ecotel
all around communication

2012
Annual Report

ecotel communication ag 2012 Annual Report

ecotel communication ag
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Key figures ►►

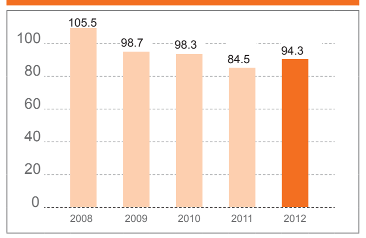
Key figures

Amounts in € million	2010	2011	2012
Revenue	98.3	84.5	94.3
Business Solutions	44.8	41.6	40.8
Wholesale	38.7	30.6	40.8
New Business	14.8	12.3	12.7
Gross earnings	22.9	24.6	25.1
Business Solutions	17.5	18.7	18.9
Wholesale	1.3	1.4	1.0
New Business	4.1	4.5	5.2
EBITDA	4.9	7.1	6.8
EBITDA (adjusted by special effects)	4.9	6.6	6.8
in % of sales revenue (adjusted by special effects)	5.0 %	7.8 %	7.2 %
EBIT	1.5	3.1	0.4
EBIT (adjusted by special effects)	1.5	3.2	3.5
in % of sales revenue (adjusted by special effects)	1.5 %	3.8 %	3.7 %
Consolidated profit	0.1	1.1	–2.6
Consolidated profit (adjusted by special effects)	0.1	1.2	1.4
Earnings per share in € 1 (adjusted by special effects)	0.02	0.32	0.38
Balance sheet total	48.8	45.4	42.7
Equity capital	20.0	21.4	19.3
in % of the balance sheet total	41.0 %	47.1 %	45.2 %
Number of shares as of 12/31 (Outstanding shares)	3,752,500	3,752,500	3,685,096
Net debt	7.1	3.0	–0.3
as a multiple of EBITDA	1.5	0.4	n.a.
Employees as of 12/31 [2]	184	189	189

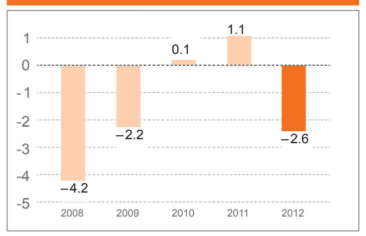
Essential cash flow data — Amounts in € million	2010	2011	2012
Cash and cash equivalents as of 01/01	7.1	6.1	6.2
Cash flow from ongoing business activities	5.3	6.3	6.8
Cash flow from investment activities	–1.8	–1.6	–2.7
Cash flow from financing activities	–4.5	–4.5	–2.8
Cash and cash equivalents as of 12/31	6.1	6.2	7.5

1) both undiluted and diluted
2) without minority companies (synergyPLUS GmbH, mvneco GmbH)

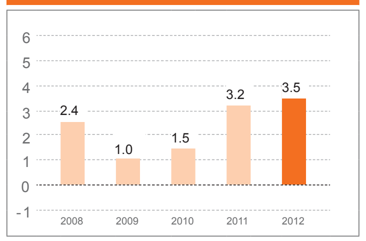
Revenue in € million



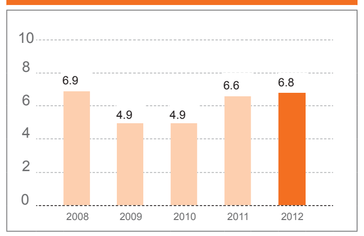
Earnings in € million



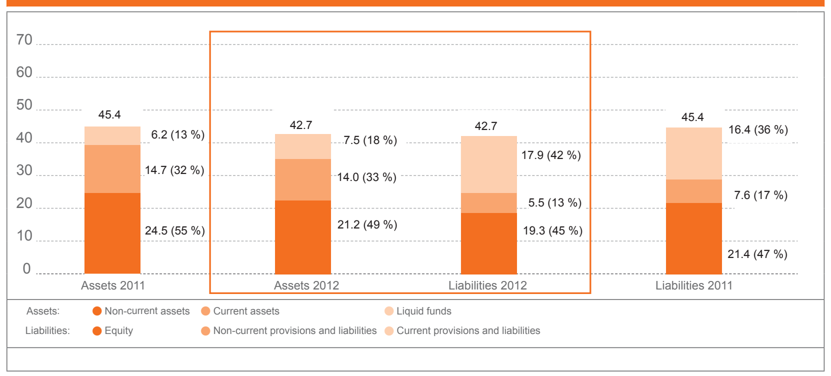
EBIT (adjusted by special effects) in € million



EBITDA (adjusted by special effects) in € million



Assets and liabilities in € million



Corporate profile

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

In the core segment of Business Solutions ecotel provides about 19,000 business customers with an integrated product portfolio consisting of voice, data and mobile communications solutions. This includes nationwide available and convergent bundled products, broadband data access on the basis of DSL and Ethernet technologies, scalable networking of corporate locations (VPNs) as well as housing and hosting services.

In the second segment, "Wholesale Solutions", the ecotel group markets preliminary service products to other telecommunications companies. At the same time, the company achieves high traffic volumes in this segment, enhancing added value for the core segment of Business Solutions. In addition to the international wholesale voice activities of ecotel, mvneco GmbH is also included in this segment.

The "New Business" segment covers new, fast-growing business segments and niches of independently operating subsidiaries. In addition to easybell GmbH, which is aligned to private customer business, nacamar GmbH, which now focuses exclusively on new media activities, is part of this independent business unit.

The corporate group, with its main office in Düsseldorf, currently has about 210 employees, including subsidiaries and holdings.

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Foreword of the management board

Dear Shareholders,
In 2012 ecotel was again able to continue the positive business development of the previous years.

The operational target figures were either exceeded or at least reached at the upper end. Consolidated turnover was increased from € 84.5 million to € 94.3 million, gross profit improved from € 24.6 million to € 25.1 million and EBITDA totalled € 6.8 million following € 7.1 million last year.
The company's most important goal of completely eliminating the net debt was also successfully implemented. As of 31 December 2012 the company had net assets of € 0.3 million (previous year: € –3.0 million).

Unfortunately, one-time special effects from depreciations burdened the earnings. During the review of the pecuniary assets in the balance sheet, write-downs had to be implemented. For one thing, the goodwill of the subsidiary nacamar, which originated in connection with the acquisition of the company in 2007, was completely written off (€ 2.9 million). For another, in the financial results, the shareholders' loans of € 0.9 million to the 49 % holdings mvneco GmbH and synergyPLUS GmbH had to be written down. It must be mentioned in this connection, however, that the write-downs have no cash relevance and are for accounting purposes only. As a result of the unscheduled value adjustments the company's risk report was shortened considerably.

Without the above-mentioned special effects, adjusted EBIT would have totalled € 3.5 million, after € 3.2 million last year. Adjusted consolidated profit would have been € 1.4 million (previous year: € 1.2 million) with adjusted earnings per share of € 0.38.

Due to the depreciations on the loans, accounting law prevents ecotel from undertaking a payment of dividends. Therefore, the management board and supervisory board have decided to continue the share buy-back program that was already initiated last year. The share buy-back program provides for the repurchase of up to 175,096 treasury shares (corresponding to 4.5 percent of the share capital) between 28 February 2013 and 31 July 2013.

Left to right Bernhard Seidl, Peter Zils, Achim Theis

In the following we would like to summarise for you the most important events from the year 2012.

In October 2012, as a supplement to the successful product area "ISDN full access," ecotel signed a cooperation agreement with Vodafone for marketing of the entire B2B mobile communications product portfolio of the Düsseldorf-based telecommunications group. A successful marketing launch will be followed by an independent mobile service with the ecotel brand. During this time ecotel will have a special position within the existing partner program – the Vodafone Business Partner Excellence status. ecotel customers will benefit especially from the new convergence solutions in the form of free-of-charge availability of the customer-specific mobile cards from all ecotel full access lines.

In November 2012 the Federal Network Agency announced its preliminary rate approvals for full access and mobile termination fees. The resulting significant reduction of the termination fees is an essential driving factor for potential improvement of the gross profit in 2013.

After successful certification of the ecotel computer centre in the first half of the year (Datacenter Star Audit & ISO-27001), cooling of the computer centre was further optimised in the second half of the year. In this respect new redundant cooling generators were installed on the roof of the computer centre and put into operation. Besides a significant reduction of the power consumption for cooling and a marked increase in energy efficiency, the computer centre has now become more "green" and eco-friendly.

From the point of view of marketing, 2012 was the most successful year in ecotel's history. Supplementing an excellent incoming order volume in the classic B2B segment, ecotel was able to land a major contract in November 2012 with Allianz Deutschland AG for the integration of its agencies. During the currently ongoing project "Allianz Global Network" (AGN) for the digitalisation and optimisation of the information exchange between the agencies and the main office, ecotel was commissioned to connect up to 10,000 agency locations with the company headquarters and to equip them with voice services in addition to the classical data services. ecotel therefore provides the entire infrastructure service for the Allianz agency network in Germany.

Management is also optimistic with respect to the company's further development and plans a significant increase in B2B revenue from € 40 million in 2012 to € 50 million by 2015. For 2013 the company expects – with B2B revenue already increasing – consolidated turnover of € 80 – 90 million with EBITDA of € 6 – 7 million. The planned decrease in revenue compared with 2012 is a result of the lowering of the mobile termination fees, which were passed on 1:1 to other carriers, resulting in a corresponding reduction of revenue by more than € 10 million in the wholesale segment. In the medium term the company consistently pursues the goal of increasing revenue to € 100 million and EBITDA to € 10 million by 2015.

In conclusion we would like to thank all the employees of the ecotel Group for their work and their contribution to the success of the enterprise. We thank our customers, business partners and shareholders for the close and trustful cooperation. We are confident that we are well prepared and optimally positioned for the future requirements of the telecommunications market.

B. Seidl		
Bernhard Seidl Management board finances	Peter Zils Chief Executive Officer	Achim Theis Management board sales

ecotel introduces itself:

ALL AROUND COMMUNICATION – SUCCESS FOR YOUR BUSINESS!

"ecotel has become a permanent fixture in the telecom market"

Peter Zils
Chief Executive Officer

Since 30 January 2013 ecotel can proudly look back on a 15-year company history. For me as company founder, CEO and shareholder, of course, looking back on the past 15 years is more than just a number. Who could have imagined that new fixed line and mobile communication technologies would change our communication behaviour so quickly and have such an effect on our daily work. Especially as a provider of telecommunications solutions ecotel has had to reinvent itself many times, changing and adapting to the times. Together with my colleagues from the management board, executives and employees we have succeeded in making ecotel a profitable enterprise with attractive perspectives for the future. We are especially pleased that ecotel has developed to become a permanent fixture in the telecommunications market and that more and more renowned and large-scale companies place their confidence in us for the implementation of complex projects with extensive IT requirements.

Therefore, I would like to take this opportunity to thank you, our customers, partners and shareholders for your confidence. At the same time I would like to affirm that we will continue in the future to do everything to meet your high requirements.

ecotel modernises web farm of ING-DiBa

In 2012, ecotel successfully implemented the major contract for the nationwide networking of all ING-DiBa ATMs in Germany. Currently the network includes more than 1,300 ATMs.

To meet the special performance and security requirements of Germany's largest direct bank, high-performance business DSL connections were used by ecotel for the locations in the form of a virtual private network (VPN) based on high-capacity MPLS technology. Thus, the transaction data of the ATMs is processed with particular speed and security. The IP-Sec data encryption procedure ensures additional protection. As part of the VPN the bank's central computer centre was integrated with ecotel Ethernet lines including line and carrier redundancy, to particularly safeguard this central interface. The large project was rounded out with special monitoring round-the-clock, 365 days a year, and implementation of custom firewall and VPN components that optimally support the processes and that are hosted by ecotel.

Stefan Schimpl, who as group executive of ING-DiBa AG is responsible for the ATMs, explains the decision for ecotel: "The crucial factor for awarding the contract to ecotel was not only the overall high-capacity concept, it was also the evaluation of TÜV Rheinland, which explicitly tested the operating concept of ecotel and assessed it as 'secure'."

The new project for ING-DiBa encompasses the expansion of managed services and capacities for hosting of the "public web" ING-DiBa sites in ecotel's own computer centre, which is operated in accordance with the most stringent security standards (eco Star and ISO certified) in Frankfurt/Main.

New LEO main building in Frankfurt
Source: ING-DiBa press photo

ecotel receives new major contract from Allianz Deutschland AG

On the basis of many years of successful cooperation in the integration of agency locations, ecotel can now significantly expand the partnership with Allianz Deutschland AG. During the currently ongoing project "Allianz Global Network" (AGN) for the digitalisation and optimisation of the information exchange between the agencies and the main office, ecotel was commissioned to provide up to 10,000 agency locations with voice and data services in Germany.

To meet the extensive performance and security requirements, Allianz relies on high-performance business DSL, Ethernet and LTE connections via a virtual private network (VPN) with MPLS technology from ecotel. This enables the fast and secure exchange of information between the agencies and the main office, especially for the future use of cloud services. For additional data security a modern IP-Sec and Web-Proxy platform will be set up and operated in the ecotel computer centre. The project is rounded out by the use of individual firewall and VPN components, as well as an interactive round-the-clock monitoring service. ecotel therefore provides the entire infrastructure service for the agency network in Germany.

In the future, more than 10,000 Allianz agency locations will benefit from the voice and data services of ecotel.

Dr. Andreas Nolte
CIO Allianz Deutschland AG

"The crucial factor for awarding the contract to ecotel was not only the overall high-capacity concept, it was also the high level of flexibility and customer orientation, from the activation phase through operation and all the way to billing. This overall concept convinced us. Another important factor affecting the decision is the 'multi-carrier strategy' including network interconnection with the relevant carriers and therefore the maximum availability of broadband access lines for our agencies in Germany."

Achim Theis
Management board sales ecotel

"The expansion of our partnership cooperation with Allianz is an important indicator for us that we have done our homework in the past years. With our current product portfolio, our multi-supplier strategy and our and our customer-oriented services we are well equipped to successfully meet the growing demands of our customers, also in the area of data services. This has also been rewarded with the new major contract from Allianz Deutschland AG. While many firms are currently occupied with the introduction of cloud services, we have specialised in providing the necessary 'race tracks' for this development, as well professional management of the infrastructure."

ecotel computer centre

is the foundation for leading e-mail marketing provider Experian Marketing Services

As a global provider of leading solutions in the areas of digital marketing, data management and analysis services Experian Marketing Services helps marketing managers to increase the return on investment through carefully targeted communication. The spectrum of services ranges from e-mail and social media marketing to consumer segmenting and target group analyses, as well as comprehensive consulting services. The successful business model is based on extensive databases with very large quantities of sensitive data. This also applies to the parent company Experian, which provides customers in more than 90 countries with information services and data and analysis tools for assessing credit risks and prevention of fraudulent activities.

In general, maximum security is necessary for the external storage of customer data. For Experian Marketing Services, as an internationally leading provider, both data security and a fail-safe system are essential. That is why the company has trusted ecotel's certified computer centre for the accommodation and the management of its IT systems for several years already. Meanwhile, ecotel has numerous extended rack systems for this purpose and additional racks will be successively put into operation in the coming months.

An important requirement for external data storage with ecotel was the computer centre's modern infrastructure with innovative rack technology, the reliable fire alarm and extinguishing system, the constant monitoring of redundant power and air conditioning systems and the secure access system. Decisive factors for the high performance of the Experian Marketing Services platform include not only the fast, redundant Gbit/s connection to the ecotel computer centre but also the direct network connection to other major Internet providers and to the DE-CIX, which is currently Europe's largest data exchange point. Additional security is provided by the active Network Operation Center (NOC) with a comprehensive ticketing and monitoring system and full-time system monitoring, 24 hours a day, 365 days a year.

Olivier Mansard
Head of Marketing Services
Experian Deutschland GmbH

Olivier Mansard, Head of Marketing Services Experian Deutschland GmbH, summarises the advantages of the cooperation with ecotel: "We value ecotel for the high level of flexibility and fast response to our special requirements. For example, a dedicated 10 Gbit/s connection was set up for our infrastructure within a very short time frame. The cooperative partnership between ourselves and the technicians at the computer centre in Frankfurt functions very smoothly. The active exchange of information keeps us up to date on the next planning steps at all times. And ecotel's high flexibility concerning the number of required racks and bandwidth speed gives us the necessary planning security for our future corporate growth."

In addition to accommodation in the ecotel computer centre the customer also relies on ecotel for fixed line telephony with its primary multiplex (PMX) connection. The extensive ecotel service bundle is completed by the high-speed fibre optic Ethernet connection for the Düsseldorf location. The advantage of this solution is in the easy scalability of the bandwidth, which readily allows flexible adaptation to the changing data volume and the requirements of the location.

Selected ecotel cooperation partners

KOMSA DIE BESSERE VERBINDUNG
SYNAXON AG MIT DENKEN HANDELN
DER MITTELSTANDSVERBUND ZGV
itelligence
VERSTEHEN PLANEN UMSETZEN comTeam SYSTEMHAUS-VERBUND
ElectronicPartner
@k CONCEPT CENTER
iTeam
GFT Unternehmensverbund Telekommunikation
ALSO
microtrend SERVICE BESSER EINGEKAUFT!
FUJITSU
VAF BUNDESVERBAND TELEKOMMUNIKATION
SAP Member Extended Business Program

Selected ecotel reference customers

Allianz
ING DiBa Die Bank und Du
eventim
AVNET electronics marketing
SPORT
Schülerhilfe! Das Original. Seit 1974.
Leica MICROSYSTEMS
K+P LOGISTIK
Experian Marketing Services
Best Western
progros
TOI TOI & DIXI SANITÄRSYSTEME GmbH
STORCH

easybell:
Low-priced, competent and customer-friendly

As a subsidiary of ecotel communication ag the Berlin-based company easybell markets high-quality and attractively priced Internet and telephone access throughout Germany. Within the companies of the ecotel Group, easybell GmbH is the most important pillar in the private customer sector. Originally started as a call-by-call provider in 2006, the business segments Broadband via DSL and Voice-over-IP were developed successively. Through innovative products at reasonable prices easybell has developed within a few years from a startup to become an established player in the broadband market, setting new standards for products and prices. Last year, the first Allnet flat rate in the fixed line sector was introduced with "Complete allnet". Furthermore, with its VDSL connections, easybell was the first provider to undercut the price of € 25 per month. In the important price portals and trade magazines, easybell leads in the rate comparisons.

The main product lines are TAL full access and telephony solutions via Voice over IP. easybell provides only adaptive rate ADSL2+ and VDSL2 connections. The company cooperates closely with the upstream supplier Telefónica Deutschland, which means that easybell is available nationwide. In 2012 the first cooperation with Vitroconnect was started at the regional level.

The Voice over IP products were completely repositioned technologically in 2012. A new Class V platform is among the technologically most advanced in Germany. The new technology offers a high level of flexibility, together with high reliability and low costs. New products can be launched quickly and the high scalability makes it possible to integrate other carriers and major business customers via the subsidiary init.voice.

easybell focuses on customer satisfaction through transparent products with fair contract conditions and short contract terms. This has achieved an independent customer base that remains loyal to the company longer on average than would have been the case with long contract terms. Also, customers recommend easybell in Internet forums and in personal contacts as a competent and friendly partner. The foundation for this is the excellent customer service, which was awarded first place in the area of mail support in a test of 15 broadband providers conducted by the German Institute for Service Quality last year.
easybell responds to the modern habits of its customers by expanding the range of classic fixed line services: IP-based telephone systems can be used worldwide, for example on smartphones with the in-house developed easybell app or other web-capable end devices such as VoIP routers or IP phones. The access data for the systems is available to the individual customers and can therefore be used simultaneously on many end devices. The service is supplemented with innovative features, such as Fax2Mail, Voice2Mail and a high-quality online connection management system.

In addition, easybell GmbH also offers classic call-by-call and Internet-by-call as well as CLS access. Since several years the company is among the market leaders in the call-by-call and Internet-by-call sector.

2012 was a year of rapid growth for easybell. The number of installed TAL full access lines increased by eight times in financial year 2012. This was achieved in an intensively competitive market environment, in which many DSL providers can at best minimise the loss of customers due to the competitive pressure from the cable providers.

The high growth was financed exclusively from the operative cash flow. This was enabled through consistent automation of all business processes so that easybell works with extremely competitive process costs. In the purchase of preliminary services easybell benefits from synergies within the ecotel Group.

easybell einfach besser

In addition, easybell was able to keep customer acquisition costs low through intelligent price and marketing strategies. Thanks to a consistent focus on recommendation marketing the image has been boosted continuously by the increasing number of customers, without a significant increase in marketing costs.

easybell will continue to pursue the course of growth. Other technical innovations and entirely new product lines will open up additional customer groups and increase the intensity of utilisation by existing customers. easybell has become a permanent part of the German telecommunications landscape.

Multimedia user-oriented television through multiscreen playout, apps and additional services from nacamar

Since the beginning of streaming, the ecotel subsidiary nacamar GmbH has continuously supported content providers and TV broadcasters in adapting to the consumer behaviour of viewers, and for more than 15 years, has reliably provided the suitable technology for its customers. Due to the change in end device technology from the television screen through PC and mobile all the way to the modern Internet-capable smart TV on the one hand and user behaviour toward "TV everywhere", the requirements placed on nacamar have changed, so that the ecotel subsidiary has developed over the years from a mere streaming provider to a new media full service provider. Video content is prepared and played by nacamar for all standard end devices; the necessary websites and applications are hosted by nacamar and, if required by the customer, even programmed and operated. Advertising integration, personal recommendations, an extensive statistics portal and round-the-clock service for the customers round out the current spectrum of services.

The affiliation with ecotel communication ag means that nacamar can build on an outstanding infrastructure in the computer centre of the consolidation parent and offer its customers optimal Internet access, high reliability and first-class service. The ecotel Network Operation Center is also available to nacamar customers 24 hours a day for support and reporting of disruptions in service.

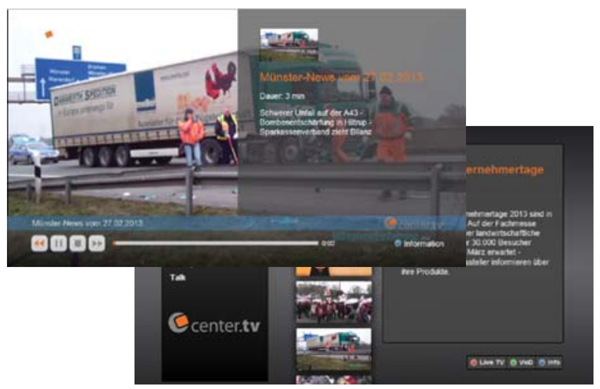
nacamar new media solutions

But how do TV broadcasters and content providers position themselves as the main target group of nacamar today? The new media offer many advantages for small and mid-sized providers, but also have the disadvantage that the video content on Internet-capable end devices is becoming ever more extensive and complex.

center.tv

The regional broadcaster center.tv Münster is a customer of nacamar and cleverly uses the entire pallet of services offered by the Düsseldorf-based streaming specialist for the cost-effective presentation of its programs on all end devices. In addition to the normal TV program received regionally via NRW cable providers, TV consumers can now view news and current events from the Münster region anywhere in the world and from all end devices. The only requirement is standard Internet access with a bandwidth of 2 MBit/s. This allows center.tv Münster to distribute a live channel and a media library with selected programs to its viewers. Core products offered by nacamar for this purpose are medianac®, an online video platform where center.tv Münster stores all video content in the respective categories and which can be converted to different streaming formats, and onteve®, the platform for multiscreen playout, apps and additional services. The medianac converts the stored videos to all required formats for output on a smartphone, smart TV, etc. via the onteve apps. The 24-hour program, known as the live stream, is also received by nacamar in the ecotel computer centre, where it is again converted into different formats.

On the Internet-capable televisions and set-top boxes of manufacturers such as Samsung, Philips, Videoweb, TechniSat, etc., via app stores that are similar to a smartphone user interface, it is possible to install and use the center.tv Münster application designed by nacamar especially for the broadcaster. The different categories allow the viewer to use the smart TV app to select whatever content he would like to view.



The ecotel stock

ecotel stock has been listed on the Frankfurt Stock Exchange since 29 March 2006. On 6 August 2007 it moved from Entry Standard to Prime Standard. The capital stock is 3,900,000 shares, of which the company holds 214,904 treasury shares. Thus, as of 12/31/2012 there were 3,685,096 shares outstanding.

Price trend 2012

In 2012 the stock market was characterised by a significant improvement in the share prices. The major indexes reported significant profits over the course of the year. The DAX as the representative of the large-cap companies improved 25 % in 2012, and the TecDax 18 % by the end of 2012.

The ecotel stock was not fully able to keep up with this growth. It opened the year at € 4.7. After the price of the ecotel share climbed as high as € 5.5 in the 2nd quarter, it evened out during the course of the year at € 5.0 and closed the year at € 5.1. Overall the price of the ecotel share rose by 8 % in 2012.

Average daily trading of the stock in 2012 was 2,631 shares per day compared with 2,050 shares per day in the previous year. At year end ecotel showed market capitalisation of € 18.8 million, at a share price of € 5.1 and 3,685,096 outstanding shares.

Investor relations

In 2012 there was an intensive dialogue with investors, analysts and journalists to develop the trading volume of the ecotel stock and to boost the company's image. Research of the ecotel stock was conducted as in the past by analysts of the DZ Bank and WGZ Bank. In addition ecotel presented the company at investor exhibitions in 2012, such as the Equity Forum. Again, IR measures, such as participating in the spring conference of the Deutsche Börse Group, are planned for 2013 to extend the contact to new interested investors.

Current information on the company, such as quarterly reports, press releases and a financial calendar, as well as analyst presentations can be accessed on the company website under "Investor Relations" immediately after they are published.

Shareholder structure

In 2012 there was no significant change in ecotel's shareholder structure. The company's major shareholders are Peter Zils (CEO of ecotel) with a share of 25.6 %, Intellect Investment & Management Ltd. with a share of 25.1 %, IQ Martrade Holding und Managementgesellschaft mbH with a share of 14.6 % and Private Value Media AG with a share of 9.3 % of the company's stock.

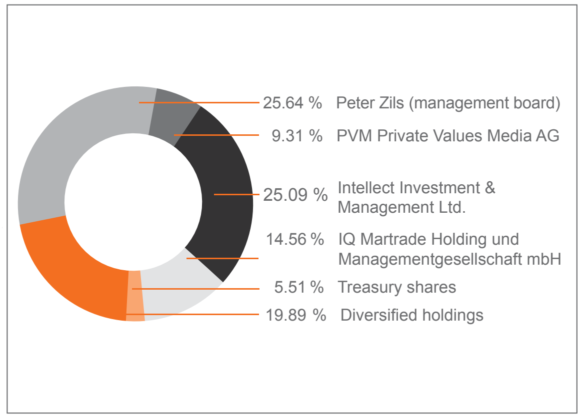
In 2012 ecotel implemented a share buy-back program. From 25 May to 30 September 2012 ecotel purchased a total of 67,404 treasury shares at an average price of € 4.9. The number of redeemed shares corresponds to 1.73 % of the company's share capital. Therefore, ecotel owned 214,904 treasury shares at the end of 2012, which corresponds to 5.51 % of the company's share capital. The diversified holdings were therefore reduced from 21.6 % to 19.9 %.

Key figures ⌀ 2012

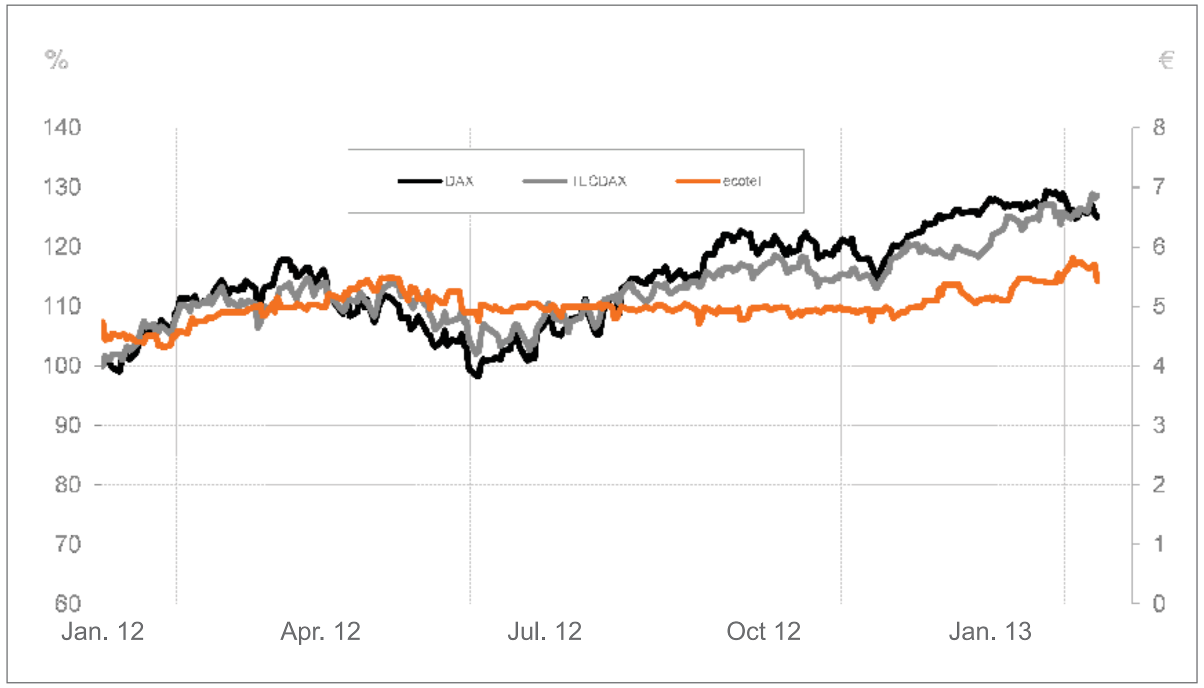
WKN	585434	Date of first listing	03/29/2006
ISIN	DE0005854343	Number of shares as of 12/31/2012	3,685,096
Symbol	E4C	Average daily trading volume 2012	2,631
		High share price 2012 (€)	5.48
Market segment starting 08/08/2007	Prime Standard	Low share price 2012 (€)	4.31
Index affiliation	CDAX, Prime All Share Technology All Share	Market capitalisation as of 12/31/2012 (€ million)*	18.8
Class	Non par value shares	Designated sponsor	Close Brothers Seydler Bank AG

* Based on the closing price of € 5.1 per share and 3,685,096 outstanding shares as of 31 December 2012

Shareholdings (12/31/2012) in percent



Price trend of the ecotel stock in 2012 in percent and €



Business and general conditions

1. ECOTEL – OVERVIEW

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

Business Solutions

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

In the area of voice services ecotel has a complete portfolio of connection, telephony and value-added services. The data products offered extend from data connections such as ADSL, SDSL, VDSL and Ethernet to secure enterprise networking via VPN, as well as housing of server farms and hosting of shared services (software as a service, cloud computing). In addition, ecotel also markets mobile communications products and offers business customers combined fixed line and mobile communication products.

Over the last six years ecotel has practically reinvented itself, and the "revenue mix" of the Business Solutions segment has changed considerably. In 2006, ecotel still achieved approx. 94 % of business customer sales with pure preselect voice services. Meanwhile, preselection constitutes only 21 % of the Business Solutions revenue. Due to systematic product changes and high cancellation rates, the share of preselection in revenue will continue to decrease in the future.

On the other hand the new product areas were able to significantly extend their shares of total sales. In addition to ecotel full access lines, the data and VPN revenues, in particular, developed positively. With full access lines (43 %), data services (25 %), housing/hosting services (8 %), as well as mobile communications (3 %), promising and sustainable product areas already contribute more than 75 % to the B2B business customer revenue.

Depending on the target group, sales in the Business Solutions division are made via direct sales or partner sales with a total of 400 active sales partners. Thus, ecotel has broad access to its target group of small and medium-sized business customers. In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 buying associations and buying and marketing groups.

In the Business Solutions area the company supplies about 19,000 small and medium-sized companies with annual sales of € 40 million, from all industries with standardised and custom telecommunications solutions.

Business Solutions product portfolio of the ecotel Group

Voice	Bundled services	Full access (ISDN) or unbundled local loop with VoIP
	Voice/telephony	Minute rates, per-minute prices or flat rates
	Value-added services	Service numbers (0800, 0180x, 0900)
Data	Internet access	Via ADSL, SDSL, Ethernet or leased line
	Site networking	Secure enterprise networking via IP VPN (MPLS+IPsec)
	Computer centre	Housing of server farms, hosting of shared services in our own computer centre
Mobile communications	Voice	Attractive mobile communication rates including convergence products (wireline to mobile)
	Data	Data flat rates and Blackberry/iPhone solutions

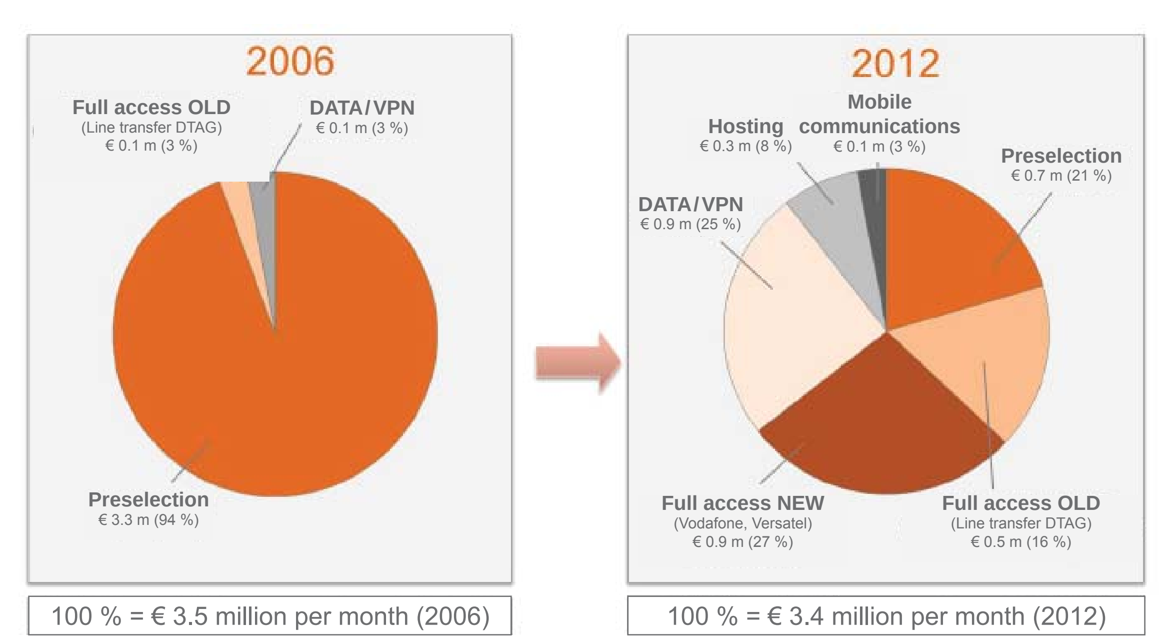
Wholesale Solutions

In the "Wholesale Solutions" division ecotel integrates the offerings for other telecommunications companies. In addition, the company is active in cross-network trading of telephone minutes (wholesale) for national and international carriers; for this purpose, ecotel maintains network interconnections with approximately 100 international carriers. ecotel also handles a portion of its business customers' national and international telephone calls via the wholesale business. The mvneco GmbH holding, as a technical service provider and enabler for mobile communications, is assigned to the wholesale segment.

New Business

The new high growth business segments of ecotel are combined in the "New Business" division. These include nacamar GmbH with its streaming business for media companies, as well as easybell GmbH with the private customer business.

Shift of sales distribution in the Business Customer segment



Infrastructure

ecotel does not operate its own access network, but rather procures the TC call origination services from various upstream suppliers and can therefore select the operator with the best price/performance ratio. Deutsche Telekom (DTAG), Vodafone, Versatel, Telefonica, QSC and E-Plus can be cited as typical upstream suppliers. For ecotel the majority of the cost basis is variable due to customer-related purchase of the call origination service.

ecotel has its own computer centre on the campus of Europe's largest Internet node in Frankfurt a.M. and maintains its own central voice and data backbone network to ensure optimal network interconnection with all major global carriers.

For the new media business the Group maintains its own content delivery network (CDN). mvneco GmbH operates a central mobile communications platform.

On the IT side, ecotel operates its own systems for order management and billing.

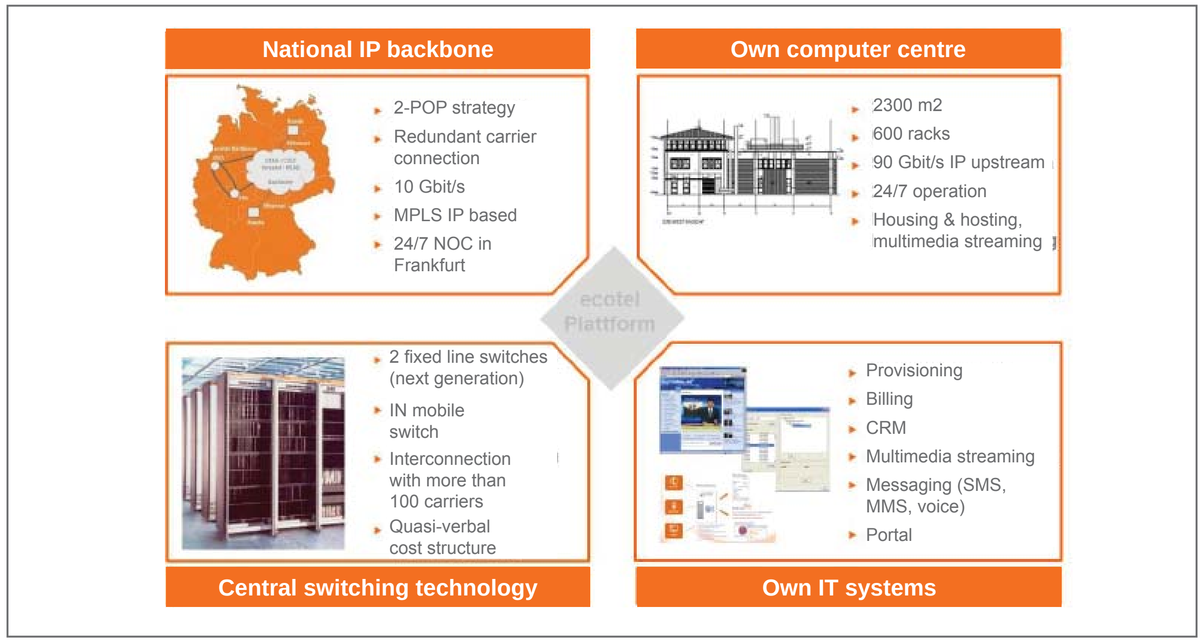
2. LEGAL FRAMEWORK OF THE COMPANY

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

Management body

The legal management and representative body of ecotel communication ag is the management board of the company. In accordance with § 5 of the articles of association of the company, the management board consists of at least two persons. In all other aspects the supervisory board determines the number of members of the management board. The supervisory board can appoint a chairman of the management board as well as a deputy chairman of the management board. Deputy members of the management board can also be appointed. The supervisory board appoints management board members for a maximum term of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years. The supervisory board can the revoke the appointment as member of the management board and the appointment as chairman of the board on cogent grounds. According to the articles of association of the company the supervisory board issues rules of procedure for the management board. This has been done by the supervisory board.

ecotel maintains its own limited infrastructure



According to section 6, paragraph 1 of the company statutes ecotel is legally represented by two management board members or by one management board member together with one authorised signatory. In exercise of its authority, the supervisory board resolved on 10/10/2012 that each management board member will represent the company together with one other management board member or authorised signatory. Currently the management board of the company is comprised of Mr. Peter Zils (CEO), Mr. Bernhard Seidl (CFO) and Mr. Achim Theis (CSO). Mr. Wilfried Kallenberg (CTO/COO) was granted overall power of representation, which was entered in the trade register on 11/29/2012.

Remuneration of executive bodies

The members of the management board of ecotel are remunerated on the basis of § 87 of the German Stock Corporation Act (AktG) and Management Board Remuneration Act (VorstAG); remuneration includes a fixed annual base compensation, as well as a variable component. The target requirements (e.g. incoming orders, EBITDA, earnings per share, net debt) for the variable component are defined annually by the supervisory board. Payment of the variable portion is coupled with sustainable Company development over three years and occurs only in the amount of the portion that has already been verifiably earned at this point in time. For financial year 2012 the management board is entitled to variable remuneration claims of € 0 thousand (previous year: € 110 thousand). ecotel has also taken out a directors and officers insurance policy (D&O insurance) with an appropriate deductible for members of the management board. In addition, each of the three members of the management board is entitled to a company car.

The Company's share option program, in which two members of the management board participated, was discontinued in 2012.

Members of the supervisory board receive a fixed and a variable annual remuneration. For financial year 2012 the supervisory board is not entitled to variable remuneration. In addition ecotel has also taken out a directors and officers insurance policy (D&O insurance) with an appropriate deductible for members of the supervisory board.

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

Changes in the articles of association

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

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

Capital structure

Share capital

The company's capital stock totals € 3,900,000.00. The capital is divided into 3,900,000 ordinary shares payable to the bearer. The shares are issued as no-par value shares with a proportional amount of the capital stock of € 1.00. The capital stock of € 3,900,000.00 is completely paid in. Each no-par value share grants one vote in the Annual General Meeting. Voting right restrictions do not exist. As of 12/31/2012, ecotel held 214,904 treasury shares, which corresponds to 5.51 % of the company's share capital. Therefore, the issued capital in the balance sheet totals € 3,685,096. Different voting rights relative to the shares do not exist. The Company's management board is not aware of any restrictions that affect voting rights or transfer of shares, as can occur, for example, due to agreements between shareholders.

Authorised capital

With the shareholders' resolution of 27 July 2012 the management board of the company is authorised with the consent of the supervisory board to increase the capital stock one time or multiple times by a total of up to € 1,950,000.00 against cash and/or investments in kind through the issue of new no-par value bearer shares, until 26 July 2017. The number of shares must increase in the same ratio as the capital stock increases. In the 2012 business year the management board did not avail itself of this authorisation.

Conditional capital

With the resolution of the Annual General Meeting of 27 July 2012 the existing Conditional Capital I and II totalling as much as € 1,500,000 and € 150,000 respectively was completely cancelled.

In addition, the Annual General Meeting of 27 July 2012 resolved a new conditional increase of the capital stock by up to € 1,500,000 through issuing up to 1,500,000 no-par value bearer shares (conditional capital I). In accordance with the convertible bond conditions, the conditional increase in capital serves the sole purpose of enabling the company to issue shares to the holders of options and/or convertible bonds through 26 July 2017, based on the authorisation of the Annual General Meeting held on 27 July 2012. The conditional increase in capital will be carried out only if the holders of convertible bonds or options to exercise their conversion or option rights or the holders of the convertible bonds obligated to conversion fulfil their obligation and if no other forms of fulfilment are made available for exercising these rights. In the 2012 business year the management board did not avail itself of this authorisation.

Authorization to acquire treasury shares

With the resolution of 30 July 2010, the Annual General Meeting authorised the company to acquire treasury shares up to a total of 10 % of the capital stock existing at the time the resolution was passed. The authorisation may not be used by the company for the purpose of trading in treasury shares. In combination with the other shares owned by the company or shares that are allocated to the company in accordance with § 71a ff. of the German Stock Corporation Act (AktG), at no point in time may the acquired shares amount to more than 10 % of the capital stock. The authorisation to acquire treasury shares is valid until 29 July 2015. In financial year 2012, during the period between 25 May and 30 September 2012 the company acquired a total of 67,404 shares of ecotel communication ag at an average price of € 4.9481.

The acquisition of the non par value shares was executed in accordance with the ad-hoc report of 23 May 2012 through the stock exchange by the credit institute commissioned by ecotel communication ag. The number of redeemed shares corresponded to 1.73 % of the share capital of ecotel communication ag. As of 31 December 2012, ecotel therefore owned 214,904 treasury shares, which corresponds to 5.51 % of the company's share capital.

Capital holdings and control rights

The table below shows the names of the shareholders, who owned more than 3 % of the capital stock at the end of 2012. Different voting rights relative to the shares do not exist.

Shareholder	Holding of shares (in %)
Peter Zils	25.64 %
Intellect Investment & Management Ltd.	25.09 %
IQ Martrade Holding und Managementgesellschaft mbH	14.56 %
PVM Private Values Media AG	9.31 %
Treasury shares	5.51 %
Total	80.11 %

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

Effects of potential takeover bids

Loans from individual banks are granted on the basis that the stake in ecotel held by Mr. Peter Zils does not fall below a share of 25 % plus a vote of the capital stock during the entire term of the loan contract, or is not wholly given up. Moreover, the direct or indirect ecotel stake in nacamar GmbH must not fall below a share of 75 % of the capital stock. Additional agreements between ecotel and other persons who could be affected by a change of control as a result of a takeover bid, do not exist. For the members of the ecotel management board there are no agreements that foresee compensation in the event of a takeover.

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

3. STRUCTURE AND HOLDINGS OF THE COMPANY

As parent company ecotel communication ag is headquartered in Düsseldorf. In 2012 the company employed 159 staff members, including the management board and trainees without its subsidiaries; this was 1 less employee than the average for 2011.

The subsidiaries of ecotel communication ag are located in Germany and in 2012, including managing directors and interns employed an average of 54 employees (compared with 54 employees at the end of 2011).

nacamar GmbH

nacamar GmbH was originally founded in 1995. The company traded under the name World Online, and later as Tiscali Business GmbH. After ecotel acquired 100 % ownership of the company in 2007 and merged the company's B2B business into the parent company in 2009, nacamar now trades as an autonomous service provider in the new media business and offers companies in the media industry a broad-based offering of media applications. These include processing as well as streaming of audio and video content for a wide variety of end devices, management of media libraries for companies, as well as autonomous advertising marketing. nacamar operates its own content delivery network (CDN), as well as the largest German radio streaming platform (freestream) in the Group's own computer centre with connection to all important national and international networks. nacamar GmbH is headquartered in Düsseldorf and in 2012 employed an average of 16 employees (previous year: 17 employees).

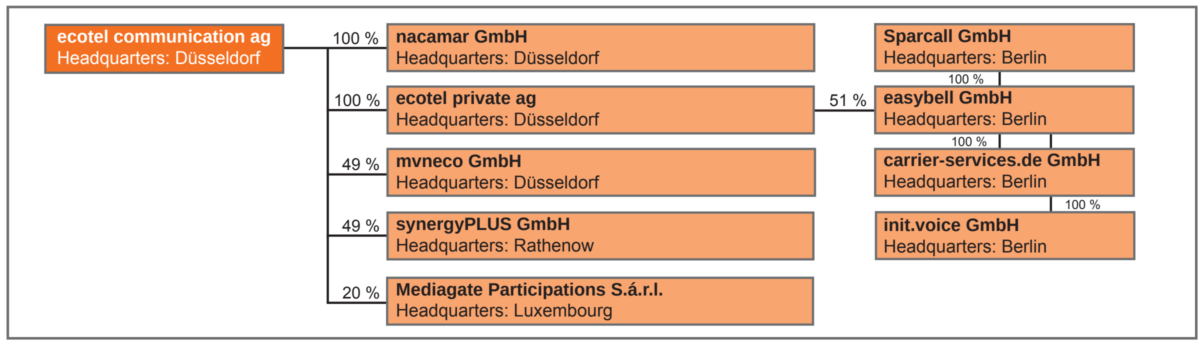
ecotel private GmbH

ecotel private GmbH is a 100 percent subsidiary of ecotel. The company was founded in 2003 and sells voice services to private customers. ecotel private GmbH is headquartered in Düsseldorf. ecotel private GmbH holds 51 % of the shares of easybell GmbH.

easybell GmbH

easybell GmbH is headquartered in Berlin and in 2012, with its subsidiaries, employed an average of 14 full-time employees (previous year: 12 employees). The company offers innovative and aggressively-priced telecommunications products to private customers. Presently easybell GmbH is active in the areas of fixed-line connections, voice and DSL. Sales are primarily executed via telecommunications price portals. In addition, the enterprise holds 100 % of the shares of Sparcall GmbH, which markets the call-by-call number "01028", and 100 % of the shares of carrier-services.de GmbH, which offers the call-by-call numbers "010010" and "01041" (Tellina). In November 2011, init.voice GmbH, was founded with headquarters in Berlin for execution of the voice over IP services, in which easybell in turn holds 100 % of the shares.

Structure and holdings of ecotel



mvneco GmbH

Together with other consortium partners ecotel founded mvneco GmbH in April 2007 with headquarters in Düsseldorf. ecotel holds 48.7 % of the company's shares. In 2012, mvneco GmbH employed 15 full-time employees on average (previous year: 13 employees). The company functions as a technical service provider and, as a mobile virtual network enabler (MVNE), enables entry into the mobile communications market for other telecommunications companies, such as ecotel communication ag. In this regard the technical platform of mvneco GmbH is connected to the switching network of a mobile communications network operator (e.g. E-Plus), which makes it possible for the company to offer its own mobile communications services.

synergyPLUS GmbH

synergyPLUS GmbH, in Rathenow, was founded in February 2009. synergyPLUS GmbH acts as the exclusive sales partner of ecotel and in particular markets the new full access products in conjunction with the supplementing ecotel mobile services as a convergence product via telesales and trade representatives. The telesales and trade representative concept makes it possible to keep fixed costs low and simultaneously have access to a sales organisation that can be directly controlled. In 2012, synergyPLUS GmbH employed 9 full-time employees on average (previous year: 12 employees). ecotel holds 49 % of the company's shares.

Mediagate Participations S.à.r.l.

On 23 May 2012 ecotel communication ag acquired a capital share of 20.27 % in the newly founded Mediagate Participations S.à.r.l. with its main office in Mamer (Luxembourg) through a contribution in cash of € 4 thousand. The purpose of the company is the acquisition and transaction of new media business in Luxembourg. In 2012, no business was transacted via Mediagate.

4. CORPORATE MANAGEMENT OF THE GROUP

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

5. RESEARCH AND DEVELOPMENT

The capitalised development expenses in 2012 totalled € 46 thousand (previous year: € 174 thousand). They relate essentially to an in-house software development for the new availability query.

6. MARKET AND COMPETITIVE ENVIRONMENT

According to the German Statistical Office (Statistisches Bundesamt), economic growth in 2012 was only 0.7 % – after growth of 3.0 % in the previous year. The most important growth factor was the export trade. For 2013, economists agree that the German economy will experience less growth than in the previous year. The forecasts are within a range of 0.3 to just under 1.0 %.

Telecommunications market volume dropped again in 2012

In 2012 the total market for telecommunications services (including cable networks) in Germany declined slightly from € 60.2 billion to € 60.1 billion (source: VATM-Marktanalyse 2012, p. 5). Due to growth in the broadband cable network, the proportion of alternative competitors on the total market increased from 59 % to 62 %.

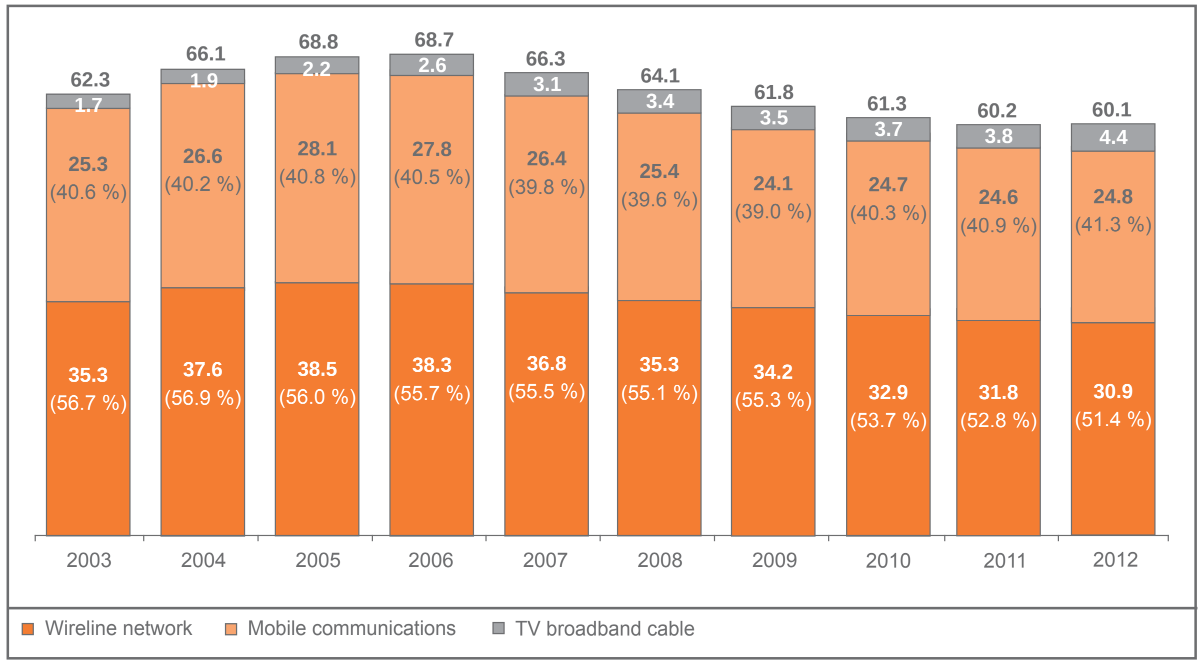
The fixed-line market, consisting of access, voice and data services with external sales of € 30.9 billion represented 51 % of the total market for telecommunication services.

Mobile communications revenue increased slightly from € 24.6 billion to € 24.8 billion as a result of increased data traffic. At the end of 2012 the number of activated SIM cards was approx. 115 million, which was slightly above the previous year's figure. Meanwhile, M2M SIM cards make up about 3 % of the total.

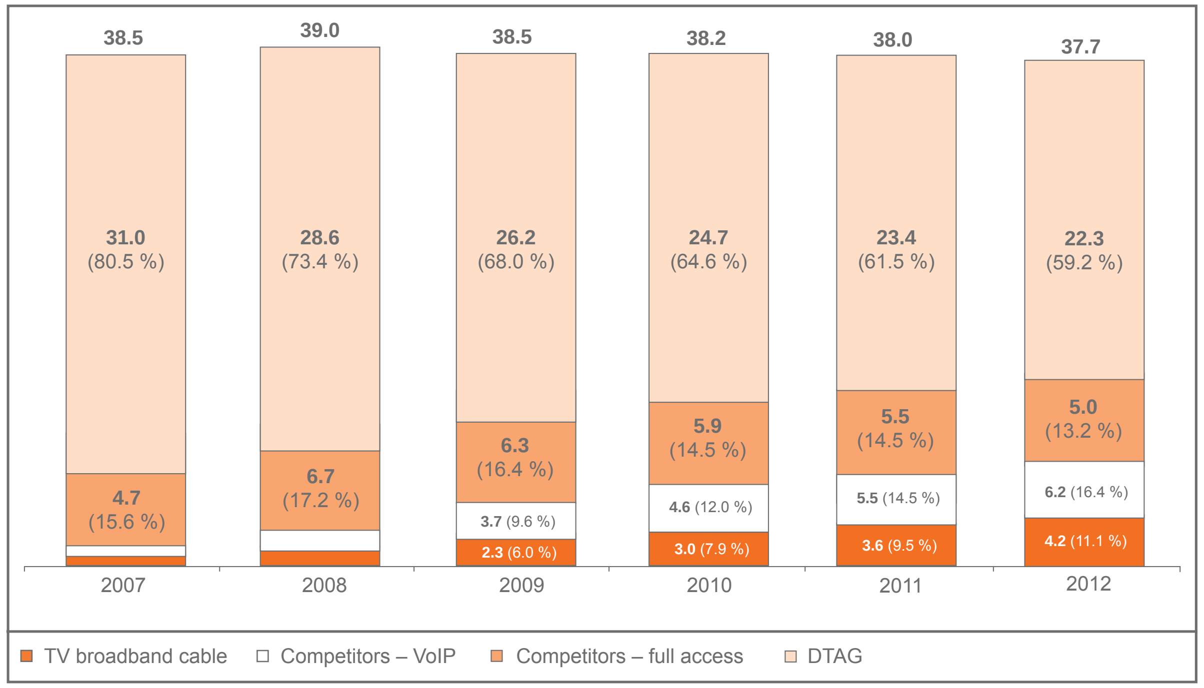
In the meantime the alternative competitors in the fixed-line sector have switched more than 15 million of their own telephone connections (including voice access via cable TV networks) and thus with 38 million telephone connections have a market share of more than 40 % (source: VATM-Marktanalyse 2012, p. 11). While the number of classic full-access lines is currently decreasing, significant growth is observed for unbundled voice over IP connections and for cable TV full access lines.

At the end of 2012 there were more than 28 million broadband access lines in Germany, compared with 27 million broadband access lines at the end of 2011. In this regard 9 million connections (33 %) were for unbundled subscriber access, 2 million connections (6 %) were for resale DSL / wholesale DSL / IP bit stream, 13 million connections (45 %) for DTAG and 4 million connections (15 %) for cable TV. 0.3 million households (1 %) have now been connected via a broadband optical fibre access. DTAG's competitors have a market share of 55 % (source: VATM-Marktanalyse 2012, p. 13).

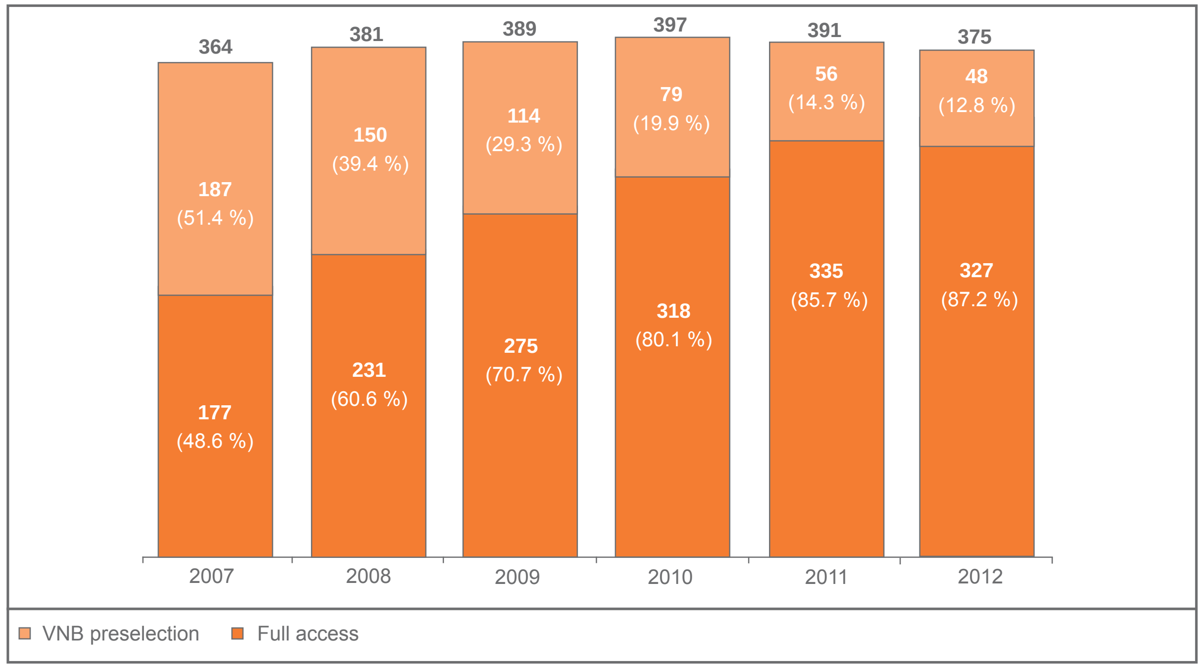
Total market for telecommunications services in Germany in € billion



Fixed-line full access lines in millions



Overall market – competitors – voice services in Germany by product in millions of minutes per day



The share of competitors to DTAG in the traffic volume for voice services is approximately 59 % of the total traffic volume in the German fixed line market. The percentage of voice connection minutes via full access lines of the total volume of fixed-line minutes that are realised by the competitors is more than 87 %. However, the call-by-call and pre-selection volumes (IXC prefix from the DTAG network) are stabilising (source: VATM Market Analysis 2012, p. 10).

Trends in the B2B market

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

Important TC trends for the future in the Business Customers segment are the continuous extension of broadband Internet accesses, both via fixed-line (fibre optics, vectoring), as well as via mobile communications (LTE, HSPA+), the shift of telephone systems into the network (hosted PBX / IP Centrex), as well as the strong convergence of telecommunications and IT.

A significant current IT trend is “cloud computing” with its different forms: infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS). Essentially this involves the shifting of local computing services (hardware) and application programs (software), as well as data storage (content) into central and high-performance secure computer centres of an IT / telecom provider, accessed by the user via secure broadband connections.

Other important IT / telecom trends (source: Deloitte: telecommunications services of the future):

– eHealth / telemedicine
– Mobile payment / contactless payment
– Smart energy / intelligent power systems
– Connected car
– Cloud media / universal availability of content

Regulatory trends

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

Important current topics are:

– Challenge of full-coverage expansion with modern high-performance networks in the fixed line and mobile sector, including improved conditions for competition-conformant infrastructure investments

– Discrimination-free regulation of broadband connection of the feeder distribution interfaces (vectoring)

– Assurance of a full-coverage basic supply of the same type of telecommunications services (universal services) in urban and rural areas, including broadband connections, at affordable prices

– Network neutrality (i.e. equal and unchanged transmission of data packets through carriers, regardless of where these packets come from, or which applications have generated these packets)

– Modernisation of the existing data protection regulations

7. BUSINESS DEVELOPMENT 2012

A brief overview of the most important events in the ecotel financial year 2012 is provided below.

Signing of the primary contract with Allianz

In November 2012 Allianz signed the main contract with ecotel for connection of its agencies. During the current project “Allianz Global Network” (AGN) for the digitalisation and optimisation of the information exchange between the agencies and the main office, ecotel connects up to 10,000 agency locations with the company headquarters and provides them with voice and data services. To meet the extensive performance and security requirements of the group, high-performance business DSL, Ethernet and LTE connections are used via a virtual private network (VPN) with MPLS technology. This enables the fast and secure exchange of information between the agencies and the main office, especially for the future use of cloud services. For additional data security a modern IP-Sec and Web-Proxy platform will be set up and operated in the ecotel computer centre. The large-scale project is rounded out by a managed router service and a round-the-clock interactive monitoring service. ecotel therefore provides the entire infrastructure service for the agency network in Germany.

Further expansion of business with ING-DiBa

In April 2012 ecotel received another major contract from ING-DiBa for the implementation, housing and managed service of the ING-DiBa web farm.

Conclusion of a B2B mobile communication marketing contract with Vodafone

In October 2012 ecotel signed a cooperation agreement with Vodafone for marketing of the entire B2B mobile communications product portfolio of the Düsseldorf-based telecommunications group, as a supplement to the successful product segment “ISDN full access lines”. In the initial marketing phase ecotel acts as a negotiator of rates using the Vodafone branding; order processing is also conducted with the Vodafone rate names and forms. A special ecotel characteristic is the free-of-charge availability of the customer-specific Vodafone mobile cards from ecotel full access lines. A successful marketing launch will be followed by an independent mobile service with the ecotel brand.

Successful marketing of data products

In 2012 ecotel was able to continue its success in the marketing of its data products. Among other things 150 new broadband Ethernet lines and 300 SHDSL lines were marketed in 2012.

Improvement of the cost basis through lower termination fees in 2013

In November 2012 the Federal Network Agency announced its preliminary rate approvals for full access and mobile termination fees. The resulting significant reduction of the termination fees is an essential driving factor for ecotel for potential improvement of the gross profit in 2013.

Successful implementation of the availability query

To test the availability of all ecotel products that are available at a customer location, from fixed line ISDN full access to all DSL variants and Ethernet fixed access, the new web-based availability query makes it possible since autumn 2012 to combine the interfaces of different upstream providers in one tool. Within seconds, one query provides the best result for a customer location from all providers and product alternatives, together with the corresponding bandwidths.

Modernisation of the computer centre

After successful certification of the ecotel computer centre in the first half of the year (Datacenter Star Audit & ISO-27001), cooling of the computer centre was further optimised in the second half of the year. In this respect, new cooling generators were installed on the roof of the computer centre, which operate with double protection (n+1 redundancy) and "free cooling". This means that the outside air is used for cooling when the outside temperature drops below a defined limit. Besides reduction of the electricity needed for cooling and improved energy efficiency, the computer centre is also more "green" and eco-friendly.

Earnings, financial and asset position

1. EARNINGS AND PERFORMANCE

In 2012 the Group achieved revenue of € 94.3 million (previous year: € 84.5 million). The increase in revenue of 12 % is due essentially to developments in Wholesale Solutions. Gross profit (sales revenue minus cost of materials) increased relative to the comparable period of the previous year by 2 %, from € 24.6 million to € 25.1 million. Compared with the previous year the gross profit margin decreased from 29 % to 27 %.

Increasing gross profits in the Business Solutions segment

The Business Solutions segment achieved a share of 43 % (previous year: 49 %) of total gross profit and a share of 75 % (previous year: 76 %) of the gross earnings of the ecotel Group. Sales in the business customer segment totalled € 40.8 million, compared with € 41.6 million in the previous year. In 2012 gross earnings totalled € 18.9 million – after € 18.7 million in the previous year. Compared with the previous year the gross profit margin increased from 45 % to 46 %.

Declining sales in Wholesale Solutions

The business unit Wholesale Solutions contributed 43 % (previous year: 36 %) to total earnings and 4 % (previous year: 6 %) to total gross profit. Revenue in this segment increased by 33 % from € 30.6 million to € 40.8 million. Gross profit decreased from € 1.4 million to € 1.0 million. This represents a gross profit margin of 2 %.

Increasing revenue and gross profit in New-Business segment

The business unit New Business contributed 13 % (previous year: 15 %) to total earnings and 21 % (previous year: 18 %) to total gross profit. Revenue from New Business increased in comparison with the previous year from € 12.3 million to € 12.7 million. Gross profit increased from € 4.5 million to € 5.2 million. This represents a gross profit margin of 41 %.

Higher other operating income

In 2012 other operating income totalled € 1.0 million (previous year: € 1.6 million). Essentially the decrease is attributed to the sale in the previous year of the i-cube business activities to infinity³ GmbH, for which there were no comparable proceeds in the financial year.

Higher personnel expenses and other operating expenses

The personnel expenses increased in 2012 by € 0.3 million from € 9.7 million to € 10.0 million. The number of employees of the consolidated companies (including minority companies) remained at 214 as in the previous year.

Other operating expenses declined slightly from € 9.5 million to € 9.3 million.

Unscheduled value adjustments reduce EBIT and consolidated profit

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 6.8 million, therefore remaining 4 % below the previous year's level of € 7.1 million, which included a special effect due to the higher other operating income.

Scheduled depreciations increased in comparison with the previous year from € 3.3 million to € 3.4 million, of which € 1.6 million was scheduled depreciation of intangible assets, such as development costs and client bases, and € 1.8 million for scheduled depreciation of property, plant and equipment.

The impairments of € 3.1 million comprise essentially the complete write-offs of the goodwill of the subsidiary nacamar. The goodwill originated in connection with the acquisition of the company in the year 2007. Due to the loss of the biggest customer in the first half of 2011 and the failure to acquire two major customers that had been estimated as probable, the goodwill was completely written off.

EBIT therefore totalled € 0.4 million, after € 3.1 million in the previous year. Without the special depreciation the adjusted EBIT would have been € 3.5 million.

The financial result for 2012 totalled € –1.3 million, compared with € –0.4 million in the comparison period 2011. In the financial results, the shareholders' loans of € 0.9 million to the 49 % holdings mvneco GmbH and synergyPLUS GmbH had to be written down. The reason for the special depreciations is the decline in the financial power of the two companies. At mvneco GmbH, especially the expected loss of a major customer in 2013 clouds the prospects for success. The net book value of these loans is presently € 1.4 million. Other expenses in the financial result include interest of € 0.2 million, expenses for capital market support of € 0.1 million and a financial debt for the negative cash value of an exchange rate transaction of € 0.1 million.

The tax expense for 2012 totalled € 0.8 million and is comprised of € 0.9 million effective tax expenses and € 0.1 million deferred tax expenses.

The 2012 consolidated net income before interests of non-controlling shareholders totalled € –1.6 million, after € 1.7 million in the previous year. The 2012 consolidated net income after interests of non-controlling shareholders totalled € –2.6 million (previous year: € 1.1 million). This corresponds to earnings per share of € –0.70 (previous year: € 0.29). Consolidated profit adjusted by special effects would have totalled € 1.4 million, with adjusted earnings per share of € 0.38.

Comparison of the forecasts with the actual business trend

At € 94.3 million, actual revenues achieved exceeded the € 80–90 million range forecast.

The actual EBITDA totalling € 6.8 million was at the upper end of the forecast corridor of € 6–7 million.

The Company was also able to exceed the planned reduction in net financial liabilities to under € 0 (including the subordinate tranche), totalling € –0.3 million as of the closing date.

2. FINANCIAL POSITION

Cash flow from operating activities for 2012 was € 6.8 million, compared with € 6.3 million in the previous year. Working capital (the difference between receivables and liabilities) decreased by € 0.8 million compared with the previous year.

Cash flow from investing activity in 2012 was € –2.7 million after € –1.6 million in the previous year. It is essentially comprised of investments of € 0.4 million in software licenses and in-house developed software, as well as investments of € 2.4 million for servers, network, router and computer centre infrastructure, as well as payments from the sales of fixed assets and interest payments of € 0.1 million.

Cash flow from financing activity in 2012 totalled € –2.8 million (previous year: € –4.5 million) and comprises the repayment of financial loans totalling € 2.5 million, payments for the repurchase of the company's treasury shares totalling € 0.3 million, the taking out of new financial loans totalling € 0.6 million, payments to minority shareholders totalling € 0.2 million and interest payments totalling € 0.4 million.

Cash and cash equivalents increased substantially from € 6.2 million at the beginning of 2012 to € 7.5 million at the end of 2012.

ecotel has a working capital credit line of € 2.9 million. Of which, at the end of 2012, € 1.2 million were used as surety for payment. Thus, € 1.7 million was still available.

As in previous years the company was able to honour its payment obligations without restriction and on time. Important financial management goals also include compliance with the financial covenants agreed with banks and minimising of credit, interest and currency risks, insofar as they can have a significant effect on the financial position. In this respect we refer to the information in our risk report.

3. ASSET POSITION

As of 31 December 2012 the balance sheet total was € 42.7 million, which corresponds to a reduction of 6 % relative to € 45.4 million as of 31 December 2011. The decline in the balance sheet total is essentially due to the impairment of intangible assets (e.g. goodwill, customer base) as well as repayment of the financial loans, both of which resulted in a balance sheet contraction.

On the assets side, the non-current assets decreased by 14 % from € 24.5 million to € 21.1 million. Goodwill decreased as a result of the special depreciation to € 8.9 million. The value of customer relations decreased from € 3.1 million to € 2.5 million due to continuing depreciations. Current assets (without liquid funds) decreased from € 14.6 million to € 13.9 million.

On the liabilities side, the equity decreased by 10 % from € 21.4 million to € 19.3 million. The equity ratio therefore decreased from 47 % at the end of 2011 to 45 % at the end of 2012. The non-current financial debt decreased by 27 % from € 7.6 million to € 5.5 million. Of this amount, € 0.7 million are attributed to deferred income tax liabilities. The current liabilities increased by 9 % from € 16.4 million to € 17.8 million. The net debt (financial debt minus liquid funds) was € –0.2 at the end of 2012, which corresponds to a decrease by € 3.3 million in comparison with the previous year.

4. GENERAL STATEMENT OF THE ECONOMIC SITUATION OF THE GROUP

In comparison with the previous years the economic situation of the ecotel Group continued to improve despite the group deficit (before shares of non-controlling shareholders) of € 1.6 million. The positive revenue development, which formed the basis for the successful reduction in financial liabilities and the associated boost to the financial results, contributed in this regard.

Supplementary report

After conclusion of the financial year there were no noteworthy changes in the boundary conditions. The economic environment did not change in a degree that had an effect on the business activities of ecotel, nor has the industry situation become different than it was as of 31 December 2012.

Risk report

1. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

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

ecotel maintains an internal control system (ICS) to assure the effectiveness and profitability of the business activity, the correctness and reliability of the internal and external accounting, as well as compliance with the statutory regulations that are authoritative for the enterprise; the internal control system is revised at regular intervals. The risk of financial reporting is that the annual reports and interim reports could contain incorrect presentations that could possibly have a material influence on the decisions of those to whom these reports are addressed. Our accounting-based internal control system is designed to identify possible error sources and to limit the risks resulting from these error sources. To assure the correctness and reliability of the accounting, the internal control system is designed in such a manner that for all material business transactions the dual-control principle is used and that a functional separation between the departments is maintained (creditors, debtors) in the bookkeeping. Account assignment guidelines are used for correct accounting. External service providers are used for the IFRS preparation of financial statements as well as for more complex accounting issues. The same applies for preparation of the tax return. In addition the central key financial figures are monitored by a regular target/actual comparison with deviation analysis.

2. RISKS OF FUTURE DEVELOPMENT

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

Operative risks

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

Assurance of the highest possible availability of infrastructure through appropriate system redundancies both on the switching technology side and on the line side, is one of the most important measures that ecotel consistently implements to prevent risks. The implications of a possible failure of the company's own switching technology are minimised in that only the international B2B traffic, as well as the wholesale traffic is terminated via the Group's own switching systems, and the major portion of the B2B voice traffic remains in the networks of the upstream suppliers. For mobile communications traffic there is a fall-back scenario that routes the traffic via the network of the upstream supplier if our own network fails. In the area of availability of the server farms of the nacamar CDN (Content Delivery Network), the server farms were completely duplicated in separate facilities.

In the area of the computer centre infrastructure, there are potential risks of failure of the air conditioning system and emergency power supply, as well as loss of the connection. The emergency power supply is structured redundantly; in 2012, a n+1 redundancy was implemented in the area of the air conditioning technology. Risks of external capacity bottlenecks for the power supply of the computer centre in Frankfurt am Main continue to exist; these risks can possibly cause hindrances for future customer growth. Because possible expansion measures in the power supply are associated with significant investments, this project will only be undertaken when there is appropriate additional capacity demand on the part of customers. The computer centre is connected to different carriers via two different house lead-ins by means of edge-disjoint and node-disjoint paths.

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

ecotel decided at the end of 2012 to provide its business customers with Vodafone mobile communications products in the future. Since the existing MVNO contract with E-Plus will expire at the end of 2013, the existing SIM mobile communications contracts will presumably have to be migrated to other offers before then. This can possibly result in the increased willingness of mobile communications customers to switch, which could damage the company's earnings and performance.

Possible delays in the implementation of the execution platform for the Allianz project could lead to a delay of the router rollout planned for 2013 and the line migration, which would therefore affect the company's earnings and performance for 2013 and 2014.

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

Financial risks

For ecotel financial risks include credit risks, liquidity risks, currency risks and interest risks.

A credit risk exists if transaction partners do not honour their payment obligations. The development of the receivables portfolio is constantly monitored in order to identify possible default risks early on and implement appropriate measures.

As part of the acquisition financing ecotel has agreed with the financing credit institutions on financial covenants that are usual in the market, that are based on the relationship of specific financial key indicators. The IFRS consolidated financial statement prepared by ecotel serves as the basis for determination of the key performance indicators. A violation of the covenants could possibly result in cancellation and premature payback of the investment loans and revolving credit facilities and thus could entail a significant worsening of the liquidity position of ecotel, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. For all three of the current covenants (equity ratio (TARGET: >25 %/35 %; ACTUAL: 47 %)), net financial liabilities/EBITDA (TARGET: <2.5; ACTUAL: –0.48), EBITDA/sales revenue (TARGET: >5 %; ACTUAL: 6.3 %)) ecotel is clearly within the intervals specified by the financial covenants. The enterprise assumes that compliance with all covenant threshold values is ensured again in 2013.

At year end 2012 ecotel had liquid funds totalling € 7.5 million. The net debt at year end was € –0.3 million (after € 3.0 million in the previous year). As an additional liquidity reserve ecotel has a revolving credit facility of € 2.9 million. Of which, at the end of 2012, € 1.2 million were used as surety for payment.

Currently there are no pending legal disputes against ecotel with a value in matter of dispute of more than € 5,000.

Possible interest risks that could result from changes in the market interest rates are hedged using interest rate swaps and fixed-interest loans.

Currency risks resulting from cash flows in different currencies are hedged at the time of their origination, at the latest. This done by means of forward-exchange transactions. The use of such derivative financial instruments is for hedging purposes only and are not used for speculation. Further information on the use of derivatives can be found in the Notes.

Strategic risks

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

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

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

Risks of the market environment

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

The existing general regulatory conditions, which are materially influenced by decisions of the German Federal Network Agency for Electricity, Gas, Telecommunication, Post, and Railroad (BNetzA), and through other consumer protection measures (such as mandatory price announcements for call-by-call), could also change to the disadvantage of ecotel's business activities and bring about negative business-relevant changes.

Overall risk can be calculated
In summary, ecotel is convinced that the material risks cited above neither individually nor collectively concretely jeopardise the continued existence of the company and that ecotel, through the flexible business model and the monitoring system, can quickly recognise risks, react to them, and implement counter measures in 2013 as well.

3. OPPORTUNITIES OF FUTURE DEVELOPMENT

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

New market developments in the areas of voice over IP and hosted PBX
An important telecommunications trend topic is the shifting of telephone systems onto the Internet (hosted PBX/IP Centrex), in combination with voice over IP. This change has only been made feasible through nationwide availability of broadband Internet accesses. ecotel is carefully observing these developments, and in the medium-term plans to shift its customer base, to supplement ISDN full access, to so-called NGN (Next Generation Network) voice connections. Among other things the customers can benefit through this shift from innovative services (e.g. convergent fixed-line and mobile communications products, unified communication). Simultaneously ecotel could profit from significant cost savings.

Expansion of marketing activities in the data segment
For 2013 ecotel plans further growth in the data segment. Among other things, the expansion of the existing Ethernet and SHDSL product pallet in 2012 to include new functions (foreign coverage, MPLS integration) and capacities (SHDSL 10 Mbit/s) should lead to additional sales successes.

Replication of the Allianz project contract for secure corporate networking also for other major customers
Implementation of the Allianz project and the connectivity solution for secure corporate networking give ecotel optimal opportunities to implement similar projects for other major customers as well. This includes in particular the end-to-end infrastructure service, from the customer router through different connection technologies all the way to the central network components, such as web proxy, firewalls and intrusion detection, with a round-the-clock interactive monitoring service.

Setup of strategic cooperations for utilisation of market opportunities as result of closer integration of telecommunications and IT
The current revenue and growth rates of the overall market for cloud services, i.e. the shift from local computing power to secure computer centres, are considerable. Cloud computing is also one of the dominating trend topics. Considering the sector of private cloud solutions, which is especially important for business customers, the German market has already reached an annual revenue level greater than € 2 billion, according to a BMWI survey. By 2025 enormous growth of more than 30 % per year to ca. € 10 billion is expected. Market-driving solutions here include central ERP/CRM solutions, Voice and Video over IP, IaaS and corresponding infrastructure services for fast and secure transfer of customer data.

This positive development corresponds ideally with the ecotel product pallet in the area of infrastructure and data services – for example with the nationwide available xDSL and Ethernet bandwidths, or the MPLS-VPN solutions and housing/colocation services in the ecotel computer centre. For this purpose ecotel established a strategic cooperation with Fujitsu to bring the “cloud” issue closer to the SMEs.

For other IT-related services such as security or virtualisation, eco is planning similar cooperations, in order to benefit from the market growth together with partners.

Marketing of convergent fixed-line and mobile communications products
The cooperation agreement with Vodafone for mobile communications signed in 2012 allows ecotel to set up convergent fixed line and mobile products with free-of-charge availability of the customer-specific Vodafone mobile cards from ecotel full access lines. This offers new revenue opportunities for ecotel.

One-time earnings from legal proceedings
ecotel currently is conducting two active legal disputes. Both proceedings are currently open and can lead to significant other operating income in the coming years.

4. COMMENTS ON FORECASTS

This management report also includes future-oriented statements and information, i.e. statements concerning events that are in the future. These future-oriented statements can be identified through formulations such as “expect”, “intend”, “plan”, “estimate” or similar terms. Such forward-looking statements are based on present expectations and specific assumptions. Consequently they are associated with a number of risks and uncertainties. A number of factors, many of which are beyond the control of the ecotel Group, influence the business activities, the success, the business strategy, and the results of ecotel. As a result of these factors the actual results, successes, and performances of the ecotel Group may significantly or implicitly deviate from the information on results, successes or performances contained in the future-oriented statements.

Outlook

Medium-term increase of revenue and EBITDA by 2015

Management pursues the medium-term goal of increasing its revenue to € 100 million and EBITDA to € 10 million by 2015. This should be made possible essentially due to an increase of the B2B revenue from currently € 40 million to € 50 million by 2015. Among other things, this should be achieved with increased sales of products in the areas of full access, data services, mobile communications and managed services.

Short-term reduction of net debt

Due to the substantial advance investments totalling € 4 – 5 million as part of the Allianz project we assume an increase in the net debt for 2013 in comparison with the previous year. The investments mentioned above are collateralised by contract and will pay for themselves during the course of the contract term, by 2018.

Forecast 2013 and 2014

For 2013 the company expects consolidated turnover of about € 80 – 90 million, with increasing B2B revenue. The planned decrease in revenue compared with 2012 is explained by the lowering of the mobile termination fees, which were passed on 1:1 to other carriers, resulting in a corresponding reduction of revenue in the wholesale segment. The Company also expects EBITDA of € 6 – 7 million for 2013. For financial year 2014 a group revenue and group EBITDA development is expected that will be in line with the medium-term group revenue and group EBITDA objectives.

Statement on corporate governance and corporate governance report

The management board and supervisory board of ecotel communication ag have issued the required statement on corporate governance in accordance with § 289a of the German Commercial Code (HGB), as well as the corporate governance report, including the statement prescribed in accordance with § 161 of the German Stock Corporation Law (AktG), and have made these statements permanently available to the public on the Internet (http://ir.ecotel.de/cgi-bin/show.ssp?id=6000&companyName=ecotel&language=German).

Düsseldorf, 19 March 2013
ecotel communication ag

The management board
Peter Zils Bernhard Seidl Achim Theis

Statement of the legal representatives

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

Düsseldorf, 19 March 2013
ecotel communication ag

The management board
Peter Zils Bernhard Seidl Achim Theis

Consolidated balance sheet

as of 31 December 2012

Assets Amounts in €	(Notes)	12/31/2011	12/31/2012
A. Non-current assets			
I. Goodwill and other intangible assets	(1)	16,967,170.81	13,793,947.48
II. Fixed assets	(2)	5,079,565.01	5,940,228.48
III. Financial assets accounted for based on the equity method	(3)	1,586,134.39	1,410,000.00
IV. Other financial assets	(3)	25,000.00	3,800.00
V. Non-current receivables	(4)	623,799.25	0.00
VI. Deferred income tax claims	(7)	193,361.40	0.00
Total non-current assets		**24,475,030.86**	**21,147,975.96**
B. Current assets			
I. Inventories	(5)	88,777.48	145,446.68
II. Trade receivables	(6)	13,424,477.59	12,513,716.87
III. Other receivables and current assets	(6)	1,211,435,67	1,320,467.33
IV. Actual income tax claims	(7)	9,194.76	26,783.10
V. Funds	(8)	6,235,215.59	7,533,432.71
Total current assets		**20,969,101.09**	**21,539,846.69**
Total assets		**45,444,131.95**	**42,687,822.65**

Liabilities Amounts in €	(Notes)	12/31/2011	12/31/2012
A. Equity capital			
I. Subscribed capital	(9)	3,752,500.00	3,685,096.00
II. Capital reserves	(9)	1,678,036.50	1,443,254.38
III. Other reserves		15,087,043.00	12,460,818.74
Total shareholders' Equity		20,517,579.50	17,589,169.12
IV. Shares of non-controlling shareholders	(9)	900,115.78	1,733,550.34
Total equity capital		**21,417,695.28**	**19,322,719.46**
B. Non-current provisions and liabilities			
I. Deferred income tax	(10)	979,058.08	687,973.30
II. Non-current loans	(11)	6,609,375.00	4,831,250.00
III. Other financial debts	(11)	0.00	0.00
Total non-current provisions and liabilities		**7,588,433.08**	**5,519,223.30**
C. Current provisions and liabilities			
I. Current taxes on earnings	(10)	313,903.36	669,730.47
II. Financial debts	(11)	2,715,502.70	2,488,715.17
III. Accounts payable	(11)	11,555,216.98	12,968,031.77
IV. Liabilities to associated companies	(11)	133,765.95	213,230.42
V. Other liabilities	(11)	1,719,614.60	1,506,172.06
Total current provisions and liabilities		**16,438,003.59**	**17,845,879.89**
Total liabilities		**45,444,131.95**	**42,687,822.65**

Consolidated statement of comprehensive income

for the financial year 2012

Amounts in €	(Notes)	01/01–12/31/2011	01/01–12/31/2012
1. Sales revenue	(14)	**84,481,325.08**	**94,298,086.24**
2. Other revenues or gains	(15)	1,599,973.98	993,908.39
3. Other company-manufactured items capitalized		849.00	112,369.10
4. Total operating performance		**86,082,148.06**	**95,404,363.73**
5. Cost of materials			
Expenses for services purchased	(16)	–59,854,073.84	–69,245,049.97
6. Personnel costs	(17)		
6.1 Wages and salaries		–8,398,146.02	–8,674,355.50
6.2 Social contributions and expenses for pensions and benefits		–1,306,711.76	–1,361,179.63
7. Scheduled depreciations	(18)	–3,309,930.54	–3,379,539.88
8. Impairments	(18)		
8.1 of non-current assets		–541,547.56	–3,072,428.71
8.2 of current assets		–104,276.55	0.00
9. Other operating expenses	(19)	–9,471,044.88	–9,279,289.16
10. Operating result (EBIT)		**3,096,416.91**	**392,520.88**
11. Financial income		144,145.74	645,650.25
12. Financial expenses		–545,365.45	–1,896,681.44
13. Earnings from financial assets accounted for based on the equity method		–12,137.70	–23,690.72
14. Financial result	(20)	**–413,357.41**	**–1,274,721.91**
15. Earnings from normal business activities before income tax		**2,683,059.50**	**–882,201.03**
16. Taxes from income and revenue	(21)	–982,536.42	–766,422.29
17. Consolidated profit (= total consolidated profit)		**1,700,523.08**	**–1,648,623.32**
18. Profit share of non-controlling shareholders	(22)	–627,371.44	–946,265.57
19. Consolidated profit to be allocated to shareholders of ecotel communication ag		**1,073,151.64**	**–2,594,888.89**
Undiluted earnings per share	(23)	0.29	–0.70
Diluted earnings per share	(23)	0.29	–0.70

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

Consolidated cash flow statement

for financial year 2012

see Note. 24

Amounts in €	(Notes)	2011	2012
Annual consolidated profit before income tax and before profit share of non-controlling shareholders	(24)	2,683,059.50	–882,201.03
Net interest income	(24)	343,973.04	162,204.98
Depreciation and amortisation expense	(24)	3,851,478.10	7,230,822.45
Amortisation/depreciation of current assets	(24)	104,276.55	0.00
Earnings from companies accounted for based on the equity method	(24)	12,137.70	23,690.72
Cash flow		**6,994,924.89**	**6,534,517.12**
Other expenses (+) and income (–) not affecting the balance sheet	(24)	66,080.97	0.00
Profit (–)/loss (+) from retirements of intangible assets	(24)	–25,801.27	–31,625.06
Increase (–)/decrease (+) in the trade receivables	(24)	997,660.48	877,797.15
Increase (+)/decrease (–) in receivables and other assets	(24)	–487,529.66	–25,443.09
Increase (+)/decrease (–) in the accounts payable	(24)	–1,246,016.46	97,979.79
Increase (+)/decrease (–) in liabilities (without financial debts)	(24)	238,027.16	–119,853.07
Paid (–)/received (+) income tax	(24)	–276,179.97	-525,906.90
Inflow of funds from ongoing business activities		**6,261,166.14**	**6,807,465.94**
Inpayments from retirements of intangible assets	(24)	142,853.34	33,925.28
Payments for investments in tangible and intangible assets	(24)	–1,717,732.09	–2,798,889.30
Proceeds from disposal of financial assets	(24)	119,034.45	0.00
Payments for investments in financial assets	(24)	–25,000.00	–3,800.00
Changes due to the initial consolidation of subsidiaries	(24)	0.00	23,835.18
Payments for acquisition of equity interests from minority shareholders	(24)	–113,800.00	0.00
Payments to companies accounted for using the equity method	(24)	–70,000.00	0.00
Interest paid in	(24)	37,020.78	22,321.43
Outflow of funds from investment activities		**–1,627,623.52**	**–2,722,607.41**
Repurchase of shares	(24)	0.00	–333,521.51
Payments to minority shareholders	(24)	–48,336.00	–153,931.00
Inpayment from taking out financing loans	(24)	4,000,000.00	570,000.00
Payments for repayment of financing loans	(24)	–7,980,210.86	–2,521,896.53
Interest paid out	(24)	–502,956.68	–347,292.37
Inflow/outflow of funds from financing activities		**–4,531,503.54**	**–2,786,641.41**
Change in funds balance affecting the balance sheet		**102,039.08**	**1,298,217.12**
Funds balance at start of period		**6,133,176.51**	**6,235,215.59**
Funds balance at end of period		**6,235,215.59**	**7,533,432.71**

Development of the consolidated equity capital

Amounts in € thousand Notes (9)	Subscribed capital	Capital reserves	Retained earnings		Equity capital to be allocated to share-holders of ecotel communication ag	Shares of non-controlling shareholders	Total
			Other retained earnings	Consolidated profit			
As of 1 January 2011	**3,752**	**1,662**	**13,918**	**56**	**19,388**	**585**	**19,973**
Change due to purchase or sales First consolidation	0	+0	40	0	40	–158	–118
Regrouping due to easybell GmbH P/L transfer agreement	0	0	0	0	0	–154	–154
Transfer of previous year's earnings	0	0	56	–56	0	0	0
Changes in equity capital not affecting the earnings	**0**	**0**	**96**	**–56**	**40**	**–312**	**–272**
Share options plan	0	16	0	0	16	0	16
Consolidated net income 2011	0	0	0	1,073	1,073	627	1,700
Changes in equity capital affecting the earnings	0	16	0	1,073	1,089	627	1,716
As of 31 December 2011	**3,752**	**1,678**	**14,014**	**1,073**	**20,517**	**900**	**21,417**
Withdrawal of capital reserves from ecotel ag	0	–235	235	0	0	0	0
Buyback of the treasury shares	–67	0	–266	0	–333	0	–333
Compensation payment due to easybell GmbH P/L transfer agreement	0	0	0	0	0	–113	–113
Transfer of previous year's earnings	0	0	1,073	–1,073	0	0	0
Changes in equity capital not affecting the earnings	**–67**	**–235**	**1,042**	**–1,073**	**–333**	**–312**	**–446**
Consolidated net income 2011	0	0	0	–2,595	–2,595	947	–1,648
Changes in equity capital affecting the earnings	0	0	0	–2,595	–2,595	947	–1,648
As of 31 December 2012	**3,685**	**1,443**	**15,056**	**–2,595**	**17,589**	**1,734**	**19,323**

Notes to the consolidated financial statement of ecotel communication ag
Principles of financial accounting

GENERAL INFORMATION

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

In its core unit, Business Solutions, the ecotel Group offers medium-sized enterprises, as well as large customers, an integrated product portfolio of voice, data and mobile services as a complete package from a single source. Throughout Germany ecotel supplies approx. 19,000 business customers with standardised and custom telecommunications solutions.

In the second segment, "Wholesale Solutions", the ecotel group markets preliminary products to other telecommunications companies. At the same time, the company achieves high traffic volumes with this segment, enhancing added value for the core segment of Business Solutions. In addition to the wholesale business of ecotel communication ag, mvneco GmbH is also assigned to this business unit.

New high-growth business sectors and niches of the subsidiaries and holdings, which remain operationally autonomous, are the focus area of the New Business unit. These include nacamar GmbH with its new media business, as well as easybell GmbH with the private customer business.

All standards valid and applicable in the EU on the balance sheet date are applied. In addition. the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) have been complied with.

The following change in a pronouncement of the IASB was applied by ecotel for the first time in the consolidated financial statement as of 31 December 2012:

In October 2010 the IASB published **changes to IFRS 7** "Financial Instruments: Disclosures – Transfer of Financial Assets". These changes will give the users of financial reports better insight into the transactions for the transfer of financial assets. The changes must be applied for financial years that start on or after 1 July 2011. In the first year of application no comparison information is required. The first application of the revised version in the consolidated notes as of 31 December 2012 had no influence.

Standards, interpretations and changes that have been published by IASB or IFRS IC but not yet applied

At the time the consolidated financial statement was drawn up, as of 31 December 2012 the following new and changed standards and interpretations were adopted and put into effect by the European Union as European legislature. However, these go into force later and have not been prematurely applied in this consolidated financial statement:

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Changes to IAS 1 "Presentation of Financial Statements": Presentation of other comprehensive income	1 July 2012	1 July 2012
Changes to IAS 12 "Income Taxes": Deferred taxes: Realisation of underlying assets	1 January 2012	1 January 2013
Revision of IAS 19 "Employee Benefits"	1 January 2012	1 January 2013
Revision of IAS 27 "Separate Financial Statements"	1 January 2013	1 January 2014
Revision of IAS 28 "Investments in Associates and Joint Ventures"	1 January 2013	1 January 2014
Changes to IAS 32 "Financial Instruments: Presentation": Offset of financial assets and debts	1 January 2014	1 January 2014
Changes to IFRS 1 "First-time Adoption of IFRS": High inflation and removal of fixed data	1 July 2011	1 January 2013
Changes to IFRS 7 "Financial Instruments: Disclosures": Offset of financial assets and debts	1 January 2013	1 January 2013
IFRS 10 "Consolidated Financial Statements"	1 January 2013	1 January 2014
IFRS 11 "Joint Arrangements"	1 January 2013	1 January 2014
IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2013	1 January 2014
IFRS 13 "Fair Value Measurement"	1 January 2013	1 January 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013	1 January 2013
Changes to IFRS 1 "First-time Adoption of IFRS": Government loans	1 January 2013	1 January 2013

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

In May 2011, the IASB published three new IFRS standards **(IFRS 10, IFRS 11, IFRS 12)** as well as two revised standards **(IAS 27, IAS 28)** for the accounting of investments in subsidiaries, joint agreements and associated companies. The regulations are mandatory in the EU and must be applied for financial years that start on or after 1 January 2014. The application of the new and changed IFRS will possibly have effects on the presentation of the asset situation, financial situation and earnings situation or on the cash flow of the ecotel Group for future corporate mergers and result in additional disclosures of the ecotel Group. However, the revised IAS 27 is excepted, because this standard now exclusively extends to the individual financial statement, and ecotel does not prepare separate IFRS financial statements in accordance with § 325, para. 2a of the German Commercial Code (HGB).

With the publication of IFRS 10 "Consolidated Financial Statements" the IASB is introducing a uniform consolidation concept. The previous distinction between "classic" subsidiaries (IAS 27) and special-purpose companies (SIC-12) has been done away with. Control only exists if an investor has the power of decision, is subject to variable returns, or if he is entitled to rights relative to the returns, and due to the power of decision is capable of influencing the amount of the variable returns. With entry into force of IFRS 10, SIC-12 "Consolidation – Special Purpose Entities" becomes invalid, as do the provisions of IAS 27 "Consolidated and Separate Financial Statements" that are relevant for consolidated financial statements.

IFRS 11 "Joint Arrangements" will replace IAS 31 "Interests in Joint Ventures", as well as SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". It governs the accounting of joint ventures and of joint operations. The proportionate consolidation method for joint ventures is no longer permitted with discontinuation of IAS 31. Application of the equity method is now regulated in the new version of IAS 28 "Interests in Associates and Joint Ventures" and extends to associated companies as well as to joint ventures. In the case of joint operation, the share of assets, liabilities, expenses and earnings is directly recognised in the consolidated financial statement and in the financial statement of the joint operator.

In **IFRS 12** "Disclosure of Interests in Other Entities" all disclosure obligations that must be complied with relative to subsidiaries, joint agreements and associated companies, as well as consolidated structured companies, are centrally bundled.

The new version of **IAS 27** "Separate Financial Statements" exclusively governs the accounting depiction of subsidiaries, joint ventures and associated companies in the financial statement as well as associated disclosures (separate financial statement in accordance with § 325 para. 2a HGB). The new version of **IAS 28** "Investments in Associates and Joint Ventures" governs the inclusion of shares of associated companies and joint ventures based on the equity method.

In May 2011 the IASB also published **IFRS 13** "Fair Value Measurement". With this publication the IASB has provided a uniform, comprehensive standard for fair value measurement. IFRS 13 is mandatory and must be applied for financial years that start on or after 1 January 2013. IFRS 13 regulates how fair value must be measured, if a different IFRS prescribes fair value measurement (or fair value disclosure). A new definition of fair value applies which characterises fair value as the selling price of an actual or hypothetical transaction between any independent market participants under normal market conditions on the measurement key date. The standard is virtually comprehensive in its application, only IAS 2 "Inventories", IAS 17 "Leases" and IFRS 2 "Share-based Payment" are excepted. While the scope of these provisions remains virtually unchanged for financial instruments, now these provisions more comprehensively or more precisely govern other circumstances, (e.g. investment property, intangible assets and property, plant and equipment). The familiar three-level fair value hierarchy must be applied overall. Application of IFRS 13 presumably results in extended disclosures in the ecotel consolidated financial statement.

In December 2011, in **IAS 32** "Financial Instruments: Presentation", the IASB published details concerning the offsetting provisions. To satisfy the offsetting prerequisites in accordance with IAS 32, according to the new provisions, an entity's right to offset at the present time must not be contingent on a future event and must apply in the proper course of business as well as in the event of default and insolvency of a contracting party. Moreover, it is determined that a gross settlement mechanism satisfies the offsetting prerequisites in accordance with IAS 32 if no significant credit and liquidity risks remain, receivables and liabilities are processed in a single settlement process and thus is equivalent to a net settlement in the result. The new regulations are mandatory and must be applied retrospectively for financial years that start on or after 1 January 2014. Ecotel is reviewing the resulting effects on the presentation of the asset situation, financial situation earnings situation or cash flow of the Group.

Also in December 2011, in **IFRS 7** "Financial Instruments: Disclosures", the IASB published extended disclosure obligations regarding offsetting rights. In addition to extended disclosures concerning actual offsets in accordance with IAS 32, for existing offsetting rights, disclosure obligations are introduced, regardless of whether an offset in accordance with IAS 32 is actually undertaken. The new regulations are mandatory and must be applied retrospectively for financial years that start on or after 1 January 2013. Ecotel is reviewing the resulting effects on the presentation of the asset situation, financial situation earnings situation or cash flow of the Group and anticipates extended disclosure obligations.

At the time the consolidated financial statement was drawn up, as of 31 December 2012 the following new and changed standards and interpretations were adopted, however without having been put into effect by the European Union in European legislature. However, these go into force later and likewise have not been prematurely applied in this consolidated financial statement:

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
IFRS 9 "Financial Instruments"	1 January 2015	Unknown as of yet
Changes to IFRS 9 and IFRS 7	1 January 2015	Unknown as of yet
Improvements to IFRS 2009-2011	1 January 2013	Unknown as of yet
Changes to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities": Transitional regulations	1 January 2013	Unknown as of yet
Changes to IFRS 10 "Consolidated Financial Statements" IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements": Investment companies	1 January 2014	Unknown as of yet

In November 2009 the IASB published **IFRS 9** "Financial Instruments". The European Union has not yet put the changes into effect in European legislature. The standard is the result of the first of three phases of the project to replace IAS 39, "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 regulates the classification and measurement of financial assets. The regulations concerning impairments of financial instruments and hedge accounting are currently being revised by the IASB. IFRS 9 prescribes that financial assets must be assigned to one of the following two valuation categories: "At amortised cost" or "At fair value". IFRS 9 also grants a fair value option, which allows financial assets that would normally be assigned to the "at amortised cost" category to be designated as "at fair value" if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the "at fair value" category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as "at fair value" through other comprehensive income. Dividend income resulting from the equity instrument must be reported in the statement of comprehensive income. IFRS 9 must be applied

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for financial years that start on or after 1 January 2015. Prior periods do not have to be adjusted for first time adoption, but there is a requirement to disclose the effects of first-time adoption. Ecotel is currently reviewing the resulting effects on the presentation of the asset situation, financial situation earnings situation or cash flow of the Group.

Also in October 2010 the IASB issued requirements on accounting for financial liabilities. These are integrated in **IFRS 9** "Financial Instruments" and replace the existing provisions on this subject in IAS 39 "Financial Instruments: Recognition and Measurement". In the new pronouncement, the requirements relating to recognition and derecognition, as well as most of the requirements for classification and measurement are carried forward unchanged for IAS 39. The new IFRS 9 modifies the requirements relating to the fair value option for financial liabilities to address the issue of an entity's own credit risk. The prohibition of fair value measurement of derivative liabilities that are linked to an unquoted equity instrument and that must be settled by delivery of an unquoted equity instrument, is eliminated. The pronouncement must be applied for financial years that start on or after 1 January 2015. Prior periods do not have to be adjusted for first time adoption, but there is a requirement to disclose the effects of first-time adoption. This pronouncement has not yet been adopted by the European Union in European legislature. ecotel is reviewing the resulting effects on the presentation of the asset situation, financial situation earnings situation and cash flow of the Group.

The other changes mentioned have no relevance for the ecotel consolidated financial statements.

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

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

Because ecotel did not have the appropriate circumstances in the previous year, nor in financial year 2012, there will be no presentation of other comprehensive income at the end of the profit and loss account.

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

In addition to the Group management report, the audited consolidated financial statements are filed in the German Federal Gazette; the consolidated financial statement will be released for publication on 25 March 2013, through submission by the management board to the supervisory board of ecotel communication ag.

PRINCIPLES OF CONSOLIDATION

According to IFRS all mergers must be depicted in accordance with the purchase method. The purchase price of an acquired subsidiary is distributed over the purchased assets, debts and contingent liabilities. In this regard the proportionate values at the time control over the subsidiary was obtained are authoritative. The eligible assets and the debts and contingent liabilities taken over are recognised with their fair market values in the full amount – regardless of the capital ownership percentage. A remaining balancing item on the asset side is reported as goodwill. A remaining balancing item on the liabilities side is recognised in the income statement. Earnings and expenses of a subsidiary are included in the consolidated financial statement from the date of acquisition. Earnings and expenses of a subsidiary remain included in the consolidated financial statement until control through the parent company ends. As part of the deconsolidation, the residual carrying amounts of the goodwill are considered in the calculation of the result of the disposal.

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

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

CONSOLIDATED GROUP

In addition to ecotel communication ag, all subsidiaries (previous year: all except one) are included in the consolidated financial statement for which ecotel communication ag directly or indirectly controls the majority of voting stock.

init.voice GmbH, which previously was not consolidated, is included in the consolidated financial statement for the first time, effective as of 1 January 2012. This company was established by easybell GmbH on 9 November 2011 with capital stock of € 25 thousand. Due to the marginal business activity, the economic conditions as of 1 January 2012 were used as the basis for the initial consolidation. The assets, debts and contingent liabilities of init.voice GmbH had the following carrying amounts at the time of initial consolidation on 1 January 2012, which due to a lack of hidden reserves also corresponded to their fair value:

Init.voice GmbH € thousand	Carrying amount	Adjustment amount to the fair value	Fair value
Goodwill	0.0	1.4	1.4
Intangible assets	26.2	0.0	26.2
Fixed assets	0.4	0.0	0.4
Receivables and other assets	0.2	0.0	0.2
Liquid funds	23.8	0.0	23.8
Other current liabilities	–27.0	0.0	–27.0
Initial capital stock	**23.6**	**1.4**	**25.0**

Initial consolidation or deconsolidation always occurs at the time of acquisition or sale of equity interests.

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

Previous year's figures in parentheses	Share of capital in % [2]	Equity in € thousand [2]	Earnings in € thousand [2]	Revenue in € thousand [2]	Employees [1] (Average) [2]
ecotel private GmbH Düsseldorf	100.0 (100.0)	644 (931)	196 (304)	17 (23)	0 (0)
easybell GmbH Potsdam	50.98 (50.98)	369 (365)	4 (–81)	3,569 (2,456)	9 (12)
carrier-services.de GmbH Berlin	100.0 (100.0)	478 (196)	282 (66)	2,858 (2,046)	3 (0)
sparcall GmbH Potsdam	100.0 (100.0)	2,634 (1,308)	1,326 (834)	3,665 (4,640)	0 (0)
Init.voice GmbH Berlin	100.0 (100.0)	112 (24)	88 (–1)	383 (0)	1 (0)
nacamar GmbH Düsseldorf	100.0 (100.0)	2,207 (2,913)	–6 (653)	2,671 (3,488)	15 (17)
mvneco GmbH Düsseldorf	48.65 (45.0)	–2,981 (–3,472)	492 (–27)	4,529 (3,292)	14 (13)
synergyPlus GmbH Rathenow	49.9 (49.9)	–679 (–511)	–168 (–129)	370 (333)	8 (12)
Mediagate Participations S.à.r.l. Mamer (Luxemburg)	20.3 (0.0)	16 (0)	-2 (0)	0 (0)	0 (0)

1) Without management board members / managing directors and trainees
2) Previous year's figures in parentheses

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

Acquisitions and disposals of equity interests

On 23 May 2012 ecotel communication ag acquired a capital share of 20.27 % in the newly founded Mediagate Participations S.à.r.l. with its main office in Mamer (Luxembourg) for the amount of € 4 thousand. Since this company transacted no substantial business as of 31 December 2012, the holdings in this company are reported in the consolidated financial statements at the acquisition cost of € 4 thousand.

Accounting and valuation methods

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

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

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

Acquisition costs include all considerations that have been completed to acquire an asset and to place it in operational condition. Manufacturing costs include all costs that can be directly allocated to the manufacturing process as well as appropriate portions of the production-related overhead costs. Borrowing costs that can be allocated directly to the construction or manufacturing of a qualified asset are always capitalised as a portion of the costs acquisition or manufacture. Otherwise, **borrowing costs** are recognised as an expense in the period in which they are incurred. Qualified assets as defined by IAS 23, **as in the previous year,** are not present in the ecotel Group. Purchased **intangible assets** are valued at cost of acquisition, self-provided intangible assets from which most likely a future benefit will flow to the Group, and which can be reliably valued, are assessed at cost of manufacture and amortised using the straight-line method over their presumable economic useful life, unless in exceptional cases a different amortisation method more closely corresponds to the course of their use.

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

Goodwill from consolidation is subject to an impairment test if there are indications of an impairment, at least once a year, for the cash generating unit in question.
According to IAS 36 the carrying value is to be reported in addition to the recoverable amount. The recoverable value is defined as the higher of the two values fair value less costs to sell and the value in use.

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

Concessions and commercial property rights	3 – 5 years
Development costs	5 years
Software	3 years
Customer base	6 – 18 years

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

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

Other equipment, plant and office equipment	3 – 7 years

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

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

Receivables and other assets are initially recognised at fair value with due consideration of transaction costs incurred and correspondingly carried forward. Receivables bearing no interest or low interest with a term over one year are discounted on the basis of interest rates that are in line with the market. All identifiable individual risks are carried at appropriately impaired values, if indications exist in the specific case. Receivables denoted in foreign currency are evaluated at the exchange rate on the balance sheet date.

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

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

Liabilities are always recognised at the time they are incurred with the amount of the consideration received; transaction costs incurred in this regard, that are not measured at their fair value through profit or loss, are taken into account. Liabilities are subsequently valued at the historical cost of acquisition. Non-current liabilities are discounted on the basis of interest rates that are in line with the market. Liabilities denoted in a foreign currency are valued at the exchange rate on the balance sheet date.

Deferred taxes are formed at different assessment of the assets and liabilities in the consolidated balance sheet and the tax balances of the individual companies, if these different assessments result in income that must be taxed at a higher or lower rate than would have been the case under the standard of the consolidated balance sheet. Deferred tax assets also include claims for tax reductions, that arise due to the expected future use of tax loss carryforwards, and whose realisation is ensured with adequate certainty. Deferred taxes are determined on the basis of the tax rates that apply or are expected in the individual countries at the time of realisation. Deferred taxes on corporation tax carryforwards of domestic Group companies have been calculated as in the previous year at 15 %, plus 5.5 % solidarity surcharge, and on trade tax loss carryforwards at 13 – 16 %. These rates have been used appropriately for determination of deferred taxes on temporary differences if these differences reverse in the future. Currently there are no foreign Group companies.

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

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

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

Recognition of **sales revenues and other operating income** always occurs when the service is provided or the assets have been delivered and thus the transfer of risk has taken place. Provisions for warranties are formed at the time of realisation of the corresponding sales revenues.

In the mobile communications business sales are generated through the offering of mobile communications services and one-time activation charges. Revenues for mobile communications services include monthly service charges, charges for special characteristics, as well as connection and roaming charges, for which ecotel bills the customer. Revenues for mobile communications services are realised on the basis of minutes of use or other agreed rate models minus credit memos and adjustments due to discounts.

Sales revenues from the data and Internet business are reported with the provision of the service. For contracts on the basis of fixed prices, sales revenues are reported proportionally over the term of the service contract, and for all other service contracts sales revenues are reported on the basis of the service provided or based on use. Sales revenues from contracts for services billed according to time and material expense are recognised with provision of the work hours and the incurring of direct costs at the contractually specified hourly rate.

Sales revenues from the sale of hardware are realised as soon as the product has been shipped to the customer, and if there are no unfulfilled obligations on the part of the company that would affect the ultimate acceptance on the part of the customer. All costs arising from these obligations are recognised at realisation of the appropriate sales revenue.

If the conditions for realisation of service revenues are satisfied in accordance with IAS 18.20 ff., on the level of completion of the transaction on the balance sheet date, the corresponding revenue is recognised on the basis of the assessment of the services provided according to this method.

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

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

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

Explanations for the consolidated balance sheet

(1) Goodwill and other intangible assets

The intangible assets developed in financial year 2012 as follows:

Amounts in € thousand	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relationships	Prepayments on tangible assets	Total
Acquisition costs and manufacturing costs as of 01/01/2012	**14,426**	**6,782**	**3,193**	**9,424**	**0**	**33,825**
Change to the consolidation group	1	27	0	0	0	28
Additions	0	246	46	0	1,016	1,308
Transfers	0	0	0	0	0	0
Disposals	0	7	266	0	0	273
As of 12/31/2012	**14,427**	**7,048**	**2,973**	**9,424**	**1,016**	**34,888**
Write-downs as of 01/01/2012	**2,669**	**5,521**	**2,384**	**6,284**	**0**	**16,858**
Change to the consolidation group	0	1	0	0	0	1
Scheduled additions	0	482	501	640	0	1,623
Unscheduled additions	2,884	0	0	0	0	2,884
Disposals	0	5	267	0	0	272
As of 12/31/2012	**5,553**	**5,999**	**2,618**	**6,924**	**0**	**21,094**
Carrying amounts as of 12/31/2011	11,757	1,261	809	3,140	0	16,967
Carrying amounts as of 12/31/2012	**8,874**	**1,049**	**355**	**2,500**	**1,016**	**13,794**

In the previous year 2011 intangible assets developed as follows:

Amounts in € thousand	Goodwill	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Development costs	Customer relationships	Prepayments on tangible assets	Total
Acquisition costs and manufacturing costs as of 01/01/2011	**14,666**	**6,553**	**3,019**	**9,424**	**0**	**33,662**
Change to the consolidation group	–240	–322	0	0	0	–562
Additions	0	481	174	0	0	655
Transfers	0	70	0	0	0	70
Disposals	0	0	0	0	0	0
As of 12/31/2011	**14,426**	**6,782**	**3,193**	**9,424**	**0**	**33,825**
Write-downs as of 01/01/2011	**2,534**	**5,113**	**1,899**	**5,614**	**0**	**15,160**
Change to the consolidation group	–240	–268	0	0	0	–508
Scheduled additions	0	564	485	670	0	1,719
Unscheduled additions	375	112	0	0	0	487
Disposals	0	0	0	0	0	0
As of 12/31/2011	**2,669**	**5,521**	**2,384**	**6,284**	**0**	**16,858**
Carrying amounts as of 12/31/2010	12,132	1,440	1,120	3,810	0	18,502
Carrying amounts as of 12/31/2011	**11,757**	**1,261**	**809**	**3,140**	**0**	**16,967**

Recognised development costs in financial year 2012 were € 46 thousand (previous year: € 174 thousand). These relate to an ecotel communication ag software solution developed in house for a new line availability query.

Customer relationships include purchased customer bases from the acquisition of nacamar in 2007 totalling € 2,001 thousand (previous year: € 2,210 thousand). An additional customer base resulted at ecotel from the former ADTG Allgemeine Telefondienstleistungs GmbH (€ 113 thousand, previous year: € 338 thousand). This customer base is amortised over a useful life of six years, the “nacamar” customer base is amortised over a useful life between 10 and 18 years depending on the customer segment. The customer relationships relative to DSLCOMP GmbH purchased in 2006 as of the balance sheet date are shown at € 383 thousand (previous year: € 583 thousand) they are amortised linearly over ten years. Other customer relationships are recognised as of the balance sheet date at easybell GmbH (€ 3 thousand, previous year: € 9 thousand) that is amortised over six years.

In reporting year 2012 the impairments of the nacamar goodwill totalling € 2,884 thousand described below were reported in the statement of comprehensive income. The goodwill originated in connection with the acquisition of the company in the year 2007. Due to the loss of the biggest customer in the first half of 2011 and the failure to acquire two major customers that had initially been estimated as probable, the goodwill was completely written off in financial year 2012.

In the previous year the impairments of non-current assets totalling € 375 thousand related to the impairment of goodwill of nacamar (€ 350 thousand), due to the change of the nacamar customer, ZDF, and i-cube (€ 25 thousand) due the sale of the reseller business. Other impairment of non-current assets resulted in the previous year from i-cube licenses, € 112 thousand, and assets under construction of ecotel communication ag of € 54 thousand.

The goodwill shown is comprised as follows with consideration of impairments carried out in 2012 due to reduced recoverability:

Cash-Generating Unit (CGU) Amounts in € thousand	Carrying amount 12/31/2011	Impairments 2012	Acquisition from initial consolidation 2012	Carrying amount 12/31/2012
Business Solutions	8,732	0	0	8,732
nacamar	2,884	2,884	0	0
easybell	124	0	0	124
carrier-services	17	0	0	17
Init-voice	0	0	1	1
Total	**11,757**	**2,884**	**1**	**8,874**

In accordance with IAS 36, impairment tests were performed in the financial year just ended for determination of the value in use, according to the discounted cash flow method for verification of the recovery of the goodwill shown. The data of the respective company planning serves as the basis in this regard (forecast period: 5 years).

In the previous year there was an impairment of goodwill totalling € 375 thousand.

The following assumptions served as the basis for performing the impairment tests: Capitalisation interest rate 6.8 % (previous year: 6.0 %) after taxes or 9.9 % (previous year: 8.6 %) before taxes, beta factor 1.0 (previous year: 0.9), debt ratio 28 % (previous year: 34 %). The annual growth rates for the first five years at nacamar GmbH were 5 % (previous year: 5 %), at ecotel 4 % (previous year: 0 %) and at easybell 10 % (previous year: 0 %). For the perpetual annuity at nacamar GmbH a growth rate of 0 % was used (previous year: 1 %) as well as for all other CGUs a growth rate of 0 % was likewise used (previous year: 0 %). The income tax rate used was 31 % (previous year, 31 %).

(2) Property, plant, and equipment

Property, plant, and equipment developed in financial year 2012 as follows:

Amounts in € thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machines	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Costs of acquisition and manufacturing As of 01/01/2012	**5,546**	**0**	**8,566**	**180**	**14,292**
Change to the consolidation group	0	0	0	0	0
Additions	274	95	1,415	1,020	2,804
Transfers	0	0	61	–61	0
Disposals	892	0	39	0	931
As of 12/31/2012	**4,928**	**95**	**10,003**	**1,139**	**16,165**
Write-downs as of 01/01/2012	**2,662**	**0**	**6,442**	**108**	**9,212**
Change to the consolidation group	0	0	0	0	0
Scheduled additions	770	17	968	0	1,755
Unscheduled additions	188	0	0	0	188
Disposals	891	0	39	0	930
As of 12/31/2012	**2,729**	**17**	**7,371**	**108**	**10,225**
Carrying amounts as of 12/31/2011	2,884	0	2,124	72	5,080
Carrying amounts as of 12/31/2012	**2,199**	**78**	**2,632**	**1,031**	**5,940**

Impairments of land, land rights and buildings, including buildings on third-party land totalling € 188 thousand were due to technically outdated water chillers in the segment of Business Customers.

As of the balance sheet date there was an obligation to a wholesale partner to purchase router hardware with a value of about € 3.0 million (previous year: € 0).

In financial year 2011 development of property, plant, and equipment of the Group was presented as follows:

Amounts in € thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machines	Other equipment, plant and office equipment	Prepayments on tangible assets and assets under construction	Total
Costs of acquisition and manufacturing As of 01/01/2011	**5,508**	**0**	**7,764**	**256**	**13,528**
Change to the consolidation group	0	0	–11	0	–11
Additions	170	0	840	52	1,062
Transfers	0	0	58	–128	–70
Disposals	132	0	85	0	217
As of 12/31/2011	**5,546**	**0**	**8,566**	**180**	**14,292**
Write-downs as of 01/01/2011	**2,125**	**0**	**5,489**	**54**	**7,668**
Change to the consolidation group	0	0	–10	0	–10
Scheduled additions	543	0	1,048	0	1,591
Unscheduled additions	0	0	0	54	54
Disposals	6	0	85	0	91
As of 12/31/2011	**2,662**	**0**	**6,442**	**108**	**9,212**
Carrying amounts as of 12/31/2010	3,383	0	2,275	202	5,860
Carrying amounts as of 12/31/2011	**2,884**	**0**	**2,124**	**72**	**5,080**

Future lease payments

Outstanding leasing obligations existed as of 31 December 2012 only from operating contracts and no longer from financing leasing contracts. The obligations from operating leasing contracts as of 31 December 2012 are presented as follows:

Amounts in € thousand	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2012
Operating and office equipment (leasing)	210	212	0	422
Other rental contracts	845	2,940	820	4,605
	1,055	**3,152**	**820**	**5,027**

The leasing obligations are essentially the result of leasing contracts for company vehicles. The other rental contracts essentially include the rent of office space, and of the computer centre.

From finance leasing relationships of nacamar, only current liabilities totalling € 70 thousand existed in the previous year, as of 31 December 2011.

As of 31 December 2011 the following financial obligations arising from operating and financing leasing contracts existed:

Amounts in € thousand	Up to 1 year	From 1 year to 5 years	From 5 years	Total 12/31/2011
Operating and office equipment (leasing)	197	230	0	427
Other rental contracts	1,521	1,105	1,152	3,778
	1,718	**1,335**	**1,152**	**4,205**

The payments from leases recognised as expenses in the reporting period are stated in text number 19.

(3) Financial assets

Financial assets accounted for using the equity method at € 1,050 thousand (previous year: € 1,586 thousand) essentially involve a loan from ecotel communication ag to the company, mvneco GmbH, accounted for at equity, with an annual interest rate of 5 %, and a qualified subordinated claim. For the amount of the negative equity value of mvneco GmbH, which changed from € 958 thousand in the previous year to € 790 thousand as of 31 December 2012, an increase in value of the loan totalling € 168 thousand (previous year depreciation: € 12 thousand) was possible. Due to the persistent decreased financial strength of mvneco GmbH, however, an additional decrease in value of € 779 thousand was necessitated by the valuation rules of IAS 28.31 in connection with IAS 39, so that the loan had a carrying value of € 1.050 thousand as of the balance sheet date.

The carrying value of the holding in mvneco GmbH, accounted for at equity was € 0 thousand as of 31 December 2012, which was the same as that of the previous year, as the original acquisition costs of this holding of € 254 thousand, due to the prorated accumulated net losses of the company, had to be written off completely. The carrying value includes prorated goodwill of € 131 thousand (previous year: € 131 thousand). As of the balance sheet date the company showed assets in the amount of € 2,721 thousand and liabilities in the amount of € 5,701 thousand.

Likewise allocated to the financial assets accounted for using the equity method is a loan to the company synergyPlus GmbH accounted for at equity for the amount of € 360 thousand (previous year: € 624 thousand). The negative equity value as of 31 December 2012 was € 191 thousand (previous year: € 131 thousand) and was taking into account as of 31 December 2012 by a corresponding write-down of the loan. Beyond the equity valuation an impairment of € 107 thousand was effected and reported in the statement of comprehensive income under financial expenses.

The carrying value of the holding in synergyPLUS GmbH, accounted for at equity, was € 0 thousand as of 31 December 2012, since the original acquisition costs of this holding of € 150 thousand, due to the prorated accumulated net losses of the company, had to be written off completely. As of the balance sheet date the company showed assets in the amount of € 84 thousand and liabilities in the amount of € 763 thousand.

In addition, the holdings in Mediagate Participations S.à.r.l. with headquarters in Mamer (Luxembourg) of € 4 thousand are reported in the financial assets.

(4) Non-current receivables

The non-current receivables are comprised essentially of the loan made by ecotel communication ag to synergyPlus GmbH which was reclassified in the current financial year in the financial assets accounted for based on the equity method in accordance with IAS 28.29.

(5) Inventories

The inventories shown essentially relate to routers. These are made available to the customers when a service contract is concluded for the term of the contract and when use begins are assigned to the property, plant and equipment to be depreciated. A devaluation of the terminal devices not yet in use to the net disposal value did not occur in the financial year.

(6) Trade receivables and other receivables and current assets

Amounts in € thousand	Residual term over 1 year	Total 12/31/2011	Residual term over 1 year	Total 12/31/2012
Trade receivables				
vis-a-vis third parties	0	13,337	0	12,460
vis-a-vis affiliated companies	0	27	0	0
vis-a-vis associated companies	0	60	0	54
	0	**13,424**	**0**	**12,514**
Other receivables and current assets				
Prepaid expenses	0	286	0	361
Remaining other receivables and current assets	0	925	0	959
	0	**1,211**	**0**	**1,320**

Trade receivables from affiliated companies in the previous year existed vis-a-vis init.voice GmbH, which was not consolidated at that time. The effect on results of the increase of the provision for losses on trade receivables is shown in the other operating expenses that include the release of provisions in other operating income. The receivables do not bear interest and thus are not subject to an interest rate risk. Due to the short-term payment goals the carrying values correspond to the fair values.

(7) Current and deferred taxes on earnings

Amounts in € thousand	12/31/2011	12/31/2012
Deferred income tax claims	193	0
Actual income tax claims	9	27
	202	**27**

The latent income tax claims of € 193 thousand in the previous year related to deferred tax claims based on existing corporate tax and municipal trade tax losses carried forward for two subsidiaries. Due to the use of these tax losses carried forward, there were no longer any deferred tax assets from losses carried forward as of 31 December 2012. The effective income tax claims relate to claims for reimbursement of taxes on earnings from trade tax, corporation tax and interest income tax credits.

(8) Cash and cash equivalents

Amounts in € thousand	12/31/2011	12/31/2012
Deposits in banks	6,212	7,532
Cash on hand and checks	23	1
	6,235	**7,533**

(9) Equity

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

The number of shares of ecotel communication ag in circulation as of 31 December 2012 was 3,685,096 (previous year: 3,752,500) after offsetting the 214,904 shares held by the company itself (previous year: 147,500). The shares are issued as no-par value bearer shares with a prorated amount of the capital stock of € 1.00. Due to the repurchase of shares in the financial year, the capital stock was reduced by € 67 thousand in 2012.

Share-based remuneration

Due to the failure to attain the success goals, all subscription rights issued from the former share option plan in accordance with the resolution of the Annual General Meeting of ecotel communication ag of 27 July 2007 will expire as of 30 September 2011.

The last addition to the capital reserve was registered in the previous year with € 17 thousand as personnel costs. Altogether, € 318 thousand were added to the capital reserve up until the expiration of this share option plan.

Shares of non-controlling shareholders

The non-controlling interests relate to the indirect minority interests in the equity of easybell GmbH (€ 181 thousand; previous year: € 179 thousand), of sparcall GmbH (€ 1,279 thousand, previous year € 629 thousand), carrier-services.de GmbH (€ 231 thousand, previous year € 92 thousand) and init.voice GmbH (€ 43 thousand), included for the first time.

Share ownership

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

	%
Peter Zils	25.64 %
Treasury shares	5.51 %
Diversified holdings	19.89 %
Intellect Investment & Management Ltd.	25.09 %
IQ Martrade Holding und Managementgesellschaft mbH	14.56 %
PVM Private Values Media AG	9.31 %

ecotel communication ag: Publication in accordance with § 26, para. 1 German Securities Trading Law (WpHG) with the goal of European-wide circulation

01/05/2012

Publication of a voting rights announcement communicated through the DGAP – a company of EquityStory AG.

The issuer is responsible for the content of the announcement.

Announcement of the companies

1) Augur Financial Opportunity SICAV, Luxembourg, Luxembourg
2) Augur Financial Holding II S.A., Luxembourg, Luxembourg
3) Augur Financial Holding Zwei GmbH & Co. KG, Frankfurt am Main, Germany
4) Augur Capital GmbH, Bad Soden am Taunus, Germany
5) Augur Zwei Verwaltungs GmbH, Frankfurt am Main, Germany,

that the share in the voting rights of ecotel communication ag, Prinzenalle 11, 40549 Düsseldorf, underranged the voting right thresholds of 5 % and 3 % on 29 December 2011 and on this day amounted to 0.092 % (this corresponds to 3,600 voting rights).

The voting rights are attributable to all of the companies named in 1) through 5) in accordance with § 22, para. 1, sentence 1, no. 1 of the German Securities Trading Law (WpHG).

Notification from Schnigge Wertpapierhandelsbank AG, Düsseldorf, Germany, of 30 December 2011 that the share in the voting rights of ecotel communication ag, Prinzenalle 11, 40549 Düsseldorf, underranged the voting right thresholds of 5 % and 3 % on 29 December 2011 and on this day amounted to 0.092 % (this corresponds to 3600 voting rights).

Additional notifications:

05/23/2012

Publication of an ad-hoc notification in accordance with § 15 WpHG

The management board of ecotel communication ag (WKN 000585434/ ISIN DE0005854343) decided today to repurchase up to 100,000 treasury shares (2.6 % of the current share capital) between 25 May 2012 and 30 September 2012. The shares will be repurchased through the stock exchange. The countervalue per share paid by the company (without ancillary costs) must be within 10 % of the arithmetical average of the closing prices of the shares in the XETRA system on the three trading dates prior to the purchase. Based on the final prices of the shares in the XETRA system on the last three trading dates prior to the decision, this corresponds to a buy-back volume of up to about € 0.51 million.

The management board thus makes use of the authorization resolution of the annual meeting of shareholders on 30 July 2010, which authorizes the management board to purchase treasury shares totalling up to 10 % of the share capital by 29 July 2015. The repurchased shares can be used for all purposes provided for by the authorization resolution of the annual meeting of shareholders.

The shares will be repurchased under the direction of a financial institution in compliance with §§ 14 para. 2, 20a para. 3 WpHG in accordance with the Safe-Harbor provision pursuant to directive (EC) no. 2273/2003. The financial institution commissioned with the repurchase will make its decisions on the time of acquisition of the shares independently and uninfluenced by ecotel communication ag.

08/24/2012
Announcement of ecotel communication ag, Düsseldorf, Germany, in accordance with § 26, para. 1, sentence 2 of the German Securities Trading Law (WpHG) that the percentage of treasury shares in ecotel communication ag, Düsseldorf, Germany (ISIN: DE0005854343) exceeded the threshold of 5 % on 22 August 2012 and on this day is 5.02 % (number of voting rights: 195,800, total number of voting rights: 3,900,000).

Capital management
The ecotel Group manages its capital with the primary goal of supporting the business activity and of assuring that the company remains a going concern in the long term. Capital management includes all equity as well as borrowings on the balance sheet. Summary quantitative information on the managed capital can be found in the balance sheet and in the corresponding notes. The important goal is compliance with the financial covenants agreed with the banks. These financial covenants consist of compliance with certain standards with respect to the equity ratio, net debt-EBITDA ratio and the EBITDA-sales revenue ratio. The financial covenants are reviewed within the framework of the monthly reporting. In this process, also future developments relative to their effects on the financial covenants are analysed in order to implement measures in a timely manner, if necessary.
For all three current covenants, ecotel was clearly within the prescribed intervals in financial year 2012.

(10) Current and deferred income taxes

Amounts in € thousand	Initial level 01/01/2012	Con-sumption	Reversal	Allocation	Transfers/balancing	Cash pool inventory 12/31/2012
Effective earnings tax	314	165	0	521	0	670
Deferred taxes on earnings	979	291	0	0	0	688
Provisions for income taxes	**1,293**	**456**	**0**	**521**	**0**	**1,358**
of which with a term of up to 1 year	314	165	0	521	0	670

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

Amounts in € thousand	Residual term up to 1 year	Total 12/31/2011	Residual term up to 1 year	Total 12/31/2012
Credit liabilities	2,716	9,325	2,489	7,320
Other	0	0	0	0
Financial debts	**2,716**	**9,325**	**2,489**	**7,320**
Accounts payable	**11,555**	**11,555**	**12,968**	**12,968**
Liabilities to associated companies	**134**	**134**	**213**	**213**
Other taxes	330	330	167	167
Social security	41	41	11	11
Wages and salary to be paid	408	408	412	412
Other personnel-related liabilities	192	192	98	98
Annual audit/supervisory board	102	102	133	133
Other	647	647	685	685
Other liabilities	**1,720**	**1,720**	**1,506**	**1,506**

From the valuation of an interest swap at fair value financial liabilities of € 30 thousand (previous year: € 83 thousand). The change in the fair value in included in the finance result.

From the valuation of an exchange rate transaction at fair value, financial liabilities of € 111 thousand (previous year: € 0 thousand). The change in the fair value in included in the finance result.

Borrowings essentially relate to an innovation loan taken out in 2009 totalling € 5,000 thousand, a an investment loan totalling € 4,000 thousand taken out in 2011, a KfW investment loan totalling € 570 thousand taken out in 2012 and the current market values of the interest swap and exchange rate transaction. One half of the loan taken out in 2009 consists of an outside capital tranche, the other half consists of a subordinated tranche. Both tranches have a term of ten years; the interest rate is fixed. The loan taken out in 2011 has a term of five years, the interest rate is determined according to a reference rate plus a margin. The company shares of nacamar GmbH were pledged to the lending bank. The loan taken out in 2012 has a term of five years, with a fixed interest rate. Current borrowings are essentially the repayment due in 2013 for the three loans.

(12) Reporting of financial instruments

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

Exchange rate risk: Exchange rate risks occur due to receivables, liabilities, liquid funds and planned transactions that occur or will occur in a currency that is not the functional currency of the Group. Since financial year 2012 the group uses derivative financial instruments in the form of forward exchange transactions to secure US dollar foreign currency risks from future expected payments in foreign currency. At the end of 2012 there existed five forward-exchange transactions with a nominal volume of € 3,290 thousand. All derivative financial instruments are valued as financial assets or financial liabilities affecting net income at fair value as of the key date. The term of the forward-exchange transactions concluded is oriented to the term of the underlying transactions and thus for the most part is in the short-term range. Because the exchange rate risk was low in recent past financial years, no derivative financial instruments have been used thus far to hedge exchange rate risks.

Interest rate risk: In the ecotel Group interest rate risks exist primarily due to the financial liabilities of the Group. Hedges through derivative financial transactions are executed to hedge against negative value changes due to unexpected interest rate movements. At the end of 2012 there existed one interest rate swap with a nominal volume of € 2,000 thousand. At the end of 2011 there existed three interest rate swaps with a nominal volume of € 6,250 thousand. All derivative financial instruments are valued as financial assets or financial liabilities affecting net income at fair value as of the key date. For the business interpretation of the positive or negative fair values of the derivative financial instruments it must be noted that they are balanced out by underlying transactions with compensating risks. The term of the interest rate derivatives concluded is oriented to the term of the underlying transactions and thus for the most part is in the short-term to medium-term range.

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

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

Adjustments for receivables 2012 Amounts in € thousand	Trade receivables	Other receivables and other current assets	**Total 12/31/2012**
As of 01/01/2012	362	0	362
Adjustments in the reporting period	17	0	17
Disposals	177	0	177
As of 12/31/2012	**202**	**0**	**202**

Adjustments for receivables 2011 Amounts in € thousand	Trade receivables	Other receivables and other current assets	**Total 12/31/2011**
As of 01/01/2011	441	85	526
Adjustments in the reporting period	0	0	0
Disposals	79	85	164
As of 12/31/2011	**362**	**0**	**362**

The value adjustments relate completely to the valuation category “Loans and receivables”.

As of 31 December 2012, past-due unadjusted receivables existed in the following amount:

Past-due unadjusted receivables	Gross value 12/31/2012	Past-due adjusted receivables	Unadjusted receivables due in the following time periods				
Amounts in € thousand			Up to 30 days	31–60 days	61–90 days	91–120 days	Over 120 days
Trade receivables	12,716	202	522	170	59	24	214
Other receivables and other current assets	1,320	0	0	0	0	0	0
	14,036	**202**	**522**	**170**	**59**	**24**	**214**

Allowances are made for provisions are if there are indications of impairment on past-due financial assets threatened by default if the cash value of the future cash flow of these receivables is below the carrying amount shown due to unrecoverability or impairment. For non-overdue and unadjusted receivables, full recoverability is expected.

The stated unadjusted trade receivables that are more than 120 days past due, in the amount of € 214 thousand (previous year: € 287 thousand) relate to receivables that the company still expects to recover. Of these € 11 thousand (previous year: € 10 thousand) relate to the barter transaction of nacamar GmbH; for which liabilities for outstanding invoices are shown corresponding to the missing counter-claims.

As of 31 December 2011 the following situation existed:

Past-due unadjusted receivables Amounts in € thousand	Gross value 12/31/2011	Adjusted receivables	Unadjusted receivables due in the following time periods				
			Up to 30 days	31–60 days	61–90 days	91–120 days	Over 120 days
Trade receivables	13,786	362	174	379	410	25	287
Other receivables and other current assets	1,211	0	0	0	0	0	0
	14,997	**362**	**174**	**379**	**410**	**25**	**287**

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

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

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

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

ecotel has at its disposal only financial instruments of levels 1 and 2. During financial year 2012 there were no reclassifications between level 1 and level 2. All financial assets in the presentation as of 31 December 2012 below are assessed at fair value and assigned to level 1 (liquid funds) and level 2. For the financial liabilities, current financial liabilities totalling € 141 thousand (previous year: € 83 thousand) belong in level 2. As of 31 December 2012 they relate to the negative market values of the interest rate swap (€ 30 thousand) and of the five forward-exchange transactions (€ 111 thousand) held be ecotel. The previous year's value related to interest rate swaps.

The financial assets and liabilities can be assigned to measurement categories with the following carrying values:

Financial assets as of 12/31/2012 Amounts in € thousand	Fair value	Carrying amounts				
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Financial assets available for sale (not within applicability of IFRS 7)	**Total carrying amounts**
Liquid funds	7,533	7,533	0	0	0	7,533
Trade receivables	12,514	0	12,514	0	0	12,514
Other current receivables and assets	1,320	0	1,320	0	0	1,320
Financial assets	1,414	0	0	0	1,414	1,414
Total	**22,781**	**7,533**	**13,834**	**0**	**1,414**	**22,781**

Financial liabilities as of 12/31/2012 Amounts in € thousand	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments measured at fair value through profit and loss	**Total carrying amounts**
Current financial liabilities	2,489	2,349	140	2,489
Accounts payable	12,968	12,968	0	12,968
Liabilities to associated companies	213	213	0	213
Other liabilities current	1,506	1,506	0	1,506
Non-current loans	4,831	4,831	0	4,831
Other financial debts, non-current	0	0	0	0
Total	**22,007**	**21,867**	**140**	**22,007**

As of 12/31/2011 the following breakdown existed:

Financial assets as of 12/31/2011 Amounts in € thousand	Fair value	Carrying amounts				
		Cash and cash equivalents	Loans and receivables	Financial instruments measured at fair value through profit and loss	Financial assets available for sale (not within applicability of IFRS 7)	**Total carrying amounts**
Liquid funds	6,235	6,235	0	0	0	6,235
Trade receivables	13,424	0	13,424	0	0	13,424
Other current receivables and assets	1,211	0	1,211	0	0	1,211
Financial assets	1,611	0	0	0	1,611	1,611
Non-current financial assets	624	0	624	0	0	624
Total	**23,105**	**6,235**	**15,259**	**0**	**1,611**	**23,105**

Financial liabilities as of 12/31/2011 Amounts in € thousand	Fair value	Carrying amounts		
		Other current liabilities	Financial instruments measured at fair value through profit and loss	**Total carrying amounts**
Current financial liabilities	2,716	2,633	83	2,716
Accounts payable	11,555	11,555	0	11,555
Liabilities to associated companies	133	133	0	133
Other liabilities current	1,720	1,720	0	1,720
Non-current loans	6,497	6,609	0	6,609
Other financial debts, non-current	0	0	0	0
Total	**22,621**	**22,650**	**83**	**22,733**

The derivative financial instruments held for trading purposes, were recognised in the Group income statement based on the assessment of fair value on the respective balance sheet date, as expenses of € 59 thousand (previous year: income of € 15 thousand). The effects result solely from the forward-exchange transactions (€ 111 thousand loss) and the interest rate swap (€ 52 thousand profit; previous year, profit from interest rate swap only).

Liquidity risk: As a rule the ecotel Group companies are refinanced centrally through ecotel communication ag. Here the risk exists that the liquidity reserves do not suffice to satisfy the financial obligations in a timely manner. In 2013 repayments are due with a nominal value of € 2.3 million. To cover the liquidity requirement, cash and cash equivalents of € 7.5 million are available. In addition ecotel communication ag has a contractually agreed revolving credit facility of € 2.9 million, which after subtracting credit fees of € 1.2 million, as of 31 December 2012, totals € 1.7 million (previous year: € 1.3 million). So-called financial covenants exist relative to the bank loan taken out by ecotel communication ag (residual value: € 7.2 million) and to the available credit line. A violation of the covenants could possibly result in notice of cancellation and premature repayment of the investment loans of € 2,000 thousand and credit limit, if an agreement concerning an adaptation of the financial covenants or refinancing cannot be achieved. Overall the liquidity risk is estimated as low.

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

Repayments/interest payments for financial liabilities Amounts in € thousand	Carrying amounts 12/31/2012	Repayments			Interest payments		
		2013	**2014 to 2017**	From 2018	**2013**	2014 up to 2017	**From 2018**
Liabilities to banks	7,179	2,348	2,826	2,005	249	621	84
Liabilities from finance leasing	0	0	0	0	0	0	0
Derivative financial liabilities	141	111	0	0	30	0	0

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

Repayments/interest payments for financial liabilities Amounts in € thousand	Carrying amounts 12/31/2011	Repayments			Interest payments		
		2012	**2013 to 2016**	From 2017	**2012**	2013 up to 2016	**From 2017**
Liabilities to banks	9,172	2,563	3,458	3,151	335	724	199
Liabilities from finance leasing	70	70	0	0	1	0	0
Derivative financial liabilities	83	0	0	0	83	0	0

Interest rate risks are presented via sensitivity analyses in accordance with IFRS 7. These analyses present the effects of changes in market interest rates to interest payments, interest income and expenses, other results components, and possibly on equity. The interest rate sensitivity analyses are based on the following assumptions:

Market interest rate changes of primary financial instruments with fixed interest rate (financial liabilities) only have an effect on the result if they are measured at fair value. Thus, all fixed-rate financial instruments measured at historical cost of acquisition are not subject to interest rate change risks as stipulated in IFRS 7. Changes in market interest rates have an effect on the interest result of primary, variable interest-rate financial instruments, for which interest payments are not designated as underlying transactions as part of cash flow hedges against interest-rate change risks, and consequently are considered in the calculation of the sensitivities determined by results. Changes in the market interest rates for interest derivatives (interest rate swaps) that are not integrated in a hedge relationship in accordance with IAS 39 have effects on the other financial result and consequently are considered in the calculations of sensitivities determined by results. If the market interest rate level would have been higher (lower) by 50 basis points as of 31 December 2012 the earnings before taxes would have been lower (higher) by € 0 thousand. The hypothetical effect on the result is determined by the potential effects from interest and currency derivatives of € 17 thousand and primary variable interest rate financial liabilities of € –17 thousand.

Currency exchange rate risks are likewise presented via sensitivity analyses in accordance with IFRS 7. Relevant risk variables are non-functional currencies in which consolidated companies enter into financial instruments. The sensitivity analysis assumes that the values as of the closing date are representative for the entire year. An increase or decrease in the value of the respective foreign currency (USD) as opposed to the functional currency (€) by 5 % would have reduced EBIT by € 0.2 million or increased EBIT by € 0.2 million, respectively.

(13) Contingent receivables and liabilities and other financial obligations

As of 31 December 2012 contingent liabilities due to guarantees and other commitments totalled € 1,212 thousand (previous year: € 1,612 thousand) for surety obligations.

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

Notes to the consolidated statement of comprehensive income

(14) Sales revenue

Amounts in € thousand	2011	2012
Domestic	74,309	76,710
Foreign	10,172	17,588
	84,481	**94,298**

Distribution of sales revenue across the business units, Business Solutions, Wholesale Solutions and New Business is shown in the segment reporting. Sales revenue is earned exclusively through the provision of services. Sales revenue with customers in Switzerland totalled € 10,761 thousand (previous year: € 5,384 thousand) and apply solely to the Wholesale Solutions segment.

(15) Other operating income and other own work capitalised

Other operating income consists of the following:

Amounts in € thousand	2011	2012
Dissolution of liabilities	120	151
Recharging of fees and expenses	85	51
Reversal of provisions for losses on receivables	79	177
Benefits in kind, vehicle use	200	238
Exchange rate gains	12	3
Disposal of intangible assets, property, plant, and equipment and financial assets	27	32
Other	1,077	342
	1,600	**994**

(16) Cost of materials and services

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

(17) Personnel expenses

Amounts in € thousand	2011	2012
Wages and salary	8,398	8,674
Social security contributions	1,307	1,361
Of which expenses for pensions and support	654	698
	9,705	**10,035**

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

Staff	2011	2012
Full-time employees	176	176
	176	**176**

(18) Scheduled depreciations and impairments

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

In financial year 2012 after execution of the impairment tests there were impairments on goodwill of the cash-generating units totalling € 2,884 thousand (previous year: € 375 thousand), on other non-current intangible assets of € 0 thousand (previous year: € 112 thousand), as well as on property, plant, and equipment of € 188 thousand (previous year: € 54 thousand).

Also, current and non-current financial assets of the current assets totalling € 611 thousand (mvneco) and € 299 thousand (synergyPLUS) were written down in 2012 (previous year: € 104 thousand, current only). This includes the result of the equity valuation of € –24 thousand.

(19) Other operating expenses

Amounts in € thousand	2011	2012
Costs of delivering goods	3,842	3,707
Legal, auditing and consultancy fees	1,246	1,162
Rents, leases, premises expenditure	708	714
EDP costs	1,002	1,135
Other administrative costs	993	899
Vehicle costs	283	437
Marketing expenses	447	432
Change in provisions for losses on receivables/losses on receivables	418	336
Insurance premiums	182	145
Repairs and maintenance	135	241
Leasing	153	26
Loss on disposal of intangible assets and items of property, plant, and equipment	1	0
Other	61	45
	9,471	**9,279**

(20) Financial result

Amounts in € thousand	2011	2012
Interest income		
Interest income from bank deposits/fixed-term deposits	19	0
Other interest income and similar earnings	125	132
	144	**132**
Interest expense		
Interest expense on credit liabilities	–486	–345
Result from derivative financial instruments (interest rate swap)	15	53
Other interest and similar expenses	–17	–2
	–488	**–294**
Net interest income	–344	–162
Other financial expenses and income		
Result from derivative financial instruments (forward-exchange transactions)	0	–110
Costs of supporting the share price and other financial expenses	–57	–93
Devaluation of mvneco and synergyPlus loans	0	–886
Result of companies accounted for at equity	–12	–24
	–69	–1,113
Financial result	–413	–1,275

(21) Taxes from income and revenue

Amounts in € thousand	2011	2012
Effective earnings tax	–453	–864
Deferred taxes on earnings	–530	98
Income tax expense	**–983**	**–766**

A reconciliation of the expected to actual tax expense is shown below. To determine the expected tax expense, the result before income taxes is multiplied by a flat income tax rate of 31 % specified by the Group (previous year: 31 %). This consists of a tax rate of 15 % (previous year: 15 %) for corporation tax, plus 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.

A reconciliation of the expected to actual tax expense for the year under review and for the previous year is shown below:

Amounts in € thousand	2011	2012
Earnings before taxes	2,683	–882
Group tax rate	31.0 %	31,0 %
Expected tax yield (previous year: expected tax expense)	**–832**	**273**
Differences due to tax rates differing from the Group tax rate	–11	84
Tax reductions due to tax-exempt earnings	–23	–6
Tax increases due to expenditures that are not tax-deductible	–189	–1.168
Previous year's taxes	0	35
Change in value adjustment of deferred tax assets on loss carryforwards	120	0
Earnings from equity holdings	–4	–7
Other tax effects	–44	23
Tax expense according to the P/L statement (expense – / income +)	**–983**	**–766**
Effective tax rate in %	**–36.6 %**	**86.8 %**

Deferred taxes are determined using the balance-sheet oriented liability method. According to this method, tax relief or burdens that are likely to come to bear in the future are balanced to account for temporary differences between the carrying amounts listed in the consolidated financial statement and the taxable amount of assets and liabilities that are recognised. If the temporary differences refer to items that directly increase or reduce equity, then the associated deferred taxes are also set off directly against equity. Offsetting without effect on net income did not occur as of 31 December 2012 and 31 December 2011.

The deferred taxes must be allocated to the following items:

Amounts in € thousand	2011 Assets	2011 Liabilities	2012 Assets	2012 Liabilities
Loss carryforwards	193	0	0	0
Property, plant, and equipment/intangible assets	743	1,691	746	1,411
Trade receivables	0	57	0	67
Financial debts	26	0	44	0
Other items	0	0	0	0
Offset – assets/liabilities	–769	–769	–790	–790
Value adjustment	0	0	0	0
	193	**979**	**0**	**688**

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

All tax loss carryforwards that are taxable as of the balance sheet dates were taken into account in the recognition of deferred tax assets, since in subsequent years there will presumably be enough taxable earnings available for their use. The corporation tax loss carried forward at ecotel communication ag from 2011 (€ 957 thousand) was completely eliminated in financial year 2012. The income tax loss carried forward from the previous year at ecotel private totalling € 134 thousand in 2012 was also completely eliminated.

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

(22) Profit share of non-controlling shareholders

The earnings to which non-controlling shareholders are entitled of € 946 thousand (previous year: € 627 thousand) relate to the proportional annual results of easybell GmbH (€ 2 thousand; previous year: € –40 thousand), of sparcall GmbH (€ 650 thousand, previous year: € 409 thousand), carrier-services.de GmbH (€ 138 thousand; previous year € 32 thousand) and init.voice GmbH (€ 43 thousand), which is included for the first time. In the previous year toBEmobile GmbH (€ –42 thousand) and i-cube GmbH were included up until the purchase of the shares of non-controlling shareholders in November 2011 (€ 114 thousand). In 2012, in conjunction with the profit and loss transfer agreement with easybell GmbH, there was a claim for compensation on the part of the non-controlling shareholder totalling € 113 thousand (previous year: € 154 thousand).

(23) Earnings per share

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

A dilution of 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. The 145,000 stock options existing at the end of the third quarter 2011 were to be considered as dilutive equity capital instruments. Based on the values up until expiration of the share options, however, the exercise price of these options was significantly higher than the recorded average stock market price for the ecotel shares for the corresponding period. In accordance with IAS 33.47 these options would have had no diluting effect as of the previous year's closing date, so that the undiluted and the diluted earnings per share are identical.

	2011	2012
Accrued consolidated profit for the year (in €)	1,073,151.64	–2,594,888.89
Weighted average number of shares	3,752,500.00	3,729,659.95
Undiluted earnings per share (in €)	**0.29**	**–0.70**
Diluted earnings per share (in €)	**0.29**	**–0.70**

Notes to the cash flow statement

(24) Cash flow statement

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

The cash and cash equivalents of the cash flow statement correspond to the item "Cash and cash equivalents" shown in the consolidated balance sheet.

Other notes

(25) Distribution of dividends

In accordance with § 58, para. 2 of the German Stock Corporation Law (AktG) the balance sheet result shown in the legal annual financial statement of ecotel communication ag is definitive for determining dividends distributed to shareholders of the company, this is € 0 thousand (previous year: € 549 thousand).

(26) Related party disclosures

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

	Volume of services provided by ecotel		Volume of the services utilised by ecotel	
Amounts in € thousand	2011	2012	2011	2012
synergyPLUS GmbH				
from goods and services	6	2	297	353
mvneco GmbH				
from goods and services	146	140	1,167	765
init.voice GmbH				
from goods and services	27	0	0	0

As of 31 December 2012 the receivables from the companies synergyPLUS GmbH and mvneco GmbH accounted for at equity respectively totalled € 53 thousand (previous year: € 59 thousand) and € 1 thousand (previous year: € 1 thousand).

The loan from ecotel communication ag to the company mvneco GmbH accounted for at equity for the amount of € 2,619 thousand (previous year: € 2,544 thousand) was written down to € 1,050 as of 31 December 2012 due to the negative equity value of mvneco GmbH and reduced recoverability.

The loan from ecotel communication ag to the company synergyPlus GmbH accounted for at equity for the amount of € 658 thousand (previous year: € 624 thousand) was written down to € 360 as of 31 December 2012 due to the negative equity value of synergyPlus GmbH and reduced recoverability.

The ecotel Group maintained service relationships with the following related parties in 2012:

Amounts in € thousand	Volume of services provided by ecotel		Volume of the services utilised by ecotel	
	2011	2012	2011	2012
Noerr LLP				
from goods and services	0	0	6	5
QITS GmbH				
from goods and services	10	10	785	672
ADCO Umweltdienste Holding GmbH				
from goods and services	143	208	0	0
MPC Service GmbH				
from goods and services	12	2	301	315
GFEI Aktiengesellschaft				
from goods and services	0	0	4	0
Mobile One GmbH				
from goods and services	109	0	0	0
IQ Martrade Holding und Managementgesellschaft mbH				
from goods and services	1	1	0	0
Close Brothers Seydler Research AG				
from goods and services	0	0	25	25
consultist GmbH				
from goods and services	0	0	132	150
Lars Urban				
from goods and services	0	0	50	47

Agreements with QITS GmbH

Qits GmbH, Quality Information Technology Services ("Qits"), whose managing partner is the chairman of the supervisory board, Mr. **Johannes Borgmann,** has been providing various services for ecotel communication ag since 1999. In addition to services under the general contract for software, particularly for the company's billing system, other services provided included printing services, IT services, data privacy as well as financial bookkeeping services. As of the balance sheet date the receivables vis-a-vis Qits GmbH totalled € 1 thousand (previous year: € 2 thousand), and liabilities totalled € 83 thousand (previous year: € 68 thousand).

Agreements with MPC Service GmbH

A business representation contract between MPC Service GmbH and ecotel communication ag has existed since August 2002. Under this contract MPC Service GmbH receives a closing commission for the monthly order acquisition, as well as a product-dependent commission on the monthly revenue of all customers supplied by MPC. In addition, the company provided consulting services to ecotel for the Allianz project. The agreement corresponds to the agreement with the other sales partners of the company. The supervisory board member Mr. **Mirko Mach** is managing director and shareholder of MPC Service GmbH and was formerly a shareholder of ADTG GmbH which was merged with ecotel in 2010. As of the balance sheet date the receivables vis-a-vis **MPC Service GmbH** totalled € 0.02 thousand (previous year: € 0.03 thousand), and liabilities totalled € 34 thousand (previous year: € 40 thousand).

Agreement with consultist GmbH

Since 2009 there is an agency agreement between consultist GmbH and sparcall GmbH. Mr. Andreas Bahr is the managing director of both companies. As of the balance sheet date sparcall GmbH had liabilities vis-a-vis consultist GmbH totalling € 16 thousand (previous year: € 12 thousand).

ADCO Umweltdienste Holding GmbH

Since 2008, ecotel communication ag provides different services for ADCO Umweltdienste Holding GmbH, whose managing partner is the chairman of the supervisory board, Mr. **Johannes Borgmann.**

As of the balance sheet date the receivables vis-a-vis ADCO Umweltdienste Holding GmbH totalled € 18 thousand (previous year: € 22 thousand).

Agreements with Close Brothers Seydler Research AG

Since 2011 there is a contract between ecotel communication ag and Close Brothers Seydler Research AG for designated sponsoring at XETRA trading locations.

The supervisory board member Mr. Sascha Magsamen is also a member of the supervisory board of Close Brothers Seydler Research AG. As in the previous year there were no liabilities to Close Brothers Seydler Research AG as of the closing date.

Agreement with Lars Urban

Since 2009 there is a business relationship for services and consulting activities between easybell GmbH and Mr. Lars Urban, managing director of easybell GmbH. As in the previous year there were no liabilities to Mr. Lars Urban as of the closing date.

Agreements with Noerr LLP

Noerr LLP, a partnership of attorneys, tax consultants and auditors has been providing consulting services for the company since November 2005. The supervisory board member **Dr. Thorsten Reinhard** is an attorney and partner in Noerr. As of the balance sheet date the liabilities vis-a-vis **Noerr LLP** totalled € 1 thousand (previous year: € 0 thousand).

In 2012 Ms. Sandra Zils, the spouse of the CEO, received remuneration as an employee of ecotel communication ag totalling € 14 thousand (previous year: € 14 thousand) for her work in the ecotel Group.

See Note 29 for additional information.

(27) Segment reporting

The internal organizational and management structure and the internal reporting to the management board and the supervisory board form the basis for defining the criteria for classification of the business segments of ecotel communication ag.

Segmentation is executed according to the internal reporting by business units, which are defined as follows:

- In the **Business Solutions** segment (operative core segment) the ecotel Group offers SMEs "bundled" voice, data and value added services as well as direct connections for voice and data communications from one source.

- In the **Wholesale** segment ecotel markets products and comprehensive solutions for other telecommunications companies (including resellers and call shops).

- The **New Business** sector comprises the private customer business of easybell GmbH and the New-Media business of nacamar GmbH.

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

	Business Solutions		Wholesale		New Business		Consolidation cross-segment		Group	
Amounts in € thousand	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
External revenue	41,563	40,744	30,618	40,837	12,300	12,717	0	0	84,481	94,298
Inter-segment revenue	0	0	4,392	492	357	447	–4,749	–939	0	0
EBIT	1,805	1,342	551	222	740	–1,171	0	0	3,096	393
Annual result	1,140	–978	371	204	189	–994	0	119	1,700	–1,649
Gross earnings	18,717	18,899	1,390	953	4,520	5,201	0	0	24,627	25,053
Scheduled depreciations	–2,288	–2,288	–345	–97	–677	–674	0	0	–3,310	–3,380
Impairments	–54	–188	–138	0	–454	–2,884	0	0	–646	–3,072
Result of companies accounted for at equity	0	0	–12	–24	0	0	0	0	–12	–24
Segment assets	23,525	25,130	9,149	7,981	9,038	8,725	3,732	852	45,444	42,688
Segment liabilities	6,117	7,508	5,431	5,101	1,926	2,751	10,553	8,005	24,027	23,365
Investments in intangible assets and property, plant, and equipment	1,237	3,425	205	0	276	718	0	0	1,718	4,143

Inter-segment transactions were executed at market prices.

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

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

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

(29) Governing bodies and remuneration of governing bodies

In the reporting year 2012 the **management board** of ecotel communication ag was composed as follows:

- Peter Zils, engineer, Düsseldorf (Chairman), CEO
- Bernhard Seidl, engineer, Munich, CFO
- Achim Theis, businessman, Düsseldorf, CSO

The following persons were appointed as members of the **supervisory board** in 2012:

- Johannes Borgmann, businessman, Wesel (Chairman)
- Mirko Mach, businessman, Heidelberg (Deputy Chairman)
- Dr. Norbert Bensel, independent corporate consultant, Berlin
- Brigitte Holzer, Berg
- Sascha Magsamen, businessman, Frankfurt am Main.
- Dr. Thorsten Reinhard, attorney, Frankfurt / Main

In 2012, the remuneration of management board and supervisory board consisted of the following components:

Amounts in € thousand	Fixed remuneration	Additional services	Performance-based remuneration	Share options plan	Total	Stock options plan Quantity
Bernhard Seidl	220.0	12.6	0	0	232.6	0
Achim Theis	211.7	16.6	0	0	228.3	0
Peter Zils	300.0	23.2	0	0	323.2	0
Johannes Borgmann	12.7	0	0	0	12.7	0
Brigitte Holzer	8.5	0	0	0	8.5	0
Dr. Thorsten Reinhard	7.0	0	0	0	7.0	0
Mirko Mach	9.5	0	0	0	9.5	0
Sascha Magsamen	7.0	0	0	0	7.0	0
Dr. Norbert Bensel	6.8	0	0	0	6.8	0

For financial year 2012 the management board is entitled to variable remuneration in the amount of € 0 thousand (previous year: € 110 thousand). The remunerations are solely for short-term due services.

In 2011 the remuneration was comprised as follows:

Amounts in € thousand	Fixed remuneration	Additional services	Performance-based remuneration	Share options plan	Total	Stock options plan Quantity	Stock options – fair value at issue
Bernhard Seidl	198.3	10.2	50.0	12.0	270.5	90,000	239
Achim Theis	191.7	13.9	35.8	4.9	246.3	30,000	43
Peter Zils	300.0	22.5	25.0	0	347.5	0	0
Johannes Borgmann	14.0		0.2	0	14.2	0	0
Brigitte Holzer	10.0		0	0	10.0	0	0
Dr. Thorsten Reinhard	7.0		0	0	7.0	0	0
Mirko Mach	9.5		0	0	9.5	0	0
Sascha Magsamen	3.0		0.1	0	3.1	0	0
Dr. Norbert Bensel	5.0		0	0	5.0	0	0
Dr. Joachim Dreyer	2.5		0.4	0	2.9	0	0

As of 31 December 2012 the members of the supervisory board of the company served on the following boards:

Supervisory board member	Function	Company
Johannes Borgmann	Managing director	ADCO Umweltdienste Holding GmbH
	Currently member of the management board	ADCO HOLDINGS, Inc., in Marietta Georgia 30062, USA
	CEO	ADCO HOLDINGS, Inc., in Marietta Georgia 30062, USA
	Managing director	ADCO Beteiligungs-GmbH (Ratingen)
	Managing director	ADCO Immobilien GmbH (Ratingen)
	Managing director	ADCO International GmbH
	President of the administrative board	TOI TOI AG, Affoltern (Switzerland)
	Managing director	MEPS GmbH in Ratingen
	Managing director	QITS GmbH in Ratingen

Supervisory board member	Function	Company
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg
Dr. Norbert Bensel	Managing partner	NB Consulting- und Beteiligungs GmbH
	Member of the supervisory board	Praktiker AG
	Member of the supervisory board	Praktiker Deutschland GmbH
	Member of the supervisory board	IAS Institut für Arbeits- und Sozialhygiene AG
	Member of the supervisory board	Compass Group Deutschland GmbH
	Chairman of the supervisory board	TransCare AG
	Member of the advisory board	BREUER Nachrichtentechnik GmbH, Bonn
	Member of the advisory board	IQ Martrade Holding und Managementgesellschaft mbH
Brigitte Holzer	Owner / managing director	Holzer Holding GmbH, Berg
	Owner / managing director	OCTAGON CAPITAL GmbH, Berg
	CFO	PPRO Financial Ltd.
Sascha Magsamen	Chairman of the supervisory board	ICM Media AG, Frankfurt am Main
	Chairman of the supervisory board	Wige Media AG, Cologne
	Chairman of the supervisory board	MediNavi AG, Starnberg
	Deputy Chairman of the supervisory board	Tyros AG, Hamburg
	Member of the administrative board	Novavisions AG, Rotkreuz / Switzerland
	Member of the supervisory board	Ecolutions GmbH & Co. KGaA, Frankfurt am Main
	Member of the supervisory board	
	Management board	PVM Private Values Media AG, Frankfurt am Main
	Management board	Impera Total Return AG, Frankfurt am Main
	Management board	Inspire AG, Paderborn
	Managing director	Frames Filmproduktion GmbH, Vienna / Austria
	Managing director	Präzisionsdreherei Johann Kölbel Nachfolger GmbH, Puchheim
Dr. Thorsten Reinhard	Partner (Member)	Noerr LLP, London
	Member of the supervisory board	Wacker Holding SE, Munich

The members of the management board hold no positions in oversight and control bodies, as specified in § 285, no. 10 of the German Commercial Code (HGB).

(30) Audit expenses

In the financial year 2012 the fee entered as expense for the auditors of the consolidated financial statement of ecotel communication ag for the audits of the consolidated financial statement and the individual financial statements of the parent company and consolidated subsidiaries was € 60 thousand (previous year: € 65 thousand). No other expenses were recorded for the Group auditors for other confirmation or evaluation services, tax consulting services, or for other consulting services.

(31) Exemption from publishing individual financial statements

For the subsidiary nacamar GmbH, Düsseldorf, use is made of the exemption from publishing the individual financial statement, in accordance with § 264 para. 3 HGB.

Düsseldorf, 19 March 2013

The management board

Peter Zils   Bernhard Seidl   Achim Theis

Audit opinion of the statutory auditor

We have audited the consolidated financial statement of ecotel communication ag – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the consolidated statement – and its Group management report for the financial year from January 1 to 31 December 2012. Preparation of the consolidated financial statement and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements that must be applied in accordance with § 315a, para. 1 of the German Commercial Code (HGB) is the responsibility of the management board of the company. Our responsibility is to express an opinion on the consolidated financial statement and the Group management report based on our audit.

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

Our audit has not resulted in any objections.

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

Düsseldorf, 25 March 2013
Deloitte & Touche GmbH
Auditors

Signed Schlereth
Auditor

Signed Frank
Auditor

Report of the supervisory board

The supervisory board of ecotel communication ag (ecotel) regularly monitored and supported the work of the management board in financial year 2012, in an advisory role. The detailed reports of the management board in written and oral form were the basis of this monitoring and advisory support. The chairman of the supervisory board was involved in a regular exchange of information and ideas with the chairman of the management board.

In the reporting year the supervisory board convened for a total of five sessions, on 19 January, 27 March, 23 May, 27 July and 10 October. In addition, six resolutions by circulation were made. In the meetings the ecotel management board reported to the supervisory board on fundamental issues of corporate planning, profitability of the company the course of the business and the position of the company, in accordance with legal requirements, and consulted together with the supervisory board concerning these issues. Moreover, the supervisory board was involved in all decisions of major significance and in particular reviewed and approved measures of the management board that required its agreement in accordance with the rules of procedure of the management board.

1. Focus of consultation in the supervisory board

In all supervisory board meetings in 2012, the supervisory board received detailed reports on the course of the B2B segment, on projects of strategic importance and on current legal disputes. This related among other things to the contract negotiations for a major contract that was implemented in reporting year 2012. The supervisory board also provided support in the cooperation in the mobile communications sector with a network operator that was implemented in reporting year 2012.

In addition, the supervisory board received periodic reports on the business development of the subsidiaries easybell GmbH, nacamar GmbH and mvneco GmbH, with which the management board intends to improved the results of the subsidiary nacamar GmbH.

The supervisory board was also involved in matters of the management board, such as extension of two employment contracts and the structure of the variable remuneration system for 2012. In addition, the board conducted a review of the appropriateness of the remuneration of the management board and supervisory board. Another important resolution in the supervisory board meeting of 23 May 2012 related to conducting a share buy-back program in 2012.

As in the past the supervisory board devoted special attention to risk management issues. The supervisory board discussed the regular risk reports with the management board and also made recommendations relative to risk management. The supervisory board is convinced that the management board devotes the necessary attention to risk management, prioritises the risks identified by the management board and is striving to reduce these risks through appropriate measures.

The supervisory board meeting held on 27 March 2012 focused on the auditing and approval of the 2011 annual and consolidated financial statements. In addition, in the meeting of 27 March 2012, as a precaution the supervisory board approved various contracts between ecotel and companies in which members of the supervisory board hold shares (see below for more in this regard).

2. Treatment of conflicts of interest in the supervisory board

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

3. Financial statement and consolidated financial statement

The management board prepared the financial statement and management report of ecotel in accordance with the regulations specified in the German Commercial Code (HGB), and the consolidated financial statements in accordance with IFRS principles. The auditor selected by the ecotel Annual General Meeting of 27 July 2012, Deloitte & Touche GmbH of Düsseldorf, audited the financial statement, the consolidated financial statement, the management report and the Group management report. The auditor has given the annual financial statements and the consolidated financial statement its unqualified audit approval.

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

The supervisory board has thoroughly reviewed the financial statement, the consolidated financial statement as well as the Group management report submitted by the management board, and has discussed them with the auditor. The supervisory board has reviewed and approved the auditor's report concerning the result of its audit.

After the final result of its review the supervisory board raised no objections to the Annual Financial Statement prepared by the management board or to the Consolidated Financial Statement for financial year 2012, but rather approved the Annual Financial Statement and the Consolidated Financial Statement with the resolution of 27 March 2013. The annual financial statement of ecotel for financial year 2012 is thereby adopted.

4. Corporate governance
No member of the advisory board participated in less than half of the supervisory board meetings.

In its meeting on 27 March 2012 the supervisory board planned to conduct the efficiency inspection provided for by the Corporate Governance Codex.

In reporting year 2012, the management board and supervisory board issued a joint compliance statement on 23 March 2012 and on 31 May 2012 in accordance with § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Codex. The statements were made available through publication on the company's website.

5. Changes in the supervisory board in the reporting period
There were no changes in the supervisory board in the reporting year.

6. Changes in the management board in the reporting period
The appointment of board member Peter Zils ended on 28 February 2012 as scheduled. By resolution of the supervisory board of 28 February 2012, his appointment was extended for three years. Simultaneously, the employment contract of Mr. Theis was extended for 3 years on 26 September 2012 subject to new conditions.

7. Committees
The supervisory board has formed a three-member audit committee that in particular deals with accounting, risk management and compliance issues. In the reporting period the audit committee met four times and in particular, dealt with the quarterly reports and the 2011 annual financial statement. The audit committee has not changed and is comprised of Ms Brigitte Holzer (Chairwoman) and Mr. Mirko Mach and Mr. Sascha Magsamen.

The supervisory board also formed a three-member nominating committee, which prepares recommendations for nominees to the annual meeting of shareholders and also performs the duties of the personnel committee. The nominating committee was newly selected in the meeting of the supervisory board held on 27 March 2012 and is now comprised of Dr. Bensel (Chairman) and Dr. Thorsten Reinhard and Mr. Johannes Borgmann. This committee convened one time in fiscal year 2012.

The supervisory board thanks the members of the ecotel management board, as well as all employees of the companies of the ecotel Group for their great dedication to the company and the work performed in the financial year 2012.

Düsseldorf, 25 March 2013
For the supervisory board:

Johannes Borgmann
Chairman of the supervisory board

Glossary

ARPU
Average Revenue Per User.

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

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

Call-by-Call
When using call-by-call for phone calls or Internet access the customer dials the prefix of the telephone company of his choice before each call or dial-up connection.

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

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

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

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

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

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

HGB
Handelsgesetzbuch (German Commercial Code)

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

IFRS
International Financial Reporting Standards.

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

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

MPLS
Multiprotocol Label Switching (MPLS) enables connection-oriented transmission of data packets in a connectionless network via a previously established ("signalled") path.

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

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

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

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

Prepaid card
The term prepaid card describes the use of services via prepaid credit accounts, which is widespread in the telecommunications industry. The term "Prepaidkarte" is commonly used in Germany.

Preselection
Permanent preselection of the connection for the subscriber network operator (TNB) for a connection network operator (VNB) for handling calls. As a rule preselection requires a contractual agreement with the desired VNB. Implementation of the preselection on the connection is made by the subscriber network operator.

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

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

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

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

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

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

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

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

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

Financial calendar

15 May 2013	Publication of the quarterly report Q1
26 July 2013	Annual General Meeting
14 August 2013	Publication of the quarterly report Q2
15 November 2013	Publication of the quarterly report Q3

Imprint

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Notes