–	–350	–1,238	0	0
Gross profit	5,524	5,800	146	67	1,344	1,686	233	251	–	–	7,238	7,804
EBITDA	878	912	–16	8	691	844	33	64	–	–	1,587	1,828
Operating result (EBIT)	–131	–197	–16	8	585	693	8	39	–	–	447	543

Consolidated companies and acquisitions

The consolidated companies of the ecotel consolidated financial statements have remained unchanged since 31 December 2017.

Taxes from income and revenue

The income tax reported in the Profit and loss account is comprised of the following:

Amounts in thousand €	2017 1st half year	2018 1st half year	2017 2nd quarter	2018 2nd quarter
Taxes from income and revenue – effective	–365	–385	–174	–215
Taxes from income and revenue – deferred	12	121	29	98
Taxes from income and revenue	**–353**	**–264**	**–145**	**–116**

Earnings per share

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

A dilution of the earnings per share occurs if the average number of shares is increased due to the additional issue of potential shares from options and convertible financial instruments. As of 30 June 2018, there were no share options, so that the undiluted and diluted earnings per share are identical.

	2017 1st half year	2018 1st half year	2017 2nd quarter	2018 2nd quarter
Accrued consolidated profit for the year (in €)	354,588.86	257,886.11	91,767.47	132,094.60
Weighted average number of shares	3,510,000	3,510,000	3,510,000	3,510,000
Undiluted/diluted earnings per share (in €)	**0.10**	**0.07**	**0.03**	**0.04**

Other information

No significant transactions with related parties were conducted in the first half year 2018.

Düsseldorf, 13 August 2018

The Management Board

Peter Zils Achim Theis

Responsibility statement of the legal representatives

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

Düsseldorf, 13 August 2018

ecotel communication ag

The Management Board

Peter Zils Achim Theis

Financial calendar

13 November 2018 Publication of Quarterly Report Q3 / 2018

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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.