ecotel®
all around communication

ANNUAL REPORT
2020

ecotel
all around communication

Certifications and awards:

Certified ISO 27001 Rechenzentrum + VPN Made in Germany.

IT-BESTENLISTE BEST OF 2020 initiative mittelstand BEST OF

206 employees

>90,000 voice lines

300 partners

>21,000 data lines

nacamar

100% equity interest

11 employees

Add+Radio

YBRID®

1.81 billion sessions

2.65 billion listener hours

easybell

51% equity interest

>270,000 voice lines

init voice

ROUTER MIETE.DE

sparcall

CARRIER-SERVICES.de

54 employees

>32,000 data lines

mvneco managed services

33% equity interest

26 employees + 39 employees (in Group)

Company profile

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

Including its subsidiaries and equity interests, ecotel has around 300 employees.

ecotel currently supports more than 50,000 customers across Germany, provides 50,000 data lines and in excess of 360,000 voice channels.

The “ecotel Business Customers” segment represents ecotel‘s core area. Here, ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions). The focus is on companies with more than 50 employees.

In the ecotel Wholesale segment, ecotel groups together offers for other telecommunication companies and maintains network interconnections with more than 100 international carriers.

The easybell segment comprises all business of the easybell Group, consisting of four companies. Here easybell markets telephone systems for business customers which can be understood and are simple to integrate and All-IP telephony with or without carrier lines.

In the nacamar segment, nacamar GmbH offers streaming services for media companies on the basis of its own content delivery network (CDN). nacamar is the market leader in Germany with its AddRadio product.

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Foreword by the Management Board

Dear shareholders,
Let us look back together on 2020, a very special year:

The whole year was shaped by the impact of the COVID-19 pandemic and the resulting restrictions which influenced our life and work at various levels of intensity and in different forms. Employee safety, while maintaining all our services, shaped our daily work. As a telecommunications company, we make an important contribution to keeping the operations of our customers running. We provide hospitals, care homes, doctors, pharmacy wholesalers and drugstore chains, banks and insurance companies as well as a wide range of other companies with our extensive services. Every day we work to ensure that the employees who in many companies are now working from home are provided well and with sufficient bandwidths, are networked securely with the company headquarters and thus can make their contribution to the economic performance of the whole country. In addition we are proud that despite the difficult general conditions, driven by its employees the ecotel Group managed to achieve growth, even exceeding the goals we had set ourselves in some cases.

In 2020, the foundation for long-term and sustainable growth was laid. Let us now look in detail at the ecotel business figures:

With consolidated EBITDA of € 11.7 million, we considerably surpassed the forecast, at the same time improving all key indicators. All segments contributed to this positive development, thus making it possible to more than offset the negative economic impact from the global corona pandemic and the contraction of gross domestic product.

Consolidated sales at € 98.3 million (previous year: € 82.8 million) were systematically maintained below the € 100 million threshold stipulated in section 35 (5a) of the German Telecommunications Act (TKG), which protects the Group to a significant extent from potential negative retroactive regulatory decisions with regard to fees for market-dominating telecommunications providers.

Sales in the high-margin ecotel Business Customers and easybell segments as well as in the nacamar segment developed as planned. In the Wholesale segment, we also increased business volume with good margins in 2020.

Gross profit in the Group expanded by 12 % to € 37.7 million (previous year: € 33.6 million). Particularly in the ecotel Business Customers and easybell segments, gross profit and the gross profit margin were increased.

On the other hand, there was only a moderate upturn in operating expenses so that the ecotel Group EBITDA was increased by € 2.9 million or 33 % to € 11.7 million. Of this the ecotel Business Customers segment generated € 4.8 million (previous year: € 4.3 million), easybell € 5.9 million (previous year: € 4.0 million), nacamar € 0.6 million (previous year: € 0.4 million) and ecotel Wholesale € 0.4 million (previous year: € 0.1 million)

With this EBITDA of € 11.7 million (previous year: € 8.8 million) and a slight upturn in depreciation and amortisation to € 7.5 million (previous year: € 7.2 million), we achieved an EBIT of € 4.0 million (previous year: € 1.5 million). Taking account of net finance costs, taxes and the share of minority interests in consolidated net income, for 2020 we achieved consolidated net profit of € 1.0 million (previous year: € -0.2 million) and earnings per share (EPS) of € 0.28 (previous year: € -0.05).

Free cash flow rose to € 4.4 million (previous year: € 3.6 million). In 2020, non-current bank loans with a volume of € 1.8 million were repaid. With cash and cash equivalents totalling € 7.8 million to the end of 2020, there were net financial assets of € 2.3 million (previous year: € 1.0 million). The equity ratio moved up considerably against the previous year to 43.4 % (previous year: 39.0 %).

In line with our communicated objectives regarding a sustainable finance strategy of distributing 50 % of consolidated net profit to the shareholders, together with the Supervisory Board at the coming Annual General Meeting we will propose distribution a dividend of € 0.14 per eligible share.

Let us also take a look at the ecotel Business Customers and easybell segments:

In 2020 the ecotel Business Customers segment almost completely concluded migrating traditional ISDN customer connections to forward-looking All-IP technology. As expected, in doing so not all customer relationships were retained and transferred. This resulted in a scheduled € 0.6 million decline in sales to € 46.3 million. At the same time, the number of voice channels produced in-house in this segment expanded to 90,000 as at the end of the year. The number of voice channels (SIP accounts and SIP trunks) is the basis for the All-IP telephony on ecotel's own switching platform. This growth of over 20,000 voice channels or more than 30 % against 2019 was a key factor driving up gross profit by € 0.4 million to € 24.2 million. As a result the gross profit margin moved up to 52 % (previous year: 51 %).

In the financial year in the ecotel Business Customers segment operating expenses (chiefly staff costs and other operating expenses) were kept steady at € 19.4 million, resulting in an EBITDA of € 4.8 million (previous year: € 4.3 million).

In the “ecotel Business Customers” segment, after the successful conclusion of its own subscriber network operator platform, the key development focus was pushed in the direction of product and solution development with two key focus areas – digitalisation of business processes and automation of the product landscapes for enhancing efficiency. The focus of product development is now on building up and expanding a modular product portfolio to service the individual requirements of medium-sized business customers quickly, flexibly and on a customised basis. In 2020, initial expansions of the product portfolio had already been launched, taking account of current customer requirements, always produced on the basis of or as a supplement to the high-quality ecotel platforms. We provided our customers an integrated offering for working in the network from home, introduced not only bundled products from the ecotel All-IP voice range together with Microsoft Teams but also a multi-cloud-connect which offers a secure connection of ecotel data lines to the large cloud providers such as Azure, AWS or Google.

The focus on understandable and easy-to-integrate telephone systems for business customers and All-IP telephony with or without a carrier line helped the easybell segment to achieve sales growth to € 21.5 million (previous year: € 18.6 million), even in financial year 2020. This high scalability of the business model and the streamlined, automated processes resulted in an equivalent gross profit upturn to € 11.2 million (previous year: € 8.3 million). In financial year 2020, this segment thus generated an EBITDA of € 5.9 million (previous year: € 4.0 million), corresponding to growth of 47 %.

Foreword by the Management Board

After the transformation processes of recent years and the resulting sidewards movement of sales, in the ecotel Business Customers core segment we now have a very good positioning and are pursuing a vigorous growth strategy. For 2021, in this segment we are anticipating sales between € 47 million and 50 million with a further rise in gross profit margins and rising gross profit margins. Sales of between € 24 million and € 26 million are anticipated in the easybell segment, and sales of € 2.0 million to € 2.5 million in the nacamar segment. For financial year 2021, we are planning Group EBITDA of € 12 million to € 14 million. Here it is anticipated that in the ecotel Business Customers segment an EBITDA of between € 5.5 million and € 6.5 million will be generated, in the easybell segment an EBITDA between € 6 million and € 7 million and in the nacamar segment an EBITDA between € 0.5 and € 1.0 million.

This forecast has to be seen against the backdrop of the COVID-19 pandemic. In 2020, gross domestic product contracted by approximately 5.0 %. Currently there is a large variation in the forecasts for the general economic development in 2021, depending on the institute and the time made. This above forecast integrates the opportunities and risks of future development as far as possible.

The overall development of the ecotel Group in the past financial year enables us to look with optimism and confidence into the future. We are very pleased that the path we have taken as a service provider for integrated and IP-based voice, data- and cloud solutions is now also reflected in the figures.

Our special thanks this year go to our committed and highly skilled employees, who successfully overcame all the particular challenges with us over the course of this year. We would also like to thank our customers and business partners as well as you, our shareholders, for the trust you have placed in us.

Peter Zils
Chairman of the Management Board

Markus Hendrich
Management Board member

Achim Theis
Management Board member

MANAGEMENT BOARD & SUPERVISORY BOARD REPORT OF THE SUPERVISORY BOARD

Management Board member

Peter Zils (born in 1963) is the founder and Chairman of the Management Board of ecotel communication ag and is responsible for the areas of Strategy, Wholesale, Finance, Investor Relations and HR. In January 1998, Peter Zils founded ecotel communication, headquartered in Düsseldorf, which has since developed into a corporate group with various subsidiaries and equity investments. Peter Zils has been a member of the Executive Committee of the VATM, the main German telecommunications industry association, since February 2015. In the German telecommunications industry association, he campaigns intensively for better market and competitive conditions for the telecommunications industry and its customers.

Markus Hendrich (born in 1980) has been working in the ITC industry since 2001. Since 1 July 2020, in his function as Chief Digital Officer (CDO) at ecotel communication ag he is responsible for the areas of Digitalisation, Technology and Operations. Markus Hendrich has over 10 years in various management positions at QSC AG and Plusnet GmbH, an EnBW, company, until 30 June 2020 as Managing Director for Technology, Product Management and Marketing.

Achim Theis (born in 1964) has been working at the company since 1 January 1999, initially as the Managing Director of ecotel communication GmbH and since 1 June 2001 as a member of the Management Board. Since 1 September 2016, in his role as Chief Commercial Officer (CCO), he has been responsible for the areas of Sales, Marketing and Key Account Management. Achim Theis has more than 20 years of experience and an extensive network and expertise in the telecommunications market.

Authorised signatories

Holger Hommes (born in 1977) has been working for ecotel communication ag since 2014, initially as a commercial manager and since September 2016 as Chief Financial Officer (CFO) and authorised signatory. In addition to group management and reporting, he is responsible for the financial accounting, controlling and billing. Holger Hommes has more than 20 years experience in the areas of auditing, preparing financial statements and group management.

Oliver Jansen (born in 1968) has been working for ecotel communication ag since 2013. Since 2018, in his role as Chief Commercial Officer (COO) he has been responsible for the areas of Marketing, Customer Relationship Management, Product Management and Project Management. Oliver Jansen has been working since the early 1990s in the telecommunications industry, operating in the area of sales, marketing, business and product development.

Wilfried Kallenberg (born in 1960) has been working for ecotel communication ag since 2008. As Chief Technical Officer (CTO) and an authorised signatory, he is responsible within the company for the areas of IT, network operation, product, system and network engineering as well as process management. Since 2014, he has played a key role in the successful realignment of the wholly-owned subsidiary nacamar GmbH in his role as Managing Director.

The Supervisory Board

Dr Norbert Bensel (Chairman) (born in 1947) has been a member of the Supervisory Board of ecotel communication ag since July 2010 and took on the role of Chairman with effect from 1 May 2014. Dr Norbert Bensel is an independent business consultant. After completing his doctorate in chemistry, Dr Bensel worked in various roles in HR development and executive support at major German corporations and later became a member of the Management Board of debis AG. He then moved to Deutsche Bahn AG as Chief Human Resources Officer and most recently worked as a Management Board member at DB Mobility Logistics AG (DB Schenker) with responsibility for the areas of transport and logistics.

Mirko Mach (born in 1976) has been a member of the Supervisory Board of ecotel communication ag since July 2007 and took on the tasks of Deputy Chairman on 18 December 2007. In 1995, Mirko Mach founded MPC Service GmbH together with Ferdinand Ruppert, establishing the telecommunications consultancy company during his mechanical engineering studies. As a managing partner, Mr Mach is currently responsible for commercial management, sales management and online marketing.

Tim Schulte Havermann (born in 1969) has been a member of the Supervisory Board of ecotel communication ag since July 2016. Schulte Havermann is a businessman and works as an entrepreneur in various different business areas. After studying pharmacy, he was initially self-employed as a pharmacist while also getting involved in other sectors both entrepreneurially and with financial investments. Tim Schulte Havermann is a former CFO of ecotel communication ag (from 2002 to 2006) and has since worked as a managing director and supervisory board member at a number of investment companies in various areas, particularly property trading and project development.

Brigitte Holzer (born in 1961) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Since November 2020, Brigitte Holzer has held the role of Chief Financial Officer for eClear AG. After studying business administration, Brigitte Holzer was responsible for finance at various companies; in her last two positions, Ms Holzer was CFO for the PPRO Group from 2012 to 2018, working particularly for the PPRO Financial Ltd. subsidiary regulated by FCA UK and CSSF Luxembourg and in 2019 and 2020 as Vice President Finance for the Solera Holdings Inc. companies in the DACH region.

Sascha Magsamen (born in 1974) has been a member of the Supervisory Board of ecotel communication ag since July 2011. Since 1 January 2010, Sascha Magsamen has been a Management Board member of Ferax Capital AG, an investment company for listed small caps based in Frankfurt. In addition, since 2009 he has been a Management Board member of the privately owned PVM Private Values Media AG, a holding based in Frankfurt. Prior to this, he had worked in proprietary trading at Dresdner Bank in Frankfurt since 2004, where he was responsible for the segment of small and mid caps in the DACH region with a separate portfolio. Before working in investment banking at Dresdner Bank, Sascha Magsamen was the business editor for “Die Börsen-Zeitung” (WM Group) and “Die Telebörse” (Handelsblatt publishing group). In 1999, he completed his studies in public administration at the University of Applied Sciences for Public Administration in Mayen. He has founded more than a dozen SMEs in the media and financial services sectors. Sascha Magsamen has several Supervisory Board positions.

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

Report of the Supervisory Board

The Supervisory Board of ecotel communication ag ("ecotel" or "the company") regularly monitored the Management Board's work and supported it with advice in the 2020 financial year. This was based on detailed written and verbal reports by the Management Board. In addition, the Chairman of the Supervisory Board regularly exchanged information and ideas with the Chairman of the Management Board.

The Supervisory Board and the Management Board of ecotel met a total of six times in the year under review, on 19 February, on 9 March 2020, on 8 May 2020, on 18 May 2020, on 3 July 2020 and on 25 November 2020. Due to the COVID-19 pandemic, only the meeting in March was held with personal attendance; the other meetings were held as video conferences or conference calls. In addition, one resolution was adopted by way of circulation.

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

1. Focus of Supervisory Board discussions

At all its meetings in 2020, the Supervisory Board was informed in detail about the course of business and the company's position. Focus areas included the impact of the COVID-19 pandemic on business operations, development of the Business Customers segment, major supplier agreements and customer projects and the development of the market situation and its regulatory conditions. In addition, the Supervisory Board supported the Management Board with strategic issues arising from changes in the telecommunications market, for example with regard to cable network operators and the ever-growing importance of fibre-optic infrastructure.

The Supervisory Board was also continuously informed about the subsidiaries easybell GmbH and nacamar GmbH and the equity investment in mvneco GmbH and discussed their strategic development with the Management Board.

The Supervisory Board regularly exchanged information with the Management Board on the strategic alignment and new product ideas. In addition, the Supervisory Board examined the efficiency of its work.

The Supervisory Board discussed the Management Board's regular risk reports with the Management Board and made its own suggestions with regard to risk management. It satisfied itself that the Management Board gives the necessary attention to risk monitoring, comprehensibly prioritises the risks it identifies and takes appropriate measures to reduce them. One of the key issues discussed was minimising technical dependencies. In addition, there was a discussion on commissioning the development of a new Business Support System (BSS) for automated recording and faster operating order processing.

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

19 February 2020: Resolution on guidance given in the 2020 consolidated financial statements (capital market guidance), resolution on the declaration of compliance with the German Corporate Governance Code.

9 March 2020: Adoption of the annual financial statements of ecotel communication ag and approval of the consolidated financial statements of ecotel communication ag for the financial year 2019, resolution on the proposal for the appropriation of net profit for the Annual General Meeting, budget planning for 2020 and resolutions on the same, auditor's report on the implementation and results of the annual and consolidated financial statements for 2019.

8 May 2020: Preparation and resolutions for the new Management Board remuneration and the introduction of a stock option programme.

18 May 2020: Discussion and resolutions on various Management Board matters, including appointing an additional member to the Management Board and drafting a new Management Board remuneration system including the introduction of a stock option plan.

3 July 2020: Final coordination on implementing the virtual Annual General Meeting, selection of a meeting chairman for the Annual General Meeting.

25 November 2020: Presentation and adoption of the budget for 2021 including discussion on strategy, preparation for the 2020 audit of the annual financial statements with participation of the statutory auditor and including determination of key audit matters.

2. Handling of conflicts of interest in the Supervisory Board

All members of the Supervisory Board are committed to the principle of basing their decisions solely on the business interests of ecotel. Any conflicts of interest or concerns regarding conflicts of interest that arose in Supervisory Board discussions or resolutions were handled in the Supervisory Board. In each case, the Supervisory Board member in question did not take part in the discussion and abstained from voting on the resolution. By questioning the Management Board, the other Supervisory Board members also ascertained with sufficient certainty that its actions were not influenced by the (potential) conflict of interest of the Supervisory Board member in question. In the year under review, the above principles took effect only in relation to the Supervisory Board resolution on the approval of contracts between ecotel and companies in which members of the Supervisory Board are involved. This related to Mr Mirko Mach and Dr Thorsten Reinhard. With Mr Mach this relates to services provided as sales partner by MPC Service GmbH and MPC Mobilservice GmbH. With Dr Reinhard these related to legal consultancy services provided by Noerr LLP (from the end of 2020 Noerr Partnergesellschaft mbB).

3. Annual and consolidated financial statements

The Management Board prepared the annual financial statements and management report of ecotel in accordance with the German Commercial Code and prepared the consolidated financial statements and Group Management Report in accordance with IFRS principles. The auditor for ecotel was elected by the Annual General Meeting of ecotel on 3 July 2020, the Düsseldorf branch of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, headquartered in Stuttgart, audited the annual financial statements, the consolidated financial statements, the management report and the Group Management Report. It issued an unqualified audit opinion for both the annual financial statements and the consolidated financial statements.

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

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

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

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

Based on the final results of its review, the Supervisory Board did not raise any objections to the annual financial statements or the consolidated financial statements prepared by the Management Board for the 2020 financial year, but instead approved the annual financial statements and the consolidated financial statements by way of a resolution adopted on 10 March 2021. The annual financial statements of ecotel for the 2020 financial year were thus approved.

4. Corporate governance

All members participated in the following Supervisory Board meetings:
8 May 2020, 18 May 2020

In the following Supervisory Board meetings the following persons were unable to attend and were excused:
19/02/2020: Dr Norbert Bensel,
Tim Schulte Havermann
09/03/2020: Tim Schulte Havermann
03/07/2020: Tim Schulte Havermann
25/11/2020: Sascha Magsamen

At the following meeting, the Supervisory Board convened, partially without the Management Board:
8 May 2020

In the year under review, the Management Board and the Supervisory Board issued a joint declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 19 February 2020. The most recent joint declaration of compliance by the Management Board and the Supervisory Board was made on 23 February 2021. The declarations were each made permanently available to the public on the company's website.

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

There were no changes in the Supervisory Board in the year under review.

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

In the year under review, effective 1 July 2020 the Management Board was extended to include Mr Markus Hendrich. Markus Hendrich was appointed for four years. He is responsible for the areas of Digitalisation, Technology and Operations.

In order to harmonise the duration of the Management Board agreements, also with reference to the stock option plan resolved by the Annual General Meeting, the Management Board mandates of Peter Zils and Achim Theis were each extended for four years with effect from 1 July 2020. Peter Zils remains Chairman of the Management Board and is responsible for Strategy/Business Development, Wholesale, Finance, Investor Relations and HR. Achim Theis is responsible for Sales Marketing and Key Account Management.

7. Committees

The Supervisory Board has formed a three-person Audit Committee that deals particularly with accounting, risk management and compliance issues. In the year under review, the Audit Committee held four meetings at which it particularly discussed the intra-year financial reports and the annual and consolidated financial statements for 2019. The Audit Committee also discussed the internal control system. As before, the Audit Committee consists of Brigitte Holzer (Chairwoman), Mirko Mach and Sascha Magsamen.

The Supervisory Board has also formed a three-person Nomination Committee that prepares nominations for the Annual General Meeting and also takes on the tasks of a Personnel Committee. This committee held two meetings in the 2020 financial year. As before, the Nomination and Personnel Committee consists of Dr Thorsten Reinhard (Chairman), Dr Bensel and Tim Schulte Havermann.

The Supervisory Board would like to thank the members of the Management Board of ecotel and all employees of ecotel Group companies for their great commitment on behalf of the company and for their hard work in 2020.

Düsseldorf, 10 March 2021
For the Supervisory Board:

Dr Norbert Bensel
Chairman of the Supervisory Board

INVESTOR RELATIONS

Key figures

Income statement (IFRS)		2018	2019	2020
Sales	in € million	**98.9**	**82.8**	**98.3**
ecotel Business Customers	in € million	48.1	46.9	46.3
ecotel Wholesale	in € million	32.9	15.4	28.2
easybell	in € million	15.9	18.6	21.5
nacamar	in € million	1.9	1.9	2.3
Gross profit	in € million	**31.9**	**33.6**	**37.7**
ecotel Business Customers	in € million	23.6	23.8	24.2
ecotel Wholesale	in € million	0.4	0.4	0.8
easybell	in € million	6.9	8.3	11.2
nacamar	in € million	1.0	1.1	1.5
EBITDA [1,2]	in € million	**7.5**	**8.8**	**11.7**
Operating result (EBIT)	in € million	2.2	1.5	4.0
Consolidated net income	in € million	0.5	-0.2	1.0
Earnings per share [3]	in €	0.13	-0.05	0.28

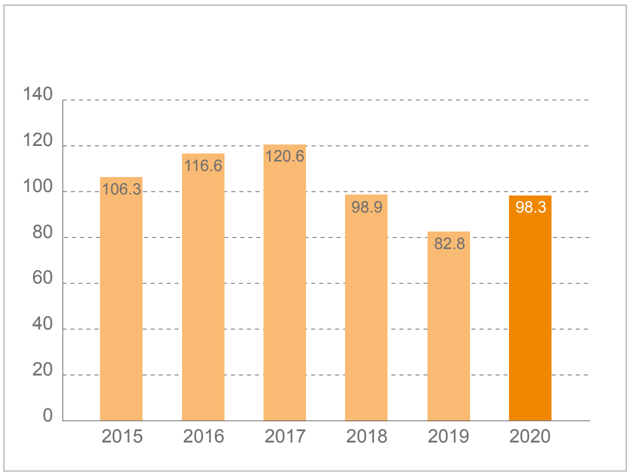
Cash flow		2018	2019	2020
Cash and cash equivalents at beginning of period	in € million	6.4	6.1	8.3
Cash flow from operating activities	in € million	6.7	10.0	10.3
Cash flow from investing activities	in € million	-5.8	-6.4	-5.9
Cash flow from financing activities	in € million	-1.2	-1.5	-4.9
Cash and cash equivalents as at 31 December	in € million	6.1	8.3	7.8
Free cash flow [4]	in € million	**0.9**	**3.6**	**4.4**

Statement of financial position (IFRS)		2018	2019	2020
Total assets	in € million	43.7	56.8	53.9
Equity	in € million	22.7	22.2	23.4
in % of total assets		52.0 %	39.0 %	43.4 %
Net financial assets [5]	in € million	**0.4**	**1.0**	**2.3**

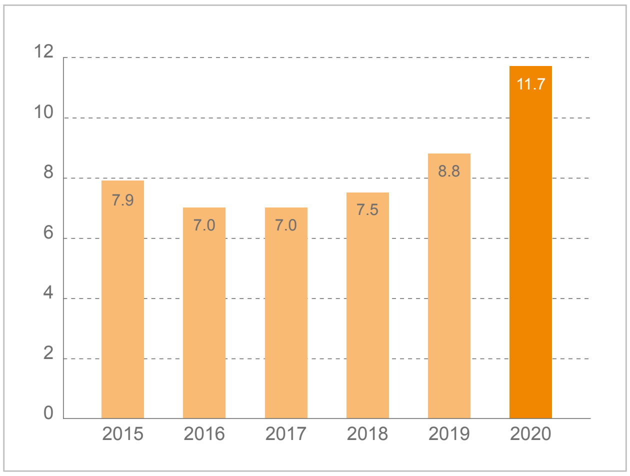
Other ratios		2018	2019	2020
Number of shares as at 31 December (outstanding)	Number	3,510,000	3,510,000	3,510,000
Employees as at 31 December [6]	Number	264	261	271
Staff costs	in € million	14.4	15.6	16.3

1 Earnings before depreciation, amortisation and impairment losses, net finance costs and income taxes
2 Corresponds to consolidated net income after deducting minority interests
3 Both basic and diluted
4 Free cash flow = cash flow from operating activities + cash flow from investing activities
5 Loans payables less cash and cash equivalents
6 Not including minority-owned companies (mvneco GmbH)

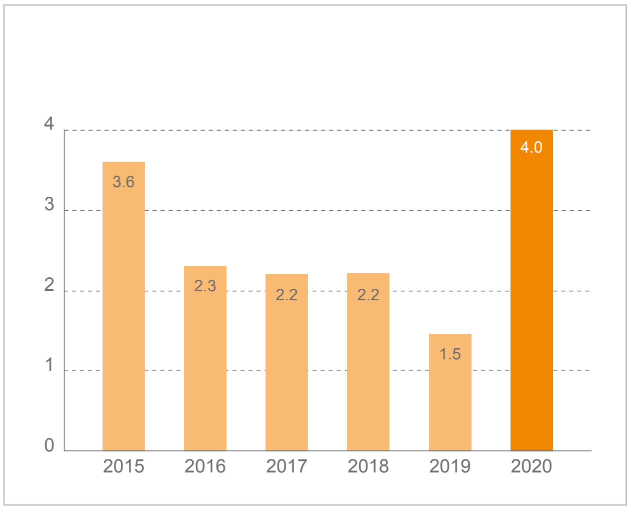
Sales in € million



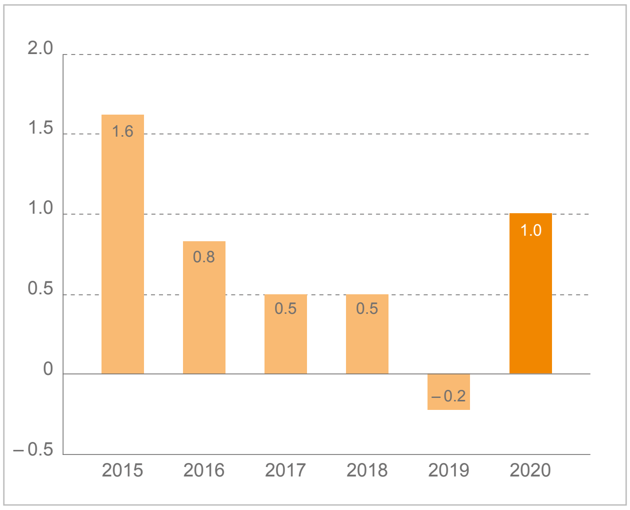
EBITDA in € million



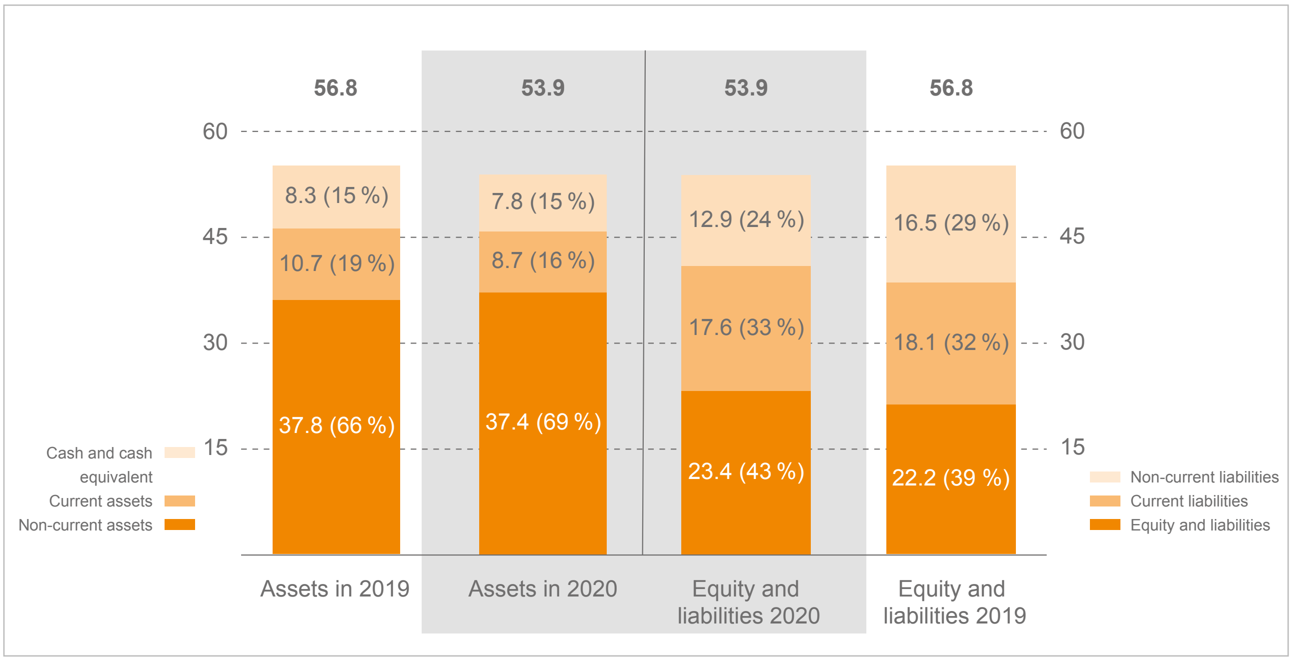
EBIT in € million



Net income in € million



Assets and equity/liabilities in € million



The ecotel share

The ecotel communication ag share (ecotel share) has been listed on the Frankfurt Stock Exchange since 2006 and in the Prime Standard since 2007. As at 31 December 2020, the share capital was unchanged at 3,510,000 shares. The company does not hold any treasury shares.

Share price performance in 2020

After the strong performance in 2019, overall indices moved a restrained fashion in 2020. The overriding topic on stock exchanges was the impact of the COVID-19 pandemic on the global economy. Even so, the most important German stock market barometer, the DAX, moved up by 3.5 % over the course of the 2020. The TecDAX performed somewhat better, moving up by 7.5 % over the year.

To the end of 2020, the ecotel share moved more or less in line with the two above indices, on a temporary basis even better. To the end of the financial year and also at the start of 2021, the ecotel share price performed considerably better than the indices. At the end of the year, the share price was € 10.20, considerably higher than the opening price of € 6.60. During 2020, the share price moved up overall by € 4.20 or 64 %.

As at 31 December 2020, market capitalisation amounted to € 35.8 million (previous year: € 23.2 million). The average daily trading volume of the share in 2020 came to 3,044 shares per day compared to 1,220 shares per day in the previous year, meaning that daily trading volume almost doubled.

Investor relations

There was an intensive dialogue with investors, analysts and journalists again in 2020. This particularly focused on the company's development, the strategic alignment after the successful conclusion of the ISDN transformation and the future development of the group.

In addition to regular reporting, the Annual General Meeting and reports in selected specialist media, a teleconference was also held in December 2020.

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

Shareholder structure

In 2020, there were no significant changes in the shareholder structure:

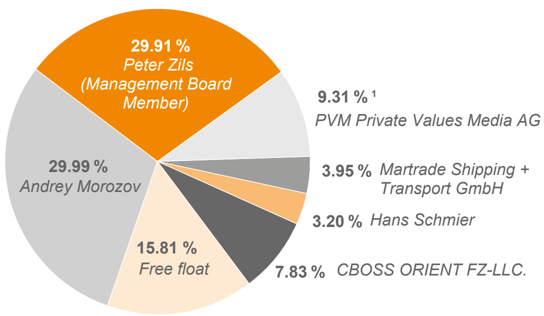
Mr Peter Zils (Chairman of the Management Board) and Mr Andrey Morozov now each hold just under 30 % of the shares. A further 25 % is distributed across shareholders known to us on the basis of the relevant notifications (WpHG notifications). Free float is around 15.5 % of the share capital.

Key figures Ø 2020

WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as at 31 December 2020	3,510,000
Symbol	E4C	Average daily volume in 2020	3,044
Market segment since 8 August 2007	Prime Standard	Highest price in 2020 (€) TLowest price in 2020 (€)	11.40 5.50
Index membership	CDAX, Prime All Share Technology All Share	Market capitalisation as at 31 December 2020 (€ million)*	35.8
Category	No-par-value shares	Designated Sponsor	ICF BANK AG

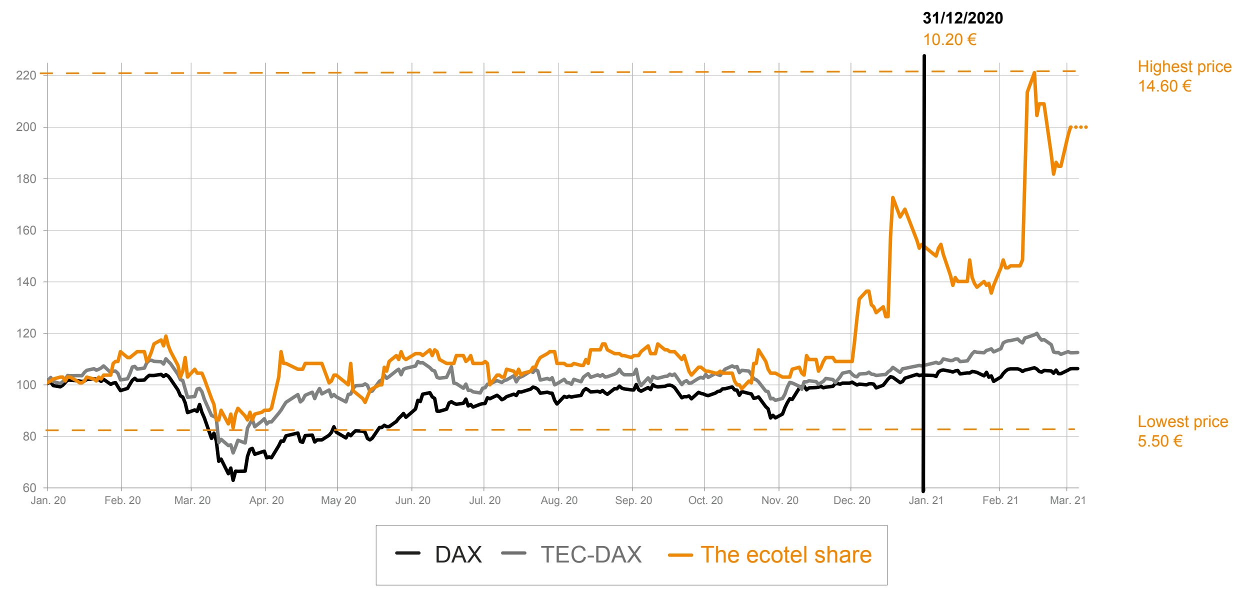
** Based on the closing price of € 10.20 per share on 31 December 2020 with 3,510,000 shares outstanding*

Share ownership (31/12/2020) in percent



1 According to last notification, dated 7 April 2011, before withdrawal of treasury shares in 2014 (basis: 3,900,000 shares)

Price performance of the ecotel share in 2020 in percent



1.0 GROUP MANAGEMENT REPORT

1.1 Group principles

1. ecotel at a glance

The ecotel Group (referred to hereinafter as “ecotel”) has been operating throughout Germany since 1998 and specialises in marketing information and telecommunication solutions in various segments. Its parent company is ecotel communication ag, (referred to hereinafter as “ecotel ag”) headquartered in Düsseldorf. Including its subsidiaries and equity interests, ecotel has around 300 employees.

ecotel supports approximately 50,000 customers across Germany and provides more than 50,000 data lines and in excess of 360,000 voice channels, meanwhile almost exclusively via the in-house infrastructure.

ecotel markets its products and services in the following segments:
“ecotel Business Customers”, “ecotel Wholesale”, “easybell” and **“nacamar”**.

Segments	ecotel Business Customers	ecotel Wholesale	easybell	nacamar
Brands	ecotel all around communication	ecotel all around communication	easybell	nacamar

The four segments are described in more detail below:

“ecotel Business Customers” segment
The “ecotel Business Customers” segment represents ecotel’s core area. It provides 15,000 business customers throughout Germany with an integrated product portfolio of voice and data services (ICT solutions) from a single source. The focus in this segment is on business customers with more than 50 employees. These may be customers with just one location or with several locations or large chains from the retail, insurance or banking sectors. ecotel has suitable ICT solutions for all of these customer groups. In this segment, ecotel also provides products as a supplier for other ICT companies (e.g. resellers).

ecotel all around communication

In the area of voice services, this segment has an extensive IP-based portfolio ranging from telephony connection to value-added services. The extensive portfolio of data services encompasses everything from ADSL and VDSL connections to ethernet access and fibre optic cables to secure VPN/MPLS networks for businesses and managed services.

In 2020, the ecotel Business Customers segment launched several extensions of the product portfolio, taking account of current customer requirements, always produced on the basis of or as a supplement to the high-quality high-margin ecotel platforms.

Thus companies were provided an integrated offering for working in the network from home. In addition, bundled products consisting of ecotel All-IP voice services together with the leading collaboration solution Microsoft Teams were introduced as well as a multi-cloud-connect which offers a secure connection of the ecotel data lines to the large cloud providers such as Azure, AWS or Google.

Depending on the target group, sales activities in this segment are performed either via direct sales (for major customers), in-house telesales or via partner sales with more than 300 sales partners. With this network, ecotel has broad access to mid-market customers. In addition, ecotel has established itself as a successful partner in its collaboration with more than 100 purchasing cooperatives and associations.

mvneco GmbH acts as a technical service provider, system developer and advisor for telecommunications solutions and related managed services. This affiliated company is included in the consolidated financial statements using the equity method.

“ecotel Wholesale” segment

The ecotel Wholesale segment comprises cross-network trading in telephone minutes (wholesale) for national and international carriers. For this purpose, ecotel maintains network interconnections with more than 100 international carriers. ecotel now processes the majority of its business customers’ national and international telephone calls via the wholesale platform and uses this platform for its growing local exchange carrier operations.

“easybell” segment

The easybell segment comprises all business of the easybell Group, consisting of four companies. Here easybell markets broadband internet connections and VoIP telephony (SIP Trunking offers) as online marketer with a focus on private customers and modern business customer solutions. Sales activities primarily take place online via its own website or via telecommunications price portals and individual partners. In addition, the easybell Group operates a router rental model (www.routermiete.de) and offers affordable call-by-call for domestic and international phone calls.

“nacamar” segment

In the “nacamar” segment – hosted in the ecotel computer centre – nacamar GmbH offers streaming services for media companies on the basis of its own content delivery network (CDN). Specially developed add-ons for audio and video, and also for data in future, close the gap between raw materials and application, completely in line with a “software as a service” concept. nacamar has the entire portfolio of tools needed to produce and operate such components. nacamar is the market leader in Germany with its AddRadio product.

Infrastructure

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

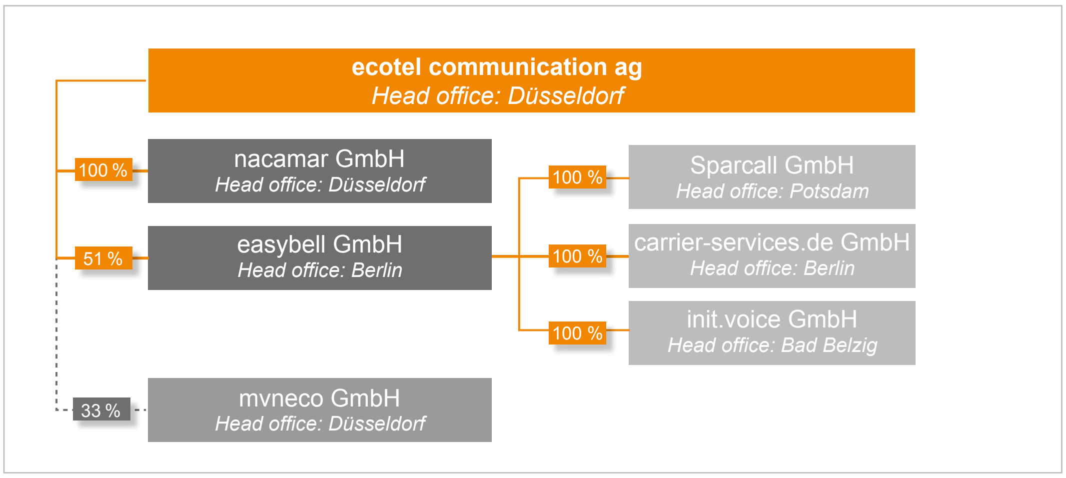
Certified ISO 27001 Rechenzentrum + VPN Made in Germany.

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

The Group maintains its own content delivery network (CDN) for its nacamar business. With regard to IT, ecotel develops and operates its own systems for order and router management, network monitoring and billing.

2. Structure of the Group

ecotel ag is the largest operating unit and also the parent company of the Group.



3. Management of the Group

Group management

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

The members of the ecotel ag **Management Board** are **Peter Zils (Chairman of the Management Board / CEO)**, responsible for Strategy, Wholesale, Finance, Investor Relations and Human Resources, **Markus Hendrich (CDO, since 1 July 2020)**, responsible for Technology and Operations as well as Digitalisation and **Achim Theis (CCO)**, who is responsible for Sales, Marketing and Key Account Management.

The Management Board in addition to the **authorised signatories Holger Hommes** (CFO) and Wilfried Kallenberg (CTO) as well as **Oliver Jansen** (COO) make up the ecotel **Governing Board**. With effect from 11 February 2021, Oliver Jansen was also made an authorised signatory.

Sustainable company strategy

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

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

As legal entity **ecotel** plans to develop to become a leading quality provider in the area of telecommunications for business customers in Germany and is thus anticipating capital expenditure in fail-safe operation and data security as well as in the development and expansion of new products in the areas of unified communication, All-IP telephony, connectivity, SDN as well as SD-WAN and security. The focus of development is commitment to the customer requirements of German SMEs on a flexible and scalable basis to position customised products and solutions.

Derived from this sustained corporate governance, ecotel has put a sustainable finance strategy into place.

Sustainable financial strategy

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

ecotel	Employees/customers/ sales partners	Capital backers	Shareholders
► Sustainable and profitable growth in the B2B area	► Attractive and competitive products	► Stable balance sheet ratios	► Transparent capital market reporting
► Increase in gross profit margin in the B2B area: > 55 % by 2024	► Development of modern, forward-looking IT systems	► Net financial assets	► Realistic forecasts
► Growth-dependent investments in 2021/2022: At least € 7 million	► Attractive remuneration for sales partners and employees	► EBITDA/sales > 5 %	► Increase in EBITDA
► Liquidity reserve including credit facility At least € 5 million	► Securing jobs	► Equity ratio > 40 %	► FCF* target from 2021 on: > € 1 per share
	► Sustainable HR policy and training measures	► Debt servicing (interest and principal) in 2021/22 approx. € 6 million	► Dividend policy: At least 50 % of EPS**

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

ecotel manages the segments in line with the Group's overall strategic alignment. There is an overall budget plan that incorporates the annual budgets of the business divisions and of the other Group companies. At the level of the ecotel Group's Governing Board, the focus is placed on the key performance indicators of sales and gross profit/the gross profit margin in the **Business Customers core segment** and consolidated EBITDA. In this segment, direct variable costs are allocated to sales in line with the partial cost method and gross margins are calculated at the level of product types/categories in the planning. Indirect cross-product costs (overheads) and staff costs are mostly planned and monitored in cost centres. Intra-year reporting for the **ecotel Business Customers and ecotel Wholesale segments** takes place on a monthly basis at segment sales, gross profit and EBITDA level with a detailed analysis of deviations from the planning and the previous year and a regularly updated outlook for the end of the financial year. For detailed management of the core segment – the ecotel Business Customers segment – specific key ratios relating to the business areas (e.g. number of voice channels, minutes volume, price per minute, gross profit margin, quantity structures) are also monitored and are mapped in a reporting system. The **easybell** and **nacamar** segments are regularly monitored by the Governing Board on the basis of specified reporting. Here, too, the analyses focus on the key figures of sales and EBITDA.

Liquidity, investments and working capital are monitored centrally at ecotel ag, which also provides the main financing for the Group, for example by providing credit lines or taking up long-term annuity loans.

4. Research and development

ecotel itself does not conduct any fundamental research, but instead focuses on the integration and compatibility of existing types of lines, tariff combinations and device configurations. The focus here is always on the greatest possible cost/benefit effect for customers ("best-of-breed" approach). For this reason, development expenses in recent years have mainly been limited to technical developments to establish the company's own local exchange carrier operations and development work for a sales partner portal, as well as system developments and improvements for processing orders for the new product range. In 2020, capitalised development expenses amounted to € 0.3 million (previous year: € 0.7 million). After the successful conclusion of its own subscriber network operator platform, the key development focus was shifted in the direction of product and solution development with two key focus areas - digitalisation of business processes and automation of the product landscapes for enhancing efficiency. Here the investment focus relates to IT systems and building up and expanding a modular product and solution portfolio to service the individual requirements of medium-sized business customers quickly, flexibly and on a customised basis.

1.2 Economic report

1. Market and competitive environment

In 2020, the economic situation in Germany was shaped by the COVID-19 pandemic and the resulting recession. According to initial calculations by the German Federal Statistical Office (Destatis), gross domestic product (GDP) in 2020 declined by 5.0 % against the previous year. Thus for the first time in almost ten years, the Germany economy did not grow.

When the pandemic started in the first quarter of 2020, alongside voluntary and government measures for contact avoidance to contain the outbreak, problems in the supply chains occurring across the world were responsible for the recession. Industries with intensive personal contact were forced to considerably restrict their activities or even discontinue them. Many other industries were either directly impacted as a result of problems in the supply chain or indirectly as a result of the lack of demand, and so also interrupted production. After the initial lockdown was lifted, in the summer of 2020 the economy experienced a strong revival. However, due to increasing incidence figures and restrictions in industries with high levels of contract, a full recovery was not achieved. The measures restricting contact which were then imposed in the fourth quarter of 2020 again considerably inhibited this recovery, even though the economy was not impacted to such a great extent as had been the case in the first half of 2020.

For ecotel and the telecommunications market in Germany there was a mixed trend.

Also for the telecommunications industry, the COVID-19 pandemic was a challenge. There was a major change in customer behaviour in respect to telephony and data use in 2020. According to DECIX, the operator of the largest internet hub located in Frankfurt am Main, data traffic surged. In the middle of March 2020 (start of the first lockdown measures), the number of video calls, video streaming and the use of online gaming was higher than at any other time in the history of the Internet. This meant that the whole telecommunication industry faced the challenge of providing the increased data and telephony use smoothly and without any downtime.

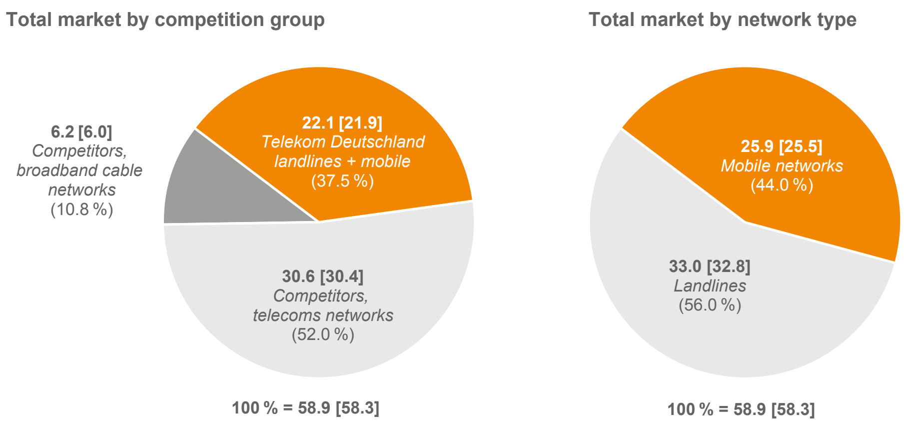
For this reason, investments in security, in the expansion and maintenance of services was one of the challenges in 2020. And demand from business customers, the core segment as ecotel, for more bandwidth as well as adjustments and extensions of services available up to and including efficient home-office solutions, jumped in 2020. On the one hand, this made it possible to reinforce and expand customer relationships. On the other hand, the possibilities for gaining new customers were severely exacerbated by the contact restrictions in place.

Overall, for the ecotel segments, it can be stated that the impact of the COVID-19 pandemic in 2020 brought with it many changes and challenges, but with the exception of the necessary high level of write-downs on trade receivables, there was no material negative impact on business at ecotel.

Slight increase in telecommunications market volume

Total sales generated by telecommunications providers increased by around € 0.6 billion in 2020. While total sales from telecommunications services came to € 58.3 billion in the previous year, we expect them to total € 58.9 billion in 2020. In the landline market, consisting of connections, voice services and data services including TV broadband cable, companies generated sales of € 33 billion. € 13.9 billion of this was attributable to Deutsche Telekom 2019: (€ 13.7 billion) and € 12.9 billion to the competitors (2019: € 13.1 billion). The cable market grew by € 0.2 billion to € 6.2 billion in 2020.

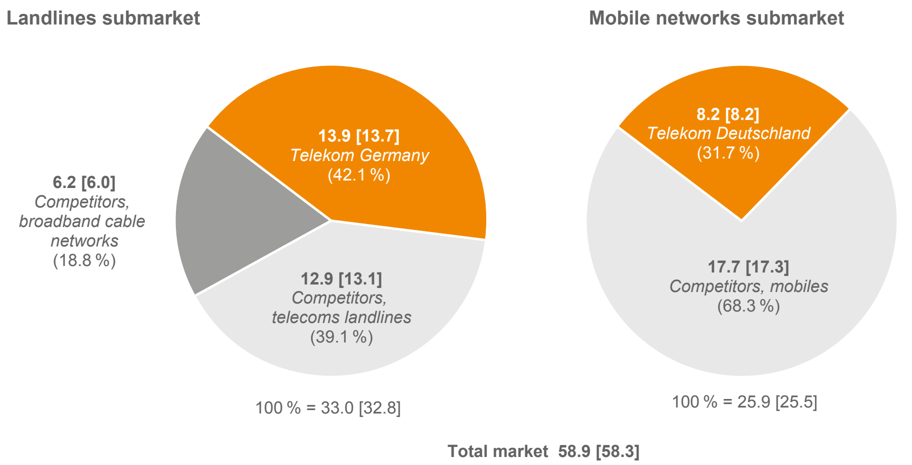
Overall market for telecommunications in Germany in billion € and in %



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

Source: DIALOG CONSULT-/VATM analyses and forecasts

Submarkets for telecommunications services in billion € and in %



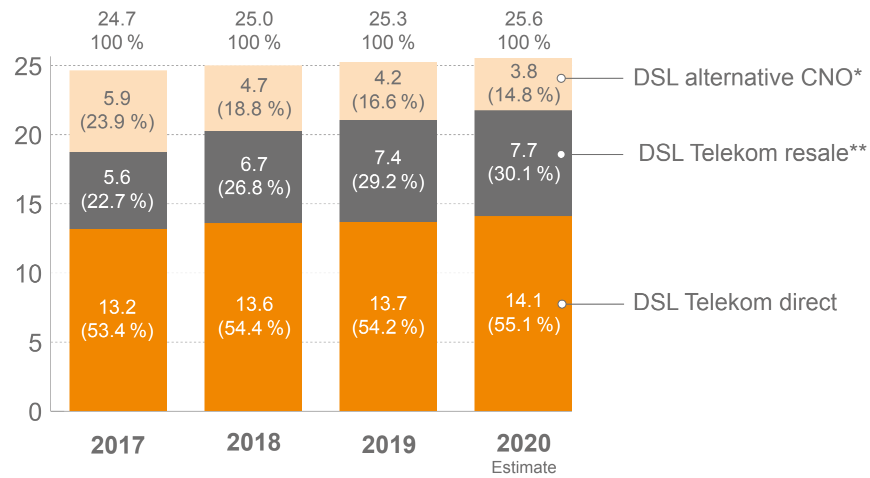
including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT-/VATM analyses and forecasts

Growth in broadband landline connections is continuing unabated. The number of broadband landline connections increased by around 1 million to 36.2 million in 2020. Around 25.6 million of these were DSL connections. With a share of 14.1 million connections, or around 55.1 %, Deutsche Telekom could market directly to end customers. Another 7.7 million DSL connections were sold by Deutsche Telekom to competitors using upstream bitstream services and supplied by these competitors to their end customers.

Around 3.8 million DSL connections were marketed by alternative connection providers with their own connection networks, generally on the basis of local exchange carrier lines from Telekom.

DSL connections in million and in %



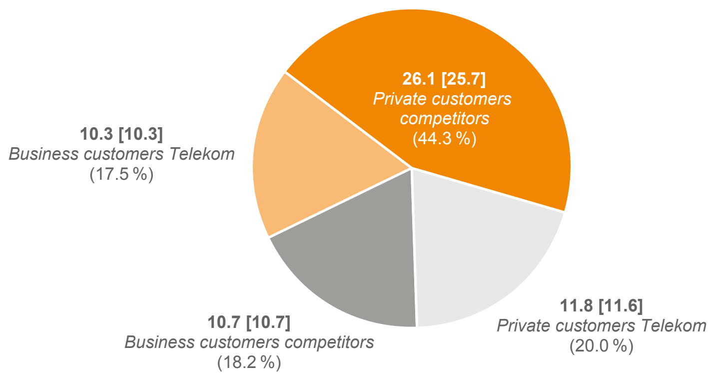
Alternative connection network operators (CNOs) that operate their own connection networks (generally on the basis of Telekom local exchange carrier lines).
*** DSL connection operated by Telekom Deutschland (bundled and unbundled) that are marketed and operated by competitors.*

Source: DIALOG CONSULT-/VATM analyses and forecasts

Trends on the B2B market

The business customer segment (B2B) in Germany is characterised by continued intense competition. Sales on the business customer market were stable at around € 21 billion in 2020 (previous year: € 21 billion) and accounted for 35.7 % of the total market. The breakdown of sales between Deutsche Telekom and competitors did not change in 2020. Deutsche Telekom is expected to have generated sales of € 10.3 billion on the business customer market in 2020, with competitors generating around € 10.7 billion.

Market for telecommunications services in € billion and in %

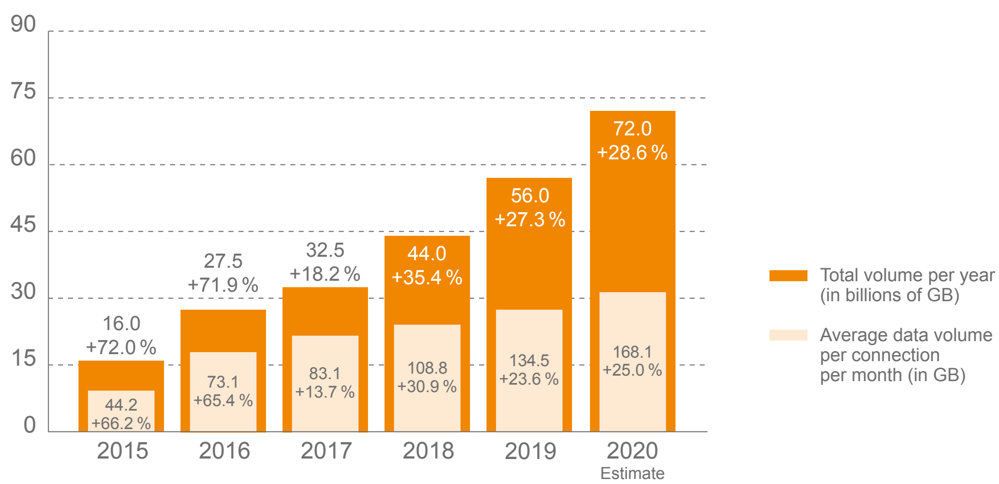


including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT-/VATM analyses and forecasts

The technology shift and the challenges of the COVID-19 pandemic further drive demand for higher bandwidths. The data volume handled by landlines grew by more 29 % to over 168 gigabytes per broadband connection per month in 2020.

Development of volumes in billions of GB and in %



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

Source: DIALOG CONSULT-/VATM analyses and forecasts

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

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

Other important ICT trends include:

- SD-WAN, SDN, NFV
- Industry 4.0
- AI (artificial intelligence)
- Big data analytics
- Machine to machine (M2M)/Internet of Things (IoT)/Computing Everywhere
- Unified communication and collaboration
- Smart devices, 3D printing, eHealth/telemedicine
- Mobile payment/contactless payment
- Smart energy/intelligent power grids
- De-regulation

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

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

In the field of telecommunications and post, the Federal Network Agency is responsible for:

- ensuring fair and functional competition, including in rural areas,
- ensuring nationwide basic provision of telecommunication and postal services (universal services) at competitive prices,
- supporting telecommunication services at public institutions,
- ensuring efficient, undisrupted use of frequencies, including taking account of radio matters, and
- protecting the interests of public security.

In addition to regulation, the Federal Network Agency has a wide range of other tasks on the telecommunications and postal market. It:

- issues licences for postal services,
- helps reach solutions for issues relating to standardisation,
- administers frequencies and phone numbers,
- resolves radio interferences,
- combats misuse of phone numbers,
- monitors the market, and
- advises citizens on new regulations and their effects.

Based on its knowledge and observation of the market, ecotel aims to identify key trends at an early stage and derive risks and potential from them. In 2020, ecotel dealt with the following topical issues or was actively involved in them as part of the working groups and executive committee of the VATM (German Association of Telecommunications and Value-Added Service Providers):

- improving the political and regulatory conditions for the expansion of broadband and the business customer market in Germany,
- ensuring similar basic provision of telecommunication services (universal services),
- including broadband connections at affordable prices in urban and rural areas,
- reconciling the European telecommunications policy (EU single market) with the specific requirements of the German telecommunications market,
- net neutrality (i.e. equal and unchanged transmission of data packages by carriers, regardless of where they come from and what applications generated them),
- modernising the existing data protection regulations and consumer protection,
- supporting initiatives in the regulatory and political field and influencing these with the aim of being able to purchase sufficient upstream products on a long-term basis and highlighting national specificities with regard to EU decisions so that these are taken into account,
- trading platform for providers and buyers of broadband connections.

2. Result of operations, financial position and net asset position

Result of operations

Total revenues

At € 98.3 million (previous year: € 82.8 million) Group total sales remained under the € 100 million threshold of section 35 (5a) of the German Telecommunications Act. In this way the Group remains spared from the effects of potential negative retroactive regulatory decisions with regard to fees for market-dominating telecommunications providers (primarily Deutsche Telekom). The increase against the previous year is due primarily to higher business volume in the ecotel Wholesale segment.

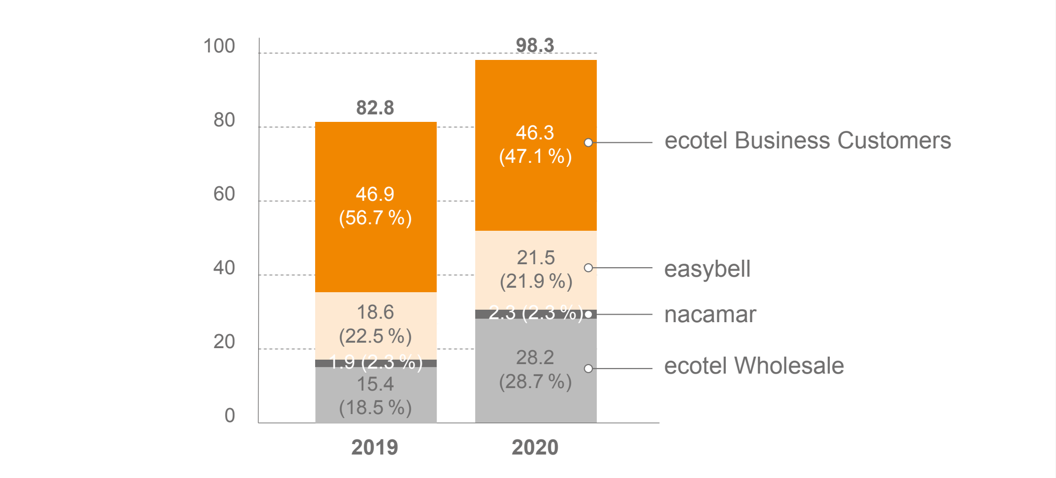
Sales in the ecotel Business Customers core segment at € 46.3 million was slightly down on the previous year as planned (€ 46.9 million), but within the expected and forecast corridor of between € 46 million and €49 million.

The easybell segment widened its sales by approximately 16 % to € 21.5 million (previous year: € 18.6 million), slightly above the forecast corridor of €20 million to €21 million.

In the nacamar segment, sales rose by roughly 20 % to € 2.3 million (previous year: €1.9 million), within the forecast corridor of € 1.5 million to € 2.5 million.

The chart below shows the development of the sales breakdown by segment.

Sales breakdown by segment (in € million and in %)



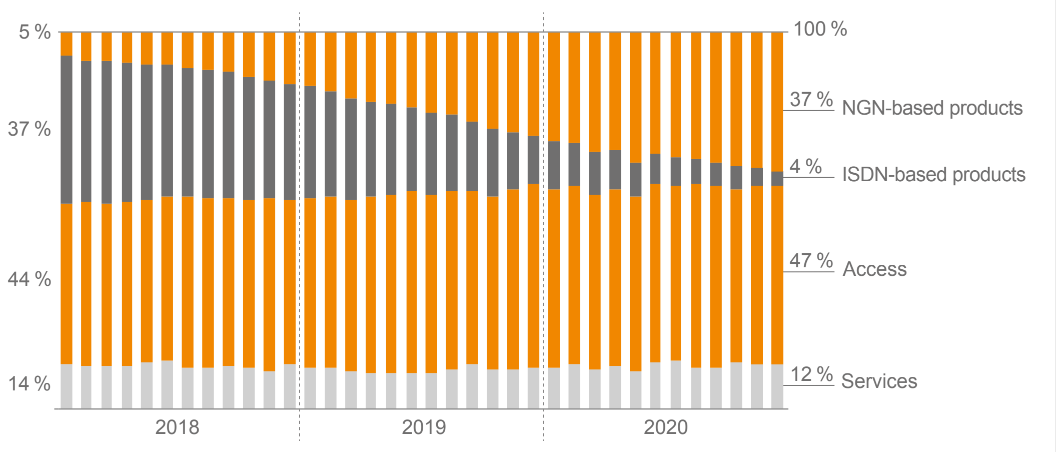
ecotel Business Customers segment: higher gross profit and higher gross profit margin

Sales in the ecotel Business Customers core segment were in line with planning. In 2020, the All-IP transformation was almost completely concluded. Almost all traditional ISDN-based connections of Deutsche Telekom and other upstream suppliers were transferred to forward-looking higher margin All-IP products. Almost all customer relationships were addressed in recent years, and provided with new products and new contract terms. In the process, as expected where the actual connecting line was not included in the contractual relationship with ecotel only a certain share of customer relationships were maintained and transferred.

Overall, the All-IP transformation is to be considered a success. As at the end of the year, sales from these traditional types of connections made up only 4 % of the segment's total sales. The transformation can thus be considered concluded.

Sales mix of ecotel Business Customers

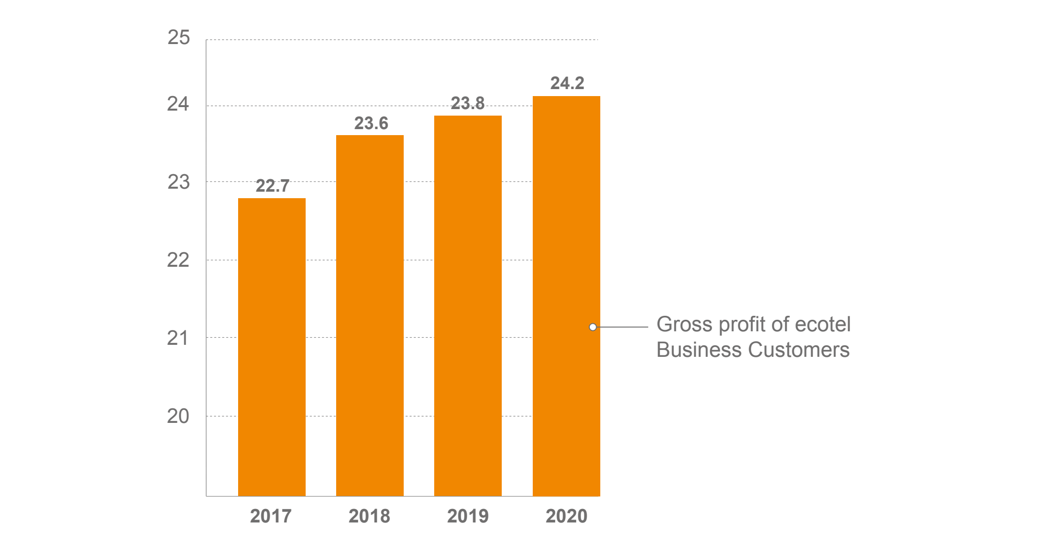
Sales mix in the ecotel Business Customers segment 2018 to 2020



Overall, segment sales declined by € 0.6 million to € 46.3 million, with gross profit moving up by € 0.4 million to € 24.2 million in the same period. The gross profit margin thus expanded from 50.7 % to 52.3 %.

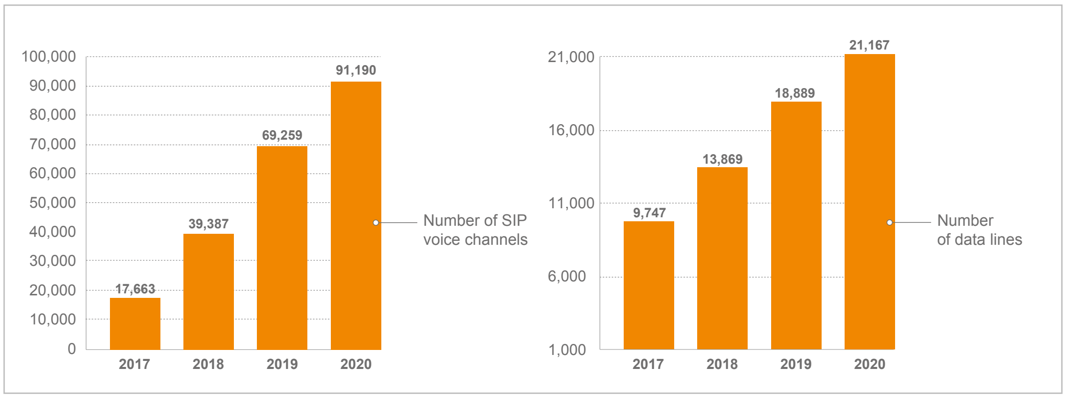
Gross profit of ecotel Business Customers

Development of gross profit in the ecotel Business Customers segment, 2017 to 2020 (€ million)



The upturn in gross profit and gross profit margin was achieved on the basis of the higher value added of the new All-IP products, also known as NGN products. ecotel is no longer a reseller. Rather telephony minutes are terminated on the basis of ecotel technology, and not bought by an upstream supplier as was previously the case. A key indicator measuring this higher value added and the related higher gross profit is the number of connection and active voice channels (SIP voice channels). In the ecotel Business Customers segment this figure more than quadrupled over the last three years. In the same period, the number of data lines doubled.

Development of voice channels and number of data lines in the ecotel Business Customers segment

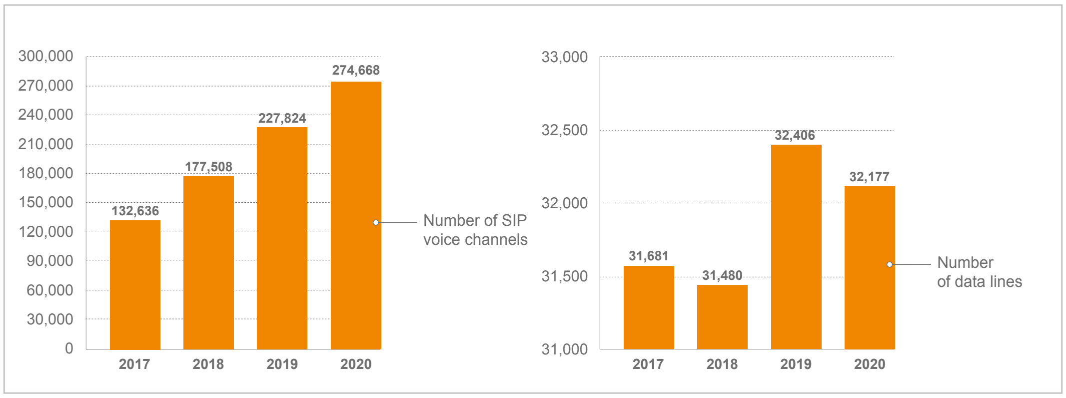


easybell segment: further significant increase in sales and gross profit

The easybell segment increased its sales by € 2.9 million to € 21.5 million in 2020. In the same period, gross profit climbed also by € 2.9 million to € 11.2 million. Business with high-margin NGN voice services for small business customers (SIP trunk) continued to develop very positively here.

Over the last three years, the number of voice channels more than doubled. In the same period the number of data lines was constant. While the number of data lines for private customers declined slightly, there was a rise in the business customer area.

Development of voice channels and number of data lines in the easybell segment



nacamar segment: higher sales and gross profit

Sales in the nacamar segment at € 2.3 million were € 0.4 million higher. The segment's gross profit was increased by € 0.4 million to € 1.5 million. Focussing on and developing innovative new services for the radio streaming product world continues to be the right decision and is increasingly enhancing the segment's profitability.

ecotel Wholesale segment: higher gross profit

In 2020, the ecotel Wholesale segment doubled gross profit to € 0.8 million. In financial year 2020, business volume was expanded on the basis of higher-margin trading transactions, without endangering the above-mentioned € 100 million threshold for overall sales. This segment has a low gross profit margin, but the processes and systems implemented with the business model are the basis for operating the ecotel Business Customers segment. There is a steady rise in the number of call minutes produced ("terminated") by ecotel and managed ("routed") by this segment.

EBITDA: 33 % increase to € 11.7 million

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased to € 11.7 million in the 2020 financial year (previous year: € 8.8 million), an upturn of € 2.9 million or 33 % against the previous year. The Group's gross profit increased as a result of the above-mentioned development by a total of € 4.1 million, or 12 % against the previous year. As the Group's operating cost structure increased more slowly, by € 1.2 million, in financial year 2020, a considerable EBITDA upturn was generated. Operating expenses developed as follows: staff costs (€ 0.7 million), other operating expenses (€ 0.2 million) and other operating income and own work capitalised (€ -0.3 million).

All four segments take advantage of what are in some cases the same innovative production platforms and thus benefit similarly from economies of scale resulting from the Group's growth. As a result, the rise in EBITDA was experienced across all segments. Thus EBITDA rose in the ecotel Business Customers segment by € 0.4 million to € 4.8 million, in the easybell segment by 1.9 million to € 5.9 million, in the nacamar segment by € 0.2 million to € 0.6 million and in the ecotel Wholesale segment by € 0.3 million to € 0.4 million.

EBIT and annual result: increase by € 2.5 million and € 1.2 million

Earnings before interest and tax (EBIT)

In financial year 2020, EBIT increased by € 2.5 million to € 4.0 million. The positive EBITDA trend was not eroded by higher depreciation and amortisation in 2020. Ultimately, the Group generated net profit (consolidated comprehensive income) of € 2.6 million (previous year: € 0.9 million). After deducting minority interests of € 1.6 million (previous year: € 1.1 million), ecotel reported consolidated net profit of € 1.0 million, an increase of € 1.2 million. Thus earnings per share of € 0.28 were achieved (previous year: € -0.05).

Comparison of forecasts with the actual business development

ecotel achieved or exceeded all the target ranges forecast for 2020. In doing so, EBITDA at € 11.7 million considerably exceeded the forecast range of € 8.5 million to € 10.5 million. Immediately after adoption, this was reported in an ad hoc disclosure on 10 February 2021.

Forecast figure	Target range 2020 (€ million)	Forecast (€ million)	
Segment sales			
ecotel Business Customers	46.3	46 to 49	Achieved
easybell	21.5	20 to 21	Exceeded
nacamar	2.3	1.5 to 2.5	Achieved
Gross profit of ecotel Business Customers	24.2	Increase	Achieved
Gross profit margin for ecotel Business Customers	52.3 %	Slight increase	Achieved
EBITDA	**11.7**	**8.5 to 10.5**	**Exceeded**

Financial position

Financial position

The Group's financial position developed positively in all areas in 2020. Investments of € 5.9 million (previous year: € 6.3 million) were financed fully from operating cash flow. Even so, **free cash flow** moved up to € 4.4 million (previous year: € 3.6 million). In financial year 2020, financial loans of € 1.8 million and € 1.2 million lease liabilities were repaid and € 1.5 million used for payments to minority interests as well as € 0.5 million for interest payments.

Cash and cash equivalents declined overall to € 7.8 million (previous year: € 8.3 million). They are countered by liabilities from financial loans of € 5.5 million (previous year: € 7.3 million). The **Group's net financial assets** therefore again increased and amounted to € 2.3 million as at the end of 2020 (previous year: € 1.0 million). In addition to the reported cash and cash equivalents, credit lines totalling € 6.0 million are available to ecotel, of which € 1.0 million may be used for guarantee liabilities.

Cash flow from operating activities rose by € 0.3 million to € 10.3 million (previous year: € 10.0 million). Alongside the increase in EBITDA, the change in working capital contributed to this development.

As expected, **net cash used in investing activities** declined slightly in the 2020 financial year to € 5.9 million (previous year: € 6.3 million). Both the volume and procurement prices for customer-specific hardware were lower. On the other hand, there were advance payments for a new business support system, for which development started in 2020. It will be initially deployed in the Business Customers segment in 2021.

Net cash used in financing activities rose by € 3.4 million to € 4.9 million (previous year: € 3.2 million) as in the 2020 financial year, no new financial loan was taken up (previous year: € 3.2 million). Repayments of lease liabilities, payments to minority interest and interest payments (finance liabilities and leases) are included in net cash used in financial activities. In financial year 2020, no dividends were distributed (previous year: € 0.5 million).

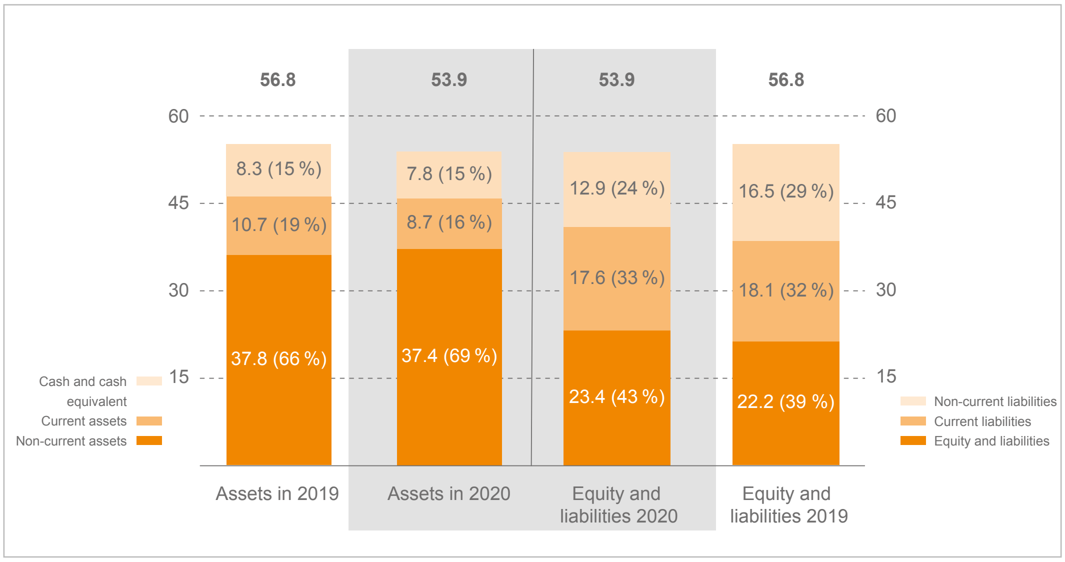
As in the previous year, ecotel was able to meet all payment obligations in full and on schedule. The important goals of financial management such as complying with the financial covenants agreed with the banks and minimising any credit risks and interest rate risks, we again achieved in financial year 2020.

Net asset situation

Net asset situation

The Group's **total assets** amounted to € 53.9 million as at 31 December 2020 (previous year: € 56.8 million).

Assets and equity/liabilities in € million



On the **assets** side, **non-current assets** declined € 0.4 million to € 37.4 million. Intangible assets increased by € 0.4 million, primarily from the above-mentioned advance payments for the new IT system in the ecotel Business Customers segment. Property, plant and equipment moved down by € 0.6 million, with depreciation exceeding the necessary new investments. Capitalised rights of use assets from leases declined by € 1.0 million, while capitalised contract costs, non-current contract assets, investments and capitalised deferred taxes together increased by € 0.8 million.

Current assets moved down by € 2.5 million to € 16.5 million. This decline resulted primarily from the € 1.9 million reduction in other financial assets. In the previous year receivables from an annual rebate agreement with one supplier were recognised for the last time. Since the start of 2020, this rebate agreement is no longer in force. In addition, as described above, cash and cash equivalents declined to € 7.8 million (previous year: € 8.3 million).

Equity increased by € 1.2 million to € 23.4 million. Based on total assets of € 53.9 million, this resulted in an equity ratio of 43.4 % (previous year: 39.0 %).

Non-current liabilities were reduced by € 3.6 million to € 12.9 million. This was driven by repayments of non-current loans and lease liabilities totalling € 3.0 million.

Current liabilities declined by € 0.5 million to € 17.6 million. While trade payables moved down by € 1.4 million, current loans rose by € 0.7 million as the scheduled repayments in 2021 will be higher than in 2020.

Articles of Association/capital structure

In accordance with section 179 of the German Stock Corporation Act (AktG), any amendment to the Articles of Association generally requires a resolution by the Annual General Meeting. Amendments that only affect the wording are an exception to this rule; the Supervisory Board is authorised to make such amendments. Unless stipulated otherwise in the Articles of Association in the individual case or prevented by mandatory statutory provisions, resolutions of the Annual General Meeting are adopted with a simple majority of the votes cast and, if the law stipulates a capital majority as well as a majority of votes, with a simple majority of the share capital represented when the resolution is adopted.

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

The Management Board of ecotel ag is not aware of any restrictions relating to voting rights or share transfers of the kind that could arise from agreements between shareholders, for example. For information on the development of equity, please refer to the presentation of changes in the Group’s equity in the consolidated financial statements.

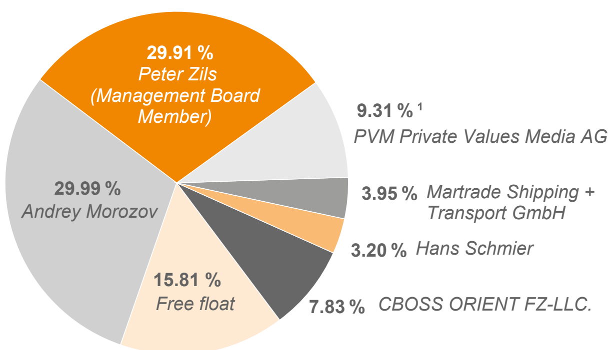
By way of a resolution adopted by the Annual General Meeting on 3 July 2020, amending the resolution on 28 July 2017, the Management Board of ecotel ag was authorised to increase the share capital of ecotel ag with the approval of the Supervisory Board one or more times by a total of up to € 1,404,000 (previously € 1,755,000) in exchange for cash and/or non-cash contributions by 27 July 2022 by issuing new, no-par-value bearer shares (**Authorised Capital**). The Management Board did not make use of this authorisation in the year under review.

At the Annual General Meeting on 3 July 2020, a contingent increase in the share capital of up to € 1,404,000 by issuing up to 1,404,000 no-par-value bearer shares was resolved (**Contingent Capital 2017**). In line with the conditions for the convertible bonds, the contingent capital increase is to be used solely to grant shares to the holders of warrant-linked and/or convertible bonds that can be issued by ecotel ag to 27 July 2022 in accordance with the authorisation. The contingent capital increase will be implemented only to the extent that holders of convertible and/or warrant-linked bonds exercise their conversion/option rights or that holders of convertible bonds for whom conversion is mandatory fulfil their conversion obligation, and subject to the condition that no other forms of fulfilment are provided to satisfy these rights. The Management Board did not make use of this authorisation in the year under review.

The Annual General Meeting of 3 July 2020 authorised the Management Board and – in respect to the members of the Management Board of the company – the Supervisory Board until the end of 2 July 2024 (“authorisation period”) to issue up to 351,000 options (“options”) in respect to up to 351,000 no-par bearer shares of the company in line with the conditions of the Stock Option Plan (2020). The share capital was contingently increased by issuing up to 351,000 registered no par value shares (**Contingent Capital 2020**).

The chart below shows the names of shareholders that held an interest of more than 3 % in the share capital of ecotel ag at the end of 2020. It is based on the share ownership information announced by ecotel ag. There are no different voting rights in relation to the shares

Shareholder structure as at 31 December 2020



[1] % rate according to late voting rights notification dated 7 April 2011, before withdrawal of treasury shares (basis: share capital – 3,900,000 shares)

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

3. Overall statement on the Group's economic situation

The Group is still in a very stable economic situation and in 2020 increased all key indicators against the previous year. After of phase of migration and consolidation lasting several years, the turnaround has now been achieved and ecotel has returned to a stable growth track. Key balance sheet ratios (total assets, equity and net financial assets) developed positively in the financial year. Against the previous year, there has also been a further improvement in the financial position (free cash flow). Future financing is secured with annuity loans and credit lines. The result of operations is characterised largely by recurring sales. For information on the planned growth strategy and the overall opportunity and risk situation, please refer to the statements in the forecast and the report on opportunities and risks.

1.3 Events after the end of the reporting period

Please refer to the disclosures in the notes to the consolidated financial statements.

1.4 Forecast and report on opportunities and risks

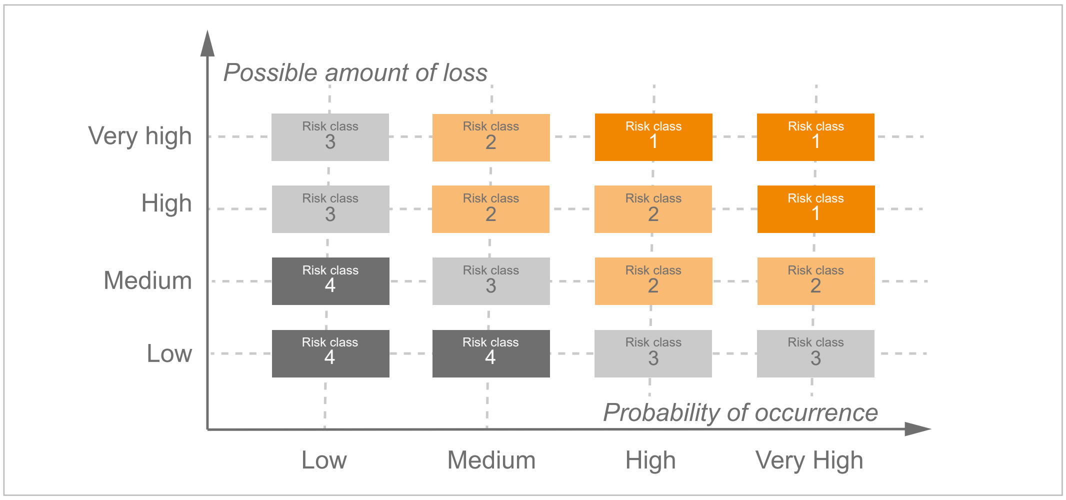
1. Control and risk management system

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

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

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

Risk matrix



Internal control system (ICS)

In order to ensure the effectiveness and efficiency of its business operations, the correctness and reliability of its internal and external accounting and compliance with the relevant legal provisions for the company, ecotel still maintains an internal control system (ICS) that is revised at regular intervals.

For several years, an internal audit has been implemented at ecotel ag in the context of full outsourcing. This audit has the aim of examining processes and systems in accordance with the IT requirements of the “Minimum Requirements for Risk Management” (MaRisk) and the “Banking Regulation Requirements for IT” (BAIT). These measures were necessary because ecotel provides both insurance companies and banks with various ICT solutions. In 2020, ecotel was again awarded a certificate in accordance with IDW PS 951 Type 2 (audit of the services-related internal control system for services provided to a major customer).

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

In addition, key financial ratios are monitored by means of regular target/actual comparison with variance analysis. Interest rate derivatives concluded are monitored on a regular basis.

2. Risks of future development

Im Rahmen der Geschäftstätigkeit ist ecotel mit operativen Risiken, finanzwirtschaftlichen Risiken, strategischen Risiken sowie mit Risiken des Marktumfelds konfrontiert. Im Folgenden werden die wesentlichen Risiken erläutert und mit ihrem Brutto- und Nettorisiko (nach eingeleiteten Maßnahmen) aufgeführt. Die Risikosituation hat sich nicht wesentlich zum Vorjahr verändert.

Operational risks

Operational risks

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

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

With regard to the data centre infrastructure, potential risks relate to failure of the air conditioning and emergency power supply or loss of connections. The emergency power supply and air conditioning are designed on a redundant basis. The data centres in Düsseldorf and Frankfurt am Main are geo-redundant and are connected with each other on an edge- and hub-disjoint basis. In addition, supply lines from the main carrier suppliers are connected to the two data centres redundantly. The internet connection is also set up geo-redundantly with various different carriers to both PoPs. (gross risk 2/net risk 3; loss class: medium).

The company's own **local exchange carrier operations** and the connected technical software and system components form the basis for achieving value added in the ecotel Business Customers and easybell segments. Particularly the very complex IT system landscape for the ecotel Business Customers segment, downtime of parts or a complete breakdown would result not only in a considerable loss of reputation, but also means that the group would face material claims for damages. For this reason, especially in the financial year 2020, the system landscape established for its growing local exchange carrier operations was completely overhauled and system redundancy considerably expanded, not only within a computer centre but also between the Frankfurt am Main and Düsseldorf locations. These system changes considerably reduced the risk of downtime for the telephony platform. (gross risk 2/net risk 4; especially ecotel Business Customers segment; loss class: high).

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

Financial risks

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

Financial risks

ecotel has agreed customary creditor protection clauses relating to certain key ratios (known as financial covenants) with the financing **banks**. These ratios are calculated based on the consolidated financial statements prepared by ecotel in accordance with IFRS.

Failure to comply with the covenants could possibly result in termination and early repayment of the investment loans and working capital facilities and therefore a significant deterioration in ecotel's liquidity position if no agreement can be reached on an adjustment of the financial covenants or on refinancing. For all the financial covenants agreed (equity ratio, EBITDA/sales and net debt/EBITDA), ecotel is currently within the stipulated ranges. The company also expects to be able to comply comfortably with all covenant thresholds in 2021 (gross risk 2/net risk 4; loss class: very high).

Special situation COVID-19 pandemic

The spread of the corona virus poses great challenges for business. This situation is new, also for ecotel. For this reason, at the present moment a final risk assessment is possible only to a limited extent. However, it cannot be assumed that there will be no impact on future business performance, even though there was not material negative impact in 2020. Undoubtedly, an extension or repeated necessary closures of individual industries or an ongoing considerable contact reduction will certainly increase the risk of customer or supplier insolvencies and thus to defaults, lower sales or even supplier bottlenecks. In addition, the health of the employees could remain endangered and the measures taken up to now may no longer be sufficient. A special action committee meets regularly to assess the situation. It coordinates measures and makes decisions at short notice. As of now, the measures taken have been successful.

Legal risks

Legal risks

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

On this basis, appropriate measures are taken in good time to avoid potential losses for the Group. As at the end of the 2020 financial year, the Group is not exposed to any significant legal disputes.

Tax risks

Tax risks

Risks for the Group occur if tax laws and other regulations are not fully observed. They may also arise as a result of matters requiring interpretation if the fiscal authorities believe that the appropriate tax consequences have not been drawn. Tax audits can therefore lead to tax arrears, interest and penalties. With the involvement of external tax advisers, the Group continuously monitors tax risks that could arise, for example, from tax legislation, changes in authorities' interpretations or tax jurisdiction. The most recent tax audit of the entire Group covered the years 2012 to 2014. Currently an external tax audit is taking place for the period 2015 to 2017. As of the present moment this has not resulted in any findings.

On 15 December 2020, ecotel was informed by the responsible tax office (control notification) that the input tax deduction from incoming invoices of an individual material supplier it to be retroactively denied. The reason given was a special sales tax audit at this supplier. The total amount of the sales tax input deduction in question amounts to € 3.7 million. Since this control notification was received, a wide range of steps has been taken to clarify the matter. In particular, there has been close contract between the supplier and the responsible tax adviser. The supplier has submitted comprehensive documentation and descriptions, outstanding sales tax reports for 2020 and the annual sales tax declaration to the tax office responsible for the supplier. This has been confirmed by its tax advisers. Furthermore, ecotel has not paid the supplier open accounts payable of € 1.9 million in a timely manner and complying with proper form and plans to retain this payment until final clarification of the matter.

In view of the existing documentation and information and on the basis of external expert opinion, ecotel estimates that the risk of an outflow of resources with sales tax at the above level is considerably under 50 %. In the unlikely case of a legally binding repayment obligation, ecotel would have not only the retained payables of € 1.9 million but also a repayment obligation from the supplier at the level of the reclaimed input tax, which would then result in a corresponding claim.

Strategic risks

Strategic risks

ecotel procures a large portion of its line purchases from large upstream suppliers. ecotel is continuously in talks with alternative suppliers to enable it to keep offering competitive all-IP services in the future without having to give up the multi-supplier strategy it has pursued so far (gross risk 2/net risk 3; particularly ecotel Business Customers segment; loss class: high).

Risks relating to the market environment

Risks relating to the market environment

Other significant risks that could bring about a considerable deterioration in ecotel's economic situation relate to the market and the sector. There is already intense price and predatory competition in the private customer segment, which could spread to the business customer segment to a greater extent in the future. If the significant consolidation of the telecommunications industry continues, this could have negative effects on the net assets, financial position and result of operations of ecotel, as it would increase its dependency on individual suppliers (gross risk 2/net risk 2; loss class: high).

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

The existing regulatory conditions, which are significantly influenced by decisions by the German Federal Network Agency and other consumer protection measures, could also change to the detriment of ecotel's operations, resulting in negative business developments. It also remains to be seen what regulatory effects will arise from a specification of the European single market for telecommunications (gross risk 2/net risk 2; loss class: high).

Overall risk is calculable

In summary, ecotel is convinced that the key risks identified neither individual nor collectively pose a tangible risk to ecotel's continued existence and that ecotel's flexible business model and monitoring system will enable it to detect risks quickly, react to them and initiate countermeasures in 2021, too.

3. Opportunities of future development

In addition to risks, there are a wide range of opportunities that can affect ecotel's business performance on a long-term basis. Not least because of the COVID-19 pandemic, there has been a rapid change in the telecommunications market and one can expect that a major part of these changes will be of a long-term nature. After the successful migration of existing customers over the last few years in combination with the completed turnaround, ecotel is well positioned to cope rapidly and quickly to this change, thus benefiting to an above-average degree. As a result of the targeted strategic alignment and external factors, the opportunity situation has thus improved in comparison to the previous year.

Home office as a trending topic, decentralised work and collaboration
In 2020 ecotel launched several extensions of its product portfolio, taking account of current customer requirements, always produced on the basis of or as a supplement to the high-quality high-margin ecotel platforms. This resulted in companies being provided with an integrated offering for working in the network from home. In addition, a bundled offering consisting of ecotel All-IP voice services together with the leading collaboration solution Microsoft Teams was introduced as well as a multi-cloud-connect which offers a secure connection of the ecotel data lines to the large cloud providers such as Azure, AWS or Google.

Sales increase from marketing new products in the area of voice over IP and IP centrex/hosted PBX
Two further key trends in telecommunications are voice over IP (VoIP) and the relocation of telephone systems to the network (IP Centrex/hosted PBX). The ecotel product range has exactly these characteristics. With its local exchange carrier operations as well as its in-house IP Centrex solutions, converting the existing customer basis provided further opportunities to raise revenue and profit opportunities.

Sustainable sales activities for data
Data sales including hosting already account for more than 50 % of sales with business customers. The past financial year showed that this ratio could see stronger growth than is incorporated in the current planning, partly due to the expansion of fibre optic technology and the development of an open-access platform.

Sales growth and improvement in gross profit margin in ecotel Business Customers segment due to local exchange carrier (LEC) operations
As a local exchange carrier, ecotel additionally benefits from collecting termination fees from incoming connections to ecotel's customer connections. In addition to this income item, there is a particular opportunity for ecotel now to develop a product and tariff portfolio that is largely independent from the upstream suppliers. As well as higher value added, this ideally also allows for a more targeted customer focus. For example, special bundled offers for cooperations and particular sectors would be conceivable. ecotel has so far primarily processed upstream products, but now it is able to incorporate the experience gathered directly in its fundamental product design – resulting in lower production costs and greater attractiveness for marketing partners and customers.

ecotel® all around communication

Acquisition of further major customers and renewal of contracts and expansion with existing major customers
The successful implementation of major projects, in particular the SD-WAN project with more than 8,000 German locations which was completed in 2020, creates additional opportunities for ecotel to implement similar projects for other major customers with decentralised structures. These particularly include the customisable remote router management service, connectivity solutions within an MPLS VPN, and central firewall services in ecotel's data centre. It is also possible to enter into contract renewal talks with existing customers before the end of the contractual minimum terms.

The experience and knowledge gained gives ecotel the opportunity to extend relationships with major customers. In addition, potential new customers benefit from the experience ecotel has gathered in recent years (e.g. rollouts in the retailer environment), giving ecotel the opportunity to conclude further profitable contracts with major customers. After the active migration of existing customers from ISDN to All-IP has been largely completed over the last few years, the existing sales capacity can now focus more strongly on gaining new customers.

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

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

Further increase in sales and earnings at easybell

Business with call-by-call minutes continued to decline as planned. However, easybell successfully launched business with NGN voice services for small business customers (SIP trunk) and a new router rental model (www.routermiete.de) on the market. These new products and other product ideas may have a positive influence on easybell's sales and earnings performance in the future.

New products at nacamar

nacamar has positioned itself very well with digital media services for broadcasting customers and is currently working on innovative new solutions (using the product name YBRID) for internet radio (streaming). Together with technology partners, this product allows for broadcasting, streaming and player technologies to be combined without changing existing programme sequences (the user can choose between different music tracks while the radio programme is playing). This new product and further focussing may have a positive impact on nacamar's sales and earnings performance.

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

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

4. Forecast

Note on forecasts

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

Forecast

Forecast

Due to the far-reaching restrictions in the context of the COVID-19 pandemic, the German economy slid into a recession, with gross domestic product contracting by roughly 5.0 % in 2020. Current forecasts on the development of gross domestic product for 2021 vary considerably according to who makes the forecast and when. In the past, due to its broad customer basis and broad product portfolio, ecotel's business had generally not been affected by macroeconomic fluctuations. The general economic conditions of the market situation and the assessment of the risk and opportunity situation as presented in this Group Management Report were incorporated in the forecast for 2021.

Forecast for 2021

In view of the effects presented and the above-mentioned uncertainties, the Management Board is issuing the following forecast:

After several years of stable sales in the ecotel Business Customers core segment, the Management Board expects sales growth for 2021. For this segment 2021 sales are forecast in a range between **€ 47 million to € 50 million**, with an ongoing slight rise in the gross profit margins and thus correspondingly higher gross profit margins. Sales of between **€ 24 million and € 26 million** are anticipated in the easybell segment, and sales of **€ 2.0 million to € 2.5 million** in the nacamar segment.

EBITDA is expected to be within a range of **€ 12 million to € 14 million**. For EBITDA the Management Board anticipates a range of € 5.5 million to € 6.5 million for the ecotel Business Customers EBITDA segment, a range of € 6.0 million to € 7.0 million for the easybell nacamar segment and a range of € 0.5 million to € 1.0 million for the nacamar segment.

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

Medium-term planning

The management pursues the goal of operating ecotel’s business sustainably while also increasing its income and profitability figures without damaging the Group’s financial substance. This includes further targeted investments in the expansion of business areas, new products, technology, IT and security, as well as investments in staff and optimisation of organisational structures. Subsequently remaining free cash flow is to be used to repay debt and remunerate the shareholders (e.g. with dividend payments). Please also refer to the comments in the section on group management. As a result of the successful launch of new products and the currently very good level of incoming orders, ecotel is well positioned to deal with the very rapidly changing challenges on the telecommunications market at present. The current uncertainty in the forecast for key economic parameters as a result of the COVID-19 pandemic and the related restrictions makes it virtually impossible to implement reliable medium-term planning. For this reason the Management Board is not making any quantitative statement on medium-term planning.

1.5 Remuneration for members of executive bodies and the Supervisory Board

1. Remuneration system for members of executive bodies

Remuneration for members of executive bodies (the Management Board)

Management Board member

The remuneration of the Management Board members of ecotel ag is based on section 87 of the German Stock Corporation Act (AktG) and the German Management Board Remuneration Act (VorstAG) as well as the provisions of the German Corporate Governance Code (GCGC) in the version dated 16 December 2019.

In 2020 there was a fundamental revision of the remuneration system. Of particular important is that the long-term remuneration is replaced by the Stock Option Programme (SOP 2020) resolved by the Annual General Meeting in 2020. The key elements of Management Board remuneration are described below:

Contribution of the remuneration system to the strategy and long-term company development at ecotel communication ag

The remuneration system for members of the ecotel communication AG Management Board is geared toward sustainable and long-term company development as well as to an increase in the enterprise value to the benefit of all shareholders. It thus makes a contribution to promoting business strategy and the long-term performance of the company. The system offers incentives for the value-creating and long-term development of the company. The related strategic and operating key performance indicators are embedded as targets in the variable remuneration of the members of the Management Board. The long-term remuneration of the members of the Management Board was linked to the share price performance of the company by the grant of stock options. With the resulting dovetailing of management and shareholder interests, the Supervisory Board expects a better contribution to the strategy and long-term company development than in the case of an alignment based on key business performance indicators.

The remuneration system aims to ensure that the members of the Management Board are appropriately remunerated according to their sphere of activity and responsibility, taking into reasonable account both the personal performance of each and every Management Board member as well as the economic situation and success of the company. The remuneration system allows the continuation of a competitive remuneration, thus offering an incentive for dedicated and successful work.

Remuneration components

The total remuneration of each Management Board member consists of three components: fixed basic remuneration, a target achievement bonus aligned to short-term personal goals and long-term remuneration in the form of stock options.

1. Basic remuneration

The fixed remuneration consists of annual, fixed non-performance related remuneration, which is paid every month in twelve equal parts. The fixed remuneration also includes the provision of a company car or alternatively a car allowance.

2. Short-term variable remuneration with a target achievement bonus

The members of the Management Board were granted a target achievement bonus with a short-term alignment. It is aligned to achieving particular targets and is paid entirely in cash. The relevant targets and amounts as well as when payment becomes due are agreed between the Supervisory Board and the member of the Management Board. The targets to be specified are individual operating targets for the direct area of responsibility of the respective Management Board member.

The Supervisory Board specifies the targets on the basis of the specific situation in the coming financial year. It is free to authorise targets different to those mentioned above and to include them in the concrete list of criteria for a financial year. As the situation of the company can change from financial year to financial year, the respective targets to be agreed can be very different. A subsequent change to the targets or amounts for the specific financial year is not intended. In the Supervisory Board meeting in which a resolution is passed on the approval of the annual and consolidated financial statements for the past financial year, the Supervisory Board determined the actual target achievement for each individual Management Board member for the target achievement bonus. Whether the agreed targets have been reached is determined on a substantive basis (for targets such as a concluding a contract) or on the basis of the company’s accounts (for targets relating to achieving key operating performance indicators). The Management Board service contracts include regulations according to which the short-term target achievement bonus can be reclaimed by the company in certain circumstances relating to the intentional infringement of obligations.

3. Long-term variable remuneration

In 2020, the two Management Board members, Peter Zils and Achim Theis, realigned their long-term variable remuneration and since 2020 have participated in the Stock Option Plan 2020 (SOP 2020). Markus Hendrich, who was appointed as member of the Management Board as at 1 July 2020 also participated in the SOP 2020. This SOP 2020 with the related regulations and conditions, the number of options granted for each member of the Management Board and the relevant contingent capital was resolved by the Annual General Meeting on 3 July 2020.

The members of the Management Board received the following number of stock options in the financial year 2020:

Management Board member	Number of SOP 2020 (units)	Exercise date	Grant amount
Peter Zils	82,571	1 August 2024	€ 6.8691
Markus Hendrich	70,186	1 August 2024	€ 6.8691
Achim Theis	70,186	1 August 2024	€ 6.8691

In financial year 2020, a total of € 32 thousand was recognised in expenses, € 12 thousand for Peter Zils, € 10 thousand for Markus Hendrich and € 10 thousand for Achim Theis.

The legal basis for granting the options was a grant agreement concluded between the Supervisory Board and the respective member of the Management Board on 31 July 2020. In line with the conditions of the SOP 2020, each share option entitles the Management Board member to acquire a share of the company at an option price at the level of the weighted average stock price of the company in XETRA trading on the Frankfurt Stock Exchange(or a comparable successor system) in a three-month period from the grant date.

The claim to the rights to shares can be satisfied either from Contingent Capital (2020) to be created or from the company's Treasury shares. The SOP 2020 stipulates a vesting period of four years from the respective grant date until the first exercisability.

The SOP 2020 stipulates the following performance targets which must be cumulatively fulfilled by the exercise date:

1. In the period from the grant date to the exercise date of the relevant option, the company's share price must have performed better in percentage terms than the comparable index, the TecDAX.

2. In the period from the grant date to the exercise date of the relevant option, the company's share price must have increased by at least 20 %.

Whether the above-mentioned price related targets are achieved is determined by the actual performance of the company's weighted three-month share price and that of the TecDAX. The Stock Option Plan (2020) regulates further details on this. If the performance targets are not reached, the company will reject exercise declarations it receives for stock options.

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

The SOP 2020 stipulates that in certain circumstances relating to the intentional infringement of obligations by the Management Board members, the Supervisory Board is authorised to subsequently reduce ("claw back") the number of stock options granted.

Relative share of the remuneration components in total remuneration

As the individual remuneration components are specified individually for each Management Board member and the target achievement of the bonus in different financial years and the value flow at the Management Board members can be different as a result of the exercise of stock options, the anticipated relative share of the individual remuneration components is stated only as a range (in percent) on the basis of specific assumptions stated below. No legally binding relative ranges have been provided. This ensures that the Supervisory Board can specify the total remuneration of the Management Board in line with the above-mentioned principles in an appropriate relationship to the company's position. Unaffected by this is the specification of maximum remuneration.

The points of reference for the variable remuneration components were selected in the Management Board service contacts so that during the duration of the respective contracts, there is the following relative share of total remuneration

- roughly 60 % to 70 % of fixed basic remuneration,
- roughly 10 % to 15 % of the short-term portion of the target achievement bonus and
- roughly 20 % to 30 % of long-term portion of the remuneration.

Terms and termination of the Management Board contracts

The Management Board service contracts are concluded for the duration of the appointment of the person concerned to the Management Board and thus for a period of up to five years. In the agreement it can be agreed that the term can be extended accordingly if the person concerned is reappointed to the Management Board. If either the company does not wish a specific Management Board member to be reappointed or a Management Board member does not wish to be reappointed or the Supervisory Board dismisses the Management Board member, it may be agreed that the Supervisory Board shall release the Management Board member from their duties, with the contract remaining in force for the remaining period.

Ordinary termination of the service contract of the Management Board member is excluded. It is possible, however, for both the Management Board member concerned and the company to terminate the contract for cause.

All service contacts with the members of the Management Board current have a term to 30 June 2024.

Payments in the event of premature termination of the Management Board service contract

If the Management Board service contract is terminated during the year, the fixed remuneration, the target achievement bonus and any company-related bonus are granted on a pro rata basis. The level of target achievement for the bonus is always calculated on the day on which the service contract ends, although the remuneration system provides for the agreement of an alternative arrangement in the Management Board contract.

With the end of the Management Board service contract, the member of the Management Board loses the right to exercise stock options according to the Stock Option Plan (2020). This does not apply if the employment or service agreement of the participant ends as a result of occupational disability or invalidity of the participant or as a result of his retirement or on the basis of termination or resignation of the participant as a result of a circumstance which can be ascribed to the company and which represents a compelling reason in line with section 626 BGB. Otherwise the stock options do not lapse, as the grant agreement states that the termination of an appointment or a service contract does not result in a lapse of the options, if termination results from the end of the contract or appointment period. Also in other cases, when the service contract has been terminated by mutual agreement for reasons for which the Management Board member is not responsible and there is a case of hardship or there have been special achievements on the part of the Management Board member, the Supervisory Board may stipulate a special regulation deviating from the general lapse regulation.

Description of the procedure for defining, implementing and reviewing the remuneration system

When the remuneration system is being formulated, the Supervisory Board – with the support of the Nomination Committee – must review the appropriateness of the current structure of the Management Board remuneration within the company. To assess the suitability of the Management Board remuneration in comparison to other companies (horizontal remuneration comparison), the Supervisory Board has deployed an analysis of peer group companies consisting of QSC AG, freenet AG, nfon AG and 11880 AG, as well as a general comparison across the industry. In addition, this assessment included a vertical remuneration comparison in which the remuneration and employment conditions of the employees in the company are taken into account. The primary comparison group was the extended management and the directors.

For the individual remuneration components, the remuneration system provides for various bandwidths within which the most important values for each individual Management Board member can be set.

When setting the remuneration parameters, the Supervisory Board ensures that the share of long-term variable remuneration exceeds the share of the short-term variable remuneration. Furthermore, the Supervisory Board ensures that remuneration components are related to challenging, relevant reference parameters.

This remuneration system was implemented into all Board of Management service contracts with effect from 1 July 2020. New Management Board service agreements to be concluded and an extension of Management Board service contracts are also used as a basis.

The table below shows the amounts granted, including fringe benefits, for each Management Board member for the 2020 financial year. In the case of variable remuneration components, it also shows the maximum and minimum achievable remuneration (based on sample table 1 on item 4.25 paragraph 3 {first bullet point} of the 2017 German Corporate Governance Code.

Amounts granted in thousand €	Peter Zils *CEO*			
	2020 (target)	**2019** (target)	**2020** (min.)	**2020** (max.)
Fixed remuneration	350	350	350	350
Fringe benefits	23	23	23	23
Total	**373**	**373**	**373**	**373**
Annual variable remuneration	50	67	0	50
Multi-year variable remuneration	-	34	-	-
Stock Option Plan (2020)	116	-	-	116
Total	**539**	**474**	**373**	**539**
Pension expenses	0	0	0	0
Total remuneration	**539**	**474**	**373**	**539**

Amounts granted in thousand €	Markus Hendrich *CDO (since 1 July 2020)*			
	2020 (target)	**2019** (target)	**2020** (min.)	**2020** (max.)
Fixed remuneration	100	-	100	100
Fringe benefits	8	-	8	8
Total	**108**	**-**	**108**	**108**
Annual variable remuneration	20	-	-	20
Multi-year variable remuneration	-	-	-	-
Stock Option Plan (2020)	99	-	-	99
Total	**227**	**-**	**108**	**227**
Pension expenses	0	-	0	0
Total remuneration	**227**	**-**	**108**	**227**

Amounts granted in thousand €	Achim Theis *CCO*			
	2020 (target)	**2019** (target)	**2020** (min.)	**2020** (max.)
Fixed remuneration	250	250	250	250
Fringe benefits	21	17	21	21
Total	**271**	**267**	**271**	**271**
Annual variable remuneration	25	45	-	40
Multi-year variable remuneration	-	12	-	-
Stock Option Plan (2020)	99	-	-	99
Total	**395**	**324**	**271**	**410**
Pension expenses	0	0	0	0
Total remuneration	**395**	**324**	**271**	**410**

The table below shows the amounts received by each Management Board member in/for the 2020 financial year, consisting of fixed remuneration, short-term variable remuneration, long-term remuneration and other remuneration, differentiated based on the respective base years (in line with sample table 2 on item 4.2.5 paragraph 3 {second bullet point} of the German Corporate Governance Code 2017).

	Peter Zils *CEO*		**Markus Hendrich** *CDO (since 1 July 2020)*		**Achim Theis** *CCO*	
Amounts received in € thousand	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	341	330	100	-	250	250
Fringe benefits	23	23	8	-	21	17
Total	364	353	108	-	271	267
Annual variable remuneration	50	-	20	-	25	-
Multi-year variable remuneration	8	-	-	-	6	-
Total remuneration	**422**	**353**	**128***	**-**	**302**	**267**

** The remuneration of Markus Hendrich relates to six months as he was appointed to the Management Board as at 1 July 2020.*

In 2020, sustainability components from 2018 were included as sub-amounts in the multi-year variable remuneration.

No pension expenses were paid for Management Board members in 2020 or in 2019.

2. Remuneration system for the Supervisory Board

Supervisory Board

The members of the Supervisory Board receive fixed remuneration for each full financial year of their membership of the Supervisory Board. In addition, each member of the Supervisory Board receives an attendance fee for each Supervisory Board meeting that they attend in person (but not for meetings of a Supervisory Board committee). ecotel ag reimburses each Supervisory Board member for the expenses incurred in performing their duties. Supervisory Board members who were on the Supervisory Board only for part of the financial year receive pro rata remuneration for each month of Supervisory Board work commenced. ecotel ag provides the members of the Supervisory Board with insurance cover for the exercise of their Supervisory Board duties.

The following individuals were appointed as members of the Supervisory Board in the 2020 financial year:

- Dr Norbert Bensel, independent business consultant, Berlin (Chairman)
- Mirko Mach, businessman, Heidelberg (Deputy Chairman)
- Tim Schulte Havermann, businessman, Recklinghausen
- Brigitte Holzer, businesswoman, Berg
- Sascha Magsamen, businessman, Oestrich-Winkel
- Dr Thorsten Reinhard, lawyer, Kronberg im Taunus

The table below shows the remuneration of the Supervisory Board:

Supervisory Board	Remuneration in € in 2020	Remuneration in € in 2019
Dr Norbert Bensel	24,000	24,000
Mirko Mach	19,000	19,000
Dr Thorsten Reinhard	14,000	14,000
Brigitte Holzer	14,000	14,000
Sascha Magsamen	13,000	13,000
Tim Schulte Havermann	12,000	14,000
Total	**96,000**	**98,000**

The members of the Supervisory Board were also members of the following committees and worked in the following principal occupations in the 2020 financial year:

Supervisory Board member	Funktion	Unternehmen
Dr Norbert Bensel	Managing Director	NB Consulting- und Beteiligungs GmbH, Berlin
	Supervisory Board member	Praktiker AG, i. L., Kirkel
	Supervisory Board member	Praktiker Deutschland GmbH, Kirkel
	Supervisory Board member	IAS Institut für Arbeits- und Sozialhygiene AG, Berlin
	Advisory Board member	IQ Martrade Holding- und Managementgesellschaft mbH, Düsseldorf
	Supervisory Board member	EL-Net Consulting AG, Munich
Brigitte Holzer	Owner, Managing Director	Holzer Holding GmbH, Berg
	CFO/member of the Management Board	eClear AG, Berlin
Mirko Mach	Managing partner	MPC Service GmbH, Heidelberg

Supervisory Board member	Role	Company
Sascha Magsamen	Chairman of the Supervisory Board	MediNavi AG, Munich
	Chairman of the Supervisory Board	Auden AG, Berlin
	Deputy Chairman of the Supervisory Board	Ecolutions GmbH & Co. KGaA, Frankfurt am Main
	Supervisory Board member	FMR Research AG, Frankfurt am Main
	Supervisory Board member	EMA European Medical Academy AG, Amsterdam (NL)
	Supervisory Board member	Hallgartener Weinkeller EG, Oestrich-Winkel
	Management Board member	PVM Private Values Media AG, Frankfurt am Main
	Management Board member	Ferax Capital AG, Frankfurt am Main
	Management Board member	Inspire AG, Salzkotten
	Management Board member	Mood and Motion AG, Frankfurt am Main
	Management Board member	Novetum AG, Frankfurt am Main
	Managing Director	Mattiak Immobilienverwaltungsgesellschaft mbh, Frankfurt am Main
	Managing Director	Ferax Capital Beratungs GmbH, Frankfurt am Main
	Managing Director	PVMC GmbH, Frankfurt am Main
Dr Thorsten Reinhard	Partner (member)	Noerr Partnerschaftsgesellschaft mbH, Munich
	Chairman of the Supervisory Board	ISS Facility Service Holding GmbH, Düsseldorf
	Chairman of the Supervisory Board	ISS Communication Services GmbH, Düsseldorf
	Chairman of the Supervisory Board	ISS Energy Services GmbH, Düsseldorf
	Supervisory Board member	Wackler Holding SE, Munich
Tim Schulte Havermann	Managing Director	conCapital VV GmbH, Berlin
	Managing director	conCapital Chemnitz 1 Vermögensverwaltung GmbH, Berlin
	Managing Director	TMT Gruppe GmbH, Berlin
	Chairman of the Supervisory Board	PIAG ProInvest Real Estate AG, Dresden

1.6 Takeover-related disclosures

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

In the event of a change of control at ecotel ag, the joint shareholder of easybell GmbH, Consultist GmbH, has the right to acquire a partial interest in easybell GmbH from ecotel ag that brings its equity investment in easybell GmbH up to at least 51 %. The purchase price must correspond to the market value of the partial interest.

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

1.7 Declaration on corporate governance and corporate governance report

The Management Board and Supervisory Board of ecotel communication ag have issued the declaration on corporate governance required in accordance with section 289f and section 315d of the German Commercial Code (HGB) and the corporate governance report including the declaration stipulated in section 161 of the German Stock Corporation Act (AktG) and have made them permanently available to the public online ***(http://ir.ecotel.de/websites/ecotel/English/6000/corporate-governance.html)***.

Düsseldorf, 5 March 2021

ecotel communication ag
The Management Board

Peter Zils *Markus Hendrich* *Achim Theis*

Statement by the legal representatives

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

Düsseldorf, 5 March 2021

ecotel communication ag
The Management Board

Peter Zils *Markus Hendrich* *Achim Theis*

2.0 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position as at 31 December 2020

€	Notes	31/12/2019	31/12/2020
Assets			
A. Non-current assets			
I. Intangible assets	(1)	13,280,638	13,717,986
II. Property, plant and equipment	(2)	11,109,794	10,513,000
III. Rights of use from leases	(3)	8,441,749	7,448,229
IV. Capitalised contract costs	(4)	2,812,221	3,132,841
V. Investments accounted for using the equity method	(5)	996,828	1,129,059
VI. Contract assets	(6)	-	100,291
VII. Deferred income tax assets	(7)	1,158,157	1,362,886
Total non-current assets		**37,799,387**	**37,404,292**
B. Current assets			
I. Trade receivables	(6)	7,437,263	7,221,831
II. Contract assets	(6)	43,558	48,140
III. Other financial assets	(6)	2,514,259	649,554
IV. Other non-financial assets	(6)	402,990	411,309
V. Current income tax assets	(7)	376,178	433,332
VI. Cash and cash equivalents	(8)	8,253,405	7,758,849
Total current assets		**19,027,653**	**16,523,015**
Total assets		**56,827,040**	**53,927,307**

Differences in the totals may occur due to rounding.

€	Notes	31/12/2019	31/12/2020
Equity and liabilities			
A. Equity	(9)		
I. Share capital		3,510,000	3,510,000
II. Capital reserves		1,833,254	1,883,234
III. Other reserves		13,439,439	14,439,493
Interests attributable to owners of the parent		**18,782,694**	**19,832,727**
IV. Minority interests		3,389,254	3,550,736
Total equity		**22,171,947**	**23,383,463**
B. Non-current liabilities			
I. Deferred income taxes	(10)	986,353	905,847
II. Non-current loans	(11)	5,499,992	3,083,333
III. Lease liabilities	(12)	7,395,473	6,510,994
IV. Contract liabilities	(13)	1,146,628	1,259,529
V. Other financial liabilities	(11)	1,506,744	1,171,774
Total non-current liabilities		**16,535,190**	**12,931,477**
C. Current liabilities			
I. Current income taxes	(10)	330,675	806,341
II. Current loans	(11)	1,750,008	2,416,667
III. Lease liabilities	(12)	1,212,016	1,216,204
IV. Trade payables	(11)	10,487,856	9,102,578
V. Contract liabilities	(13)	1,040,199	1,269,296
VI. Provisions	(11)	10,695	10,000
VII. Other financial liabilities	(11)	2,226,946	2,219,857
VIII. Other non-financial liabilities	(11)	1,061,508	571,424
Total current liabilities		**18,119,903**	**17,612,367**
Total equity and liabilities		**56,827,040**	**53,927,307**

Consolidated statement of comprehensive income for the 2020 financial year

€	Notes	1/1–31/12/2019	1/1–31/12/2020
1. Sales	(16)	82,749,903	98,299,936
2. Other operating income	(17)	715,836	507,056
3. Other own work capitalised		422,470	327,523
4. Total operating performance		**83,888,208**	**99,134,515**
5. Cost of materials			
5.1 Cost of purchased services	(18)	-49,176,139	-60,603,094
6. Staff costs	(19)		
6.1 Wages and salaries		-13,315,978	-14,008,766
6.2 Social security and expenses for pensions and other benefits		-2,271,783	-2,276,266
7. Depreciation and amortisation	(20)	-7,229,598	-7,546,066
thereof amortisation of rights of use from leases		-1,294,231	-1,323,671
8. Other operating expenses	(21)	-10,412,254	-10,682,276
9. Operating result (EBIT)		**1,482,458**	**4,018,046**
10. Interest income		38	173
11. Interest expense		-485,342	-478,048
thereof interest expense from lease liabilities		-255,560	-231,368
12. Other financial expenses		-8,621	-835
13. Net income from investments accounted for using the equity method		240,363	232,232
14. Net finance costs	(22)	**-253,562**	**-246,478**
15. Profit from ordinary activities before income taxes		**1,228,896**	**3,771,567**
16. Income taxes	(23)	-338,039	-1,139,431
17. Net profit (= consolidated comprehensive income)		**890,857**	**2,632,136**
18. Allocation of net profit to			
18.1 Owners of the parent (consolidated net profit)		**-165,507**	**1,000,054**
18.2 Minority interests	(24)	1,056,364	1,632,082

€	Notes	1/1–31/12/2019	1/1–31/12/2020
Basic earnings per share	(25)	-0.05	0.28
Diluted earnings per share*	(25)	-0.05	0.28

** As at 31 December 2020, as in the previous year there was no dilution of earnings per share. In financial year 2020, no stock options were exercised (4 years lock-up period). Due to a lack of relevant circumstances, no "other comprehensive income" item is presented.*

Differences in the totals may occur due to rounding.

Consolidated statement of cash flows for the 2020 financial year

(see note 26)

€ thousand	2019	2020
Profit from ordinary activities before income taxes	1,229	3,772
Net interest income	485	467
Amortisation of non-current assets	7,230	7,546
Net income from investments accounted for using the equity method	-240	-232
Expenses for equity-settled share-based remuneration	-	50
Gain (-)/loss (+) from disposals of fixed assets	33	27
Changes in working capital assets	205	1,646
Change in provision	-9	-1
Change in other working capital liabilities	2,081	-2,014
Income taxes paid (-)/received (+)	-1,054	-1,006
Net cash from operating activities	**9,960**	**10,255**
Payments for investments in intangible assets and property, plant and equipment	-6,440	-5,951
Cash receipts from repayments of equity by investments measured using the equity method	100	100
Interest payments received	0	0
Net cash used in investing activities	**-6,340**	**-5,851**
Cash receipts from taking out financial loans	3,200	0
Dividends paid	-456	0
Payments to minority interests	-980	-1,471
Repayments of financial loans	-1,609	-1,750
Repayments of lease liabilities	-1,128	-1,210
Interest payments for other financial liabilities	-229	-247
Interest payments for leases	-256	-221
Net cash used in financing activities	**-1,459**	**-4,898**
Cash-effective change in cash and cash equivalents	**2,160**	**-494**
Cash and cash equivalents at beginning of period	6,093	8,253
Cash and cash equivalents at end of period	**8,253**	**7,759**

Differences in the totals may occur due to rounding.

Consolidated statement of changes in equity

€ thousand Note (9)	Share capital	Capital reserves
As at 1 January 2019	**3,510**	**1,833**
Distributions	0	0
Reclassification of prior-year result	0	0
Changes in equity not recognised in income	**0**	**0**
Consolidated net income for 2019	0	0
Changes in equity recognised in income	**0**	**0**
As at 31 December 2019	**3,510**	**1,833**
As at 1 January 2020	**3,510**	**1,833**
Distributions	0	0
Reclassification of prior-year result	0	0
Changes in equity not recognised in income	**0**	**0**
Increase in equity-settled remuneration	0	50
Consolidated net income for 2020	0	0
Changes in equity recognised in income	**0**	**50**
As at 31 December 2020	**3,510**	**1,883**

As a result of commercial rounding, there may be differences in the totals.

Earnings reserves				
Other earnings reserves	Consolidated net income	Interests attributable to owners of the parent	Minority interests	Total
13,611	**451**	**19,405**	**3,313**	**22,718**
-456	0	-456	-980	-1,436
451	-451	0	0	0
5	**-451**	**-456**	**-980**	**-1,436**
0	-166	-166	1,056	891
0	**-166**	**-166**	**1,056**	**891**
13,604	**-166**	**18,783**	**3,389**	**22,172**
13,604	**-166**	**18,783**	**3,389**	**22,172**
0	0	0	-1,471	-1,471
-166	166	0	0	0
-166	**166**	**0**	**-1,471**	**-1,471**
0	0	50	0	50
0	1,000	1,000	1,632	2,632
0	**1,000**	**1,050**	**1,632**	**2,682**
13,439	**1,000**	**19,833**	**3,551**	**23,383**

Notes to the consolidated financial statements ecotel communication ag Accounting principles

General information

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

The ecotel Business Customers segment is the core area of ecotel ag. It includes all business relating to the marketing of integrated product portfolios of voice and data services (ICT solutions) and the earnings contributions of the minority investment mvneco GmbH. The ecotel Wholesale segment comprises cross-network trading in telephone minutes (wholesale) for national and international carriers. The easybell segment comprises all business of the easybell Group. easybell markets telephone systems for business customers which can be understood and are simple to integrate as well as all-IP telephony with or without carrier lines. In addition, the easybell Group operates a router rental model (www.routermiete.de) and offers affordable call-by-call for domestic and international phone calls. The nacamar segment comprises the business activities of the subsidiary nacamar and offers content delivery network (CDN) streaming services for media companies.

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

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

The audited consolidated financial statements including the Group Management Report is published in the German Federal Gazette. The consolidated financial statements will be released for publication on 5 March 2021 with their handover from the Management Board to the Supervisory Board of ecotel communication ag.

Accounting principles

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

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

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

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

Because there were no corresponding circumstances at ecotel in the previous year or in the 2020 financial year, no presentation of other comprehensive income is shown after the income statement.

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

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

New standards or amendments to pronouncements of the IASB applicable for the first time in the consolidated financial statements as at 31 December 2020

By the date the consolidated financial statements as at 31 December 2020 were prepared, the following new and amended standards and interpretations had been adopted and endorsed by the EU in European law. Only the new or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown.

New standards or amendments to pronouncements of the IASB applicable for the first time as at 31 December 2020

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of "Material"	1 January 2020	1 January 2020
Amendments to IFRS 3 "Business Combinations": Definition of a Business	1 January 2020	1 January 2020
Amendments to IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement": Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Amendment to IFRS 16 "Leases": Covid-19-Related Rent Concessions	1 January 2020	1 January 2020
Amendment to referencing of the Conceptual Framework in IFRS standards	1 January 2020	1 January 2020

The initial application of this standard had no material effect on the ecotel's earnings, financial position and performance.

New standards or amended pronouncements of the IASB not yet applicable in the consolidated financial statements as at 31 December 2020

By the date the consolidated financial statements as at 31 December 2020 were prepared, no new and amended standards and interpretations had been adopted and endorsed by the EU in European law.

By the date the consolidated financial statements as at 31 December 2020 were prepared, the following new and amended standards and interpretations had been adopted but not yet endorsed by the EU in European law. Only the new standards or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown. However, these do not take effect until later and will not be applied early.

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement": Interest Rate Benchmark Reform (Phase 2)	1 January 2021	1 January 2021
Amendment to IFRS 3 "Business Combinations" References to the Conceptual Framework	1 January 2022	Not yet known
Amendments to IAS 16 "Property, Plant and Equipment": Proceeds before Intended Use	1 January 2022	Not yet known
Amendments to an IAS 37 "Provisions, Contingent Liabilities and Contingent Assets": Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022	Not yet known
Annual Improvements project 2018-2020 Cycle	1 January 2022	Not yet known
Amendments to an IAS 1 "Presentation of Financial Statements"; Classification of Liabilities as Current or Non-Current	1 January 2023	Not yet known
IFRS 17 "Insurance Contracts"	1 January 2023	Not yet known

Principles of consolidation

In accordance with IFRS, all business combinations are to be accounted for using the purchase method. The purchase price of an acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. The relevant factor here is the value ratios at the date when control over the subsidiary was obtained. Control means that the Group has power of disposition over the subsidiary in that it has substantial rights to govern the subsidiary's main business activities. The recognisable assets and the liabilities and contingent liabilities assumed are measured in full – irrespective of the equity interest – at their fair values. Any remaining positive difference is recognised as goodwill. Any remaining negative difference is recognised in profit or loss. The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date on. The income and expenses of a subsidiary continue to be included in the consolidated financial statements until the date when the parent ceases to control the subsidiary. On deconsolidation, the residual carrying amounts of goodwill are taken into account when calculating the gain or loss on disposal. Income and expenses between the consolidated companies are offset against each other, as are receivables and liabilities/provisions. Intercompany results are eliminated unless they are of only minor importance. Impairment and reversals of impairment losses recognised on shares in consolidated subsidiaries in the separate financial statements are generally reversed. Shares in associated entities are accounted for using the equity method.

This means that shares in an associated entity are recognised in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share in the net assets of the respective entity. The goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income includes the Group's share in the associated company's profit. The associated companies' financial statements are prepared as at the same reporting date as the parent company's financial statements. If necessary, adjustments are made in line with the Group's uniform accounting policies. If there are indications of possible impairment, the total net investment (value at equity including financial assets from these companies for which there is no adequate collateral) is tested for impairment in accordance with IAS 28 in conjunction with IAS 36.

Scope of consolidated financial statements

In addition to ecotel communication ag, the consolidated financial statements include all (previous year: all) subsidiaries in which ecotel communication ag directly or indirectly holds the majority of the voting rights and has substantial rights to govern the subsidiary's main business activities. Initial consolidation/deconsolidation generally takes place at the time the investment is acquired/sold. In the year under review and in the previous year, ecotel communication ag directly and indirectly held the following equity investments (list of shareholdings, based on the financial statements as at 31 December 2020):

Disclosures made on IFRS basis	Share of capital in % [2]	Equity in € thousand [2]	Earnings in € thousand [2]	Sales in € thousand [2]	Employees [1] (Average) [2]
easybell GmbH, Berlin (consolidated)	50,98	3.364	2.753	19.765	46
	(50.98)	(3,611)	(1,881)	(16.874)	(42)
carrier-services.de GmbH [3], Berlin (consolidated)	100.00	2,566	217	1.220	5
	(100.00)	(2,349)	(168)	(1.043)	(4)
sparcall GmbH [3], Bad Belzig (consolidated)	100.00	1,173	285	903	0
	(100.00)	(888)	(272)	(979)	(0)
init.voice GmbH [3], Berlin (consolidated)	100.00	195	74	228	0
	(100.00)	(121)	(84)	(378)	(0)
nacamar GmbH, Düsseldorf (consolidated) [4]	100.00	773	300	2.265	8
	(100.00)	(831)	(91)	(1.885)	(8)
mvneco GmbH, Düsseldorf (associate)	33.33	3,384	697	6.451	25
	(33.33)	(2,988)	(721)	(5.572)	(26)

1 Not including Management Board members / managing directors or trainees
2 Previous year's figures in brackets
3 Indirect investment via easybell GmbH
4 The result does not take account of any profit transfer / loss assumption

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

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

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

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

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

Internally generated intangible assets from which the Group is likely to derive a future benefit and that can be measured reliably are measured at production cost. Capitalisation is subject to their completion being technically ensured, which in turn is subject to there being an intention to complete the intangible asset. Internally generated intangible assets at ecotel communication ag generally relate to internally generated software and applications that are used by the company itself rather than being sold. At nacamar GmbH, internally generated intangible assets also include software developed to provide services to customers.

Their measurement is regularly based on the following useful lives:

Concessions and industrial property rights	Development costs	Software	Customer base
3 – 5 years	5 – 10 years	3 – 7 years	6 – 18 years

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

Research costs are treated as current expense. ***Development costs*** are capitalised and amortised on a straight-line basis when a newly developed product or process can be clearly defined, is technically feasible and is intended either for internal use or for marketing. Capitalisation is also subject to the condition that a clear allocation of expenses is possible, it is sufficiently likely that the costs can be covered by future cash funds and it is possible to use or sell the intangible asset. ***Goodwill*** from consolidation is tested for impairment at the level of the relevant cash-generating unit when there are signs of impairment, or at least once a year. In accordance with IAS 36, the carrying amount must be compared with the recoverable amount. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

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

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

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

Trade receivables and other financial assets are accounted for at fair value on initial recognition, taking account of any transaction costs incurred, and are amortised accordingly. These receivables represent an unconditional right to receive consideration. All trade receivables are of a short-term nature. Receivables denominated in a foreign currency are measured using the selling rate on the reporting date. The previous measurement category “loans and receivables” was replaced by the major category “amortised cost (AC)” as at 1 January 2018. The valuation allowances only relate to this major category and are entirely attributable to current assets. The business model currently provides for the receivables to be held, meaning that a different classification does not result in any significant effects. Valuation allowances for trade receivables are always measured in the amount of the lifetime expected credit losses. In accordance with IFRS 9, the simplified model is used in relation to impairment, as the Group only has trade receivables without significant financing components. The Group applies the simplified approach here and takes advantage of the permitted practical expedient. The expected credit loss risk for trade receivables is measured using an impairment matrix.

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

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

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

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

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

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

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

Equity-settled share-based payment plans are measured at fair value at time of grant. When determining the fair value of remuneration agreements at the grant date, no account is taken of performance conditions relating to service and the market. However, the probability that the conditions will be fulfilled is assessed in the context of the best estimate in respect to the number of equity instruments which become vested at the end of the vesting period. Performance conditions are recognised at fair value as at the grant date. All other vesting conditions related to a remuneration agreement, without connected service period conditions, are considered as a non-vesting condition. Non-vesting conditions are recognised at fair value in a remuneration agreement and are expensed immediately. The stock options granted to the Management Board and selected employees are measured on the basis of the Monte-Carlo simulation. The total value of the stock options granted is recognised in staff costs over the lock-up period of the stock option plan (4 years) and offset against capital reserves.

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

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

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

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

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

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

In the **ecotel Wholesale segment**, sales are recognised when the contractual performance obligations have been completed, and this is always at a specific point in time. These primarily relate to trading in voice minutes for various national and international telecommunication providers. The services are recorded in a statistics portal. They are regularly compared with the suppliers/customers and billed on a monthly basis.

The business model in the **easybell segment** is comparable with that of the ecotel Business Customers segment in substance. Only the target group is different. In addition to small business customers, this segment also targets private customers. The easybell segment also operates a router rental model (www.routermiete.de). The lease income from this line of business is classified as operating leasing. Sales are therefore recognised in accordance with the same principles as in the ecotel Business Customers segment.

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

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

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

Judgement and estimation uncertainties

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

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

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

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

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

Notes to the consolidated statement of financial position

(1) Intangible assets

Intangible assets developed as follows in the 2020 financial year:

€ thousand	Goodwill	Concessions, industrial property rights and similar rights and asset	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 01/01/2020	**14,427**	**6,525**	**6,291**	**9,769**	**159**	**37,171**
Additions	-	627	199	-	1,030	1,855
Reclassifications	-	159	13	-	-172	0
Disposals	-	124	30	-	-	153
As at 31/12/2020	**14,427**	**7,187**	**6,473**	**9,769**	**1,017**	**38,873**
Depreciation as at 01/01/2020	**5,553**	**5,334**	**3,961**	**9,042**	**0**	**23,891**
Amortisation	-	486	788	143	-	1,417
Disposals	-	124	28	-	-	152
As at 31/12/2020	**5,553**	**5,697**	**4,720**	**9,185**	**0**	**25,155**
Carrying amounts as at 31/12/2020	**8,874**	**1,491**	**1,753**	**584**	**1,017**	**13,718**

In the previous year, intangible assets developed as follows:

€ thousand	Goodwill	Concessions, industrial property rights and similar rights and asset	Internally generated intangible assets	Customer base	Advance payments/ developments	Total
Cost as at 01/01/2019	**14,427**	**5,716**	**5,409**	**9,769**	**218**	**35,540**
Additions	-	847	288	-	430	1,565
Reclassifications	-	62	593	-	-472	183
Disposals	-	98	-	-	17	116
As at 31/12/2019	**14,427**	**6,525**	**6,291**	**9,769**	**159**	**37,171**
Depreciation as at 01/01/2019	**5,553**	**4,988**	**3,135**	**8,899**	**0**	**22,575**
Amortisation	-	445	826	143	-	1,414
Disposals	-	98	-	-	-	98
As at 31/12/2019	**5,553**	**5,334**	**3,961**	**9,042**	**0**	**23,891**
Carrying amounts as at 31/12/2019	**8,874**	**1,191**	**2,330**	**727**	**159**	**13,281**

The reported goodwill breaks down as follows:

Cash-generating unit (CGU) € thousand	Carrying amount as at 31/12/2019	Carrying amount as at 31/12/2020
Business Customers	8,732	8,732
easybell	124	124
carrier services	17	17
init-voice	1	1
	8,874	**8,874**

In accordance with IAS 36, impairment tests were performed in line with the discounted cash flow method in the past financial year to test for impairment of the reported goodwill. This was done based on the data from the respective corporate planning (forecast period: 5 years) and calculating the value in use. As in the previous year, there were no impairment requirements in the 2020 financial year.

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

- Capitalisation rate (WACC) after taxes: 3.2 % (previous year: 4.6 %), before taxes: 4.4 % (previous year: 7.1 %)
- Growth rate (perpetuity): 0.5 % (previous year: 0.5 %)

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

- Increase in the CGU's gross profit margin of between 52 % and 55 % (previous year: between 53.0 % and 55.0 %)
- Annual sales growth of the CGU of between 3 % and 6 % (previous year: between 2 % and 4 %)
- The future annual investment volume covers the annual depreciation and amortisation

(2) Property, plant and equipment

Property, plant and equipment developed as follows in the 2020 financial year:

€ thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under development	Total
Cost as at 01/01/2020	**6,018**	**253**	**28,826**	**2,269**	**37,366**
Additions	199	63	3,591	458	4,311
Reclassifications	0	-	1,980	-1,980	0
Disposals	75	-	3,139	78	3,293
As at 31/12/2020	**6,143**	**316**	**31,257**	**668**	**38,384**
Depreciation as at 01/01/2020	**5,342**	**158**	**20,536**	**220**	**26,257**
Depreciation	230	42	4,536	-	4,806
Impairment	-	-	-	-	-
Disposals	75	-	3,118	-	3,193
As at 31/12/2020	**5,497**	**200**	**21,954**	**220**	**27,871**
Carrying amounts as at 31/12/2020	**646**	**116**	**9,303**	**448**	**10,513**

In the 2019 financial year, property, plant and equipment developed as follows:

€ thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under development	Total
Cost as at 01/01/2019	**6,081**	**218**	**25,006**	**327**	**31,632**
Additions	237	35	4,358	2,224	6,853
Reclassifications	-	-	98	-281	-183
Disposals	299	-	637	-	935
As at 31/12/2019	**6,018**	**253**	**28,826**	**2,269**	**37,366**
Depreciation as at 01/01/2019	**5,246**	**119**	**17,069**	**220**	**22,655**
Depreciation	393	39	4,089	-	4,522
Impairment	-	-	-	-	-
Disposals	297	-	623	-	920
As at 31/12/2019	**5,342**	**158**	**20,536**	**220**	**26,257**
Carrying amounts as at 31/12/2019	**676**	**95**	**8,290**	**2,049**	**11,110**

If they have not yet been paid, the acquired assets are subject to the usual reservations of title.

(3) Rights of use from leases

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

€ thousand	Right-of-use assets Buildings	Right-of-use assets Motor vehicles	Rights-of-use for infrastructure	Total
Cost as at 01/01/2020	**9,254**	**402**	**80**	**9,736**
Additions	145	185	0	330
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2020	**9,399**	**587**	**80**	**10,066**
Depreciation as at 01/01/2020	**1,078**	**184**	**33**	**1,295**
Depreciation	1,085	205	33	1,324
Impairment	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2020	**2,163**	**389**	**66**	**2,618**
Carrying amounts as at 31/12/2020	**7,236**	**198**	**14**	**7,448**

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

Expenses for short-term leases amounted to € 544 thousand in the 2020 financial year (previous year: € 657 thousand). Expenses for leases for low-value assets amounted to € 37 thousand in the year under review (previous year: € 40 thousand).

The lease obligations from operating and office equipment mainly resulted from leases for company vehicles. Other rental agreements chiefly comprised rent for office space and the data centre. For some of these rental agreements, extension options are available.

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

€ thousand	Right-of-use assets Buildings	Right-of-use assets Motor vehicles	Rights-of-use for infrastructure	Total
Cost as at 31/12/2018	**-**	**-**	**-**	**-**
Changeover effect from introduction of IFRS 16	9,223	275	80	9,578
Cost as at 01/01/2019	9,223	275	80	9,578
Additions	31	127	-	158
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2019	**9,254**	**402**	**80**	**9,736**
Depreciation as at 01/01/2019	**0**	**0**	**0**	**0**
Depreciation	1,078	184	33	1,295
Impairment	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2019	**1,078**	**184**	**33**	**1,295**
Carrying amounts as at 31/12/2019	**8,176**	**218**	**47**	**8,441**

(4) Capitalised contract costs

Capitalised contract costs consist of costs to obtain contracts and costs to fulfil contracts. Costs to obtain contracts mainly consist of commissions for the conclusion of contracts with new customers. Costs to fulfil contracts chiefly consist of payments to upstream suppliers of the Group for connecting lines in order to provide network access to customers. As at 31 December 2020, capitalised contract costs amounted to € 3,133 thousand (31/12/2019: € 2,812 thousand). Depreciation and amortisation amounted to € 1,697 thousand (previous year: € 1,549 thousand) in the 2020 financial year and was recognised and reported under other operating expenses and the cost of materials. There were no impairment losses in the reporting period.

(5) Investments accounted for using the equity method

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

€ thousand	Carrying amount (previous year)	Interest held (previous year)
mvneco GmbH	1,129 (997)	33.3 % (33.3 %)

mvneco GmbH

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

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

€ thousand	31/12/2019	31/12/2020
Current assets	3,113	3,665
Non-current assets	598	508
Current liabilities	723	789
Net assets (equity)	2,988	3,384
Pro-rata net assets	997	1,129
At-equity carrying amount	997	1,129
	2019	2020
Sales	5,572	6,451
Earnings	721	697

(6) Trade receivables, contract assets and other financial and non-financial assets

€ thousand	Remaining maturity of more than 1 year	Total as at 31/12/2019	Remaining maturity of more than 1 year	Total as at 31/12/2020
Trade receivables	0	7,437	0	7,222
Contract assets	31	44	100	148
Miscellaneous other receivables and assets	135	2,514	125	650
Other non-financial assets	0	403	82	411

As at 31 December 2020, contract assets were reported in the amount of € 148 thousand (31/12/2019: € 44 thousand). From financial year 2020, current and non-current contract assets are also recognised on the balance sheet. In the previous year this was not done on the basis of materiality. There was no impairment in 2020. The effect on earnings from the increase in valuation allowances on trade receivables is included in other operating expenses, while the effect from the reversal of valuation allowances is included in other operating income. The receivables do not bear interest and therefore are not subject to interest rate risk. Due to the short-term payment dates, the carrying amounts correspond to the fair values.

As at 31 December 2020, there were no material receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment consist of trading in telephone minutes (wholesale) with national and international carriers. Netting is contractually agreed as a "reduced" payment in line with usual industry practice. The conditions (IAS 32.42) for net reporting in the statement of financial position were not fully met.

As at 31 December 2019, receivables and liabilities from settlement balances agreements broke down as follows:

€ thousand	Gross (reported)	Netting	Net (cash flow)
Trade receivables	1,170	301	870
Trade payables	1,722	301	1,422

(7) Current and deferred income tax assets

€ thousand	31/12/2019	31/12/2020
Deferred income tax assets	1,158	1,363
Current income tax assets	376	433
	1,534	**1,796**
Deferred income tax assets with a remaining term of more than one year	1,158	1,363

As in the previous year, the current income tax assets relate to income tax reimbursements from trade tax, corporation tax and capital gains tax.

(8) Cash and cash equivalents

€ thousand	31/12/2019	31/12/2020
Bank balances	8,253	7,759
Cash in hand and cheques	0	0
	8,253	**7,759**

(9) Equity

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

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

Other reserves include cumulative retained earnings.

Minority **interests relate to direct minority interests** in the equity (unchanged at 49.02 %) of the easybell Group. This consists of easybell GmbH (€ 1,795 thousand, previous year: € 1,769 thousand) and the indirect minority interests in the equity of sparcall GmbH (€ 417 thousand, previous year: € 425 thousand), carrier-services.de GmbH (€ 1,254 thousand, previous year: € 1,148 thousand) and init.voice GmbH (€ 84 thousand, previous year: € 48 thousand).

Aggregated key data of the easybell Group:

€ million	31/12/2019	31/12/2020
Total assets	**9.0**	**9.8**
Cash and cash equivalents	4.2	4.6
Other current assets	2.4	0.8
Non-current assets	2.4	4.4
Total liabilities	**2.2**	**2.7**
Current liabilities	2.2	2.7
Non-current liabilities	0	0
Equity	6.8	7.1

€ million	2019	2020
Sales	17.9	20.8
Profit	2.3	3.4
Cash flow	-1.2	0.4

Share ownership

The table below shows the names of shareholders that held an interest of more than 3 % in the share capital of ecotel communication ag at the end of 2020

	2020
Peter Zils	29.91 %
Andrey Morozov	29.99 %
PVM Private Values Media AG	9.31 %
CBOSS Orient FZ-LLC	7.83 %
Martrade Shipping + Transport GmbH	3.95 %
Hans Schmier	3.20 %
Subtotal:	84.19 %
Free float	15.81 %

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

Authorised capital

By way of a resolution adopted by the Annual General Meeting on 3 July 2020, the resolution on authorised capital adopted by the Annual General Meeting on 28 July 2017 was changed. The Management Board of ecotel ag is now authorised to increase the share capital of ecotel ag, with the approval of the Supervisory Board, one or more times by a total of up to € 1,404,000.00 (previously: € 1,755,000.00) in exchange for cash and/or non-cash contributions by 27 July 2022 by issuing new, no-par-value bearer shares (Authorised Capital). The Management Board did not make use of this authorisation in the year under review.

In addition, a decision was made on the authorisation to issue stock options (Stock Option Plan 2020) and the creation of new Contingent Capital (2020). By law the new contingent capital and Contingent Capital (2020) with the corresponding disapplication of shareholder subscription rights, is restricted to approximately 10 % of the current share capital. The contingent capital was adjusted to service the Stock Option Plan (2020). Until the end of 2 July 2024 the Supervisory Board is authorised to issue up to 351,000 options in respect to up to 351,000 no-par bearer shares of the company in line with the specific conditions of the Stock Option Plan to members of the Management Board and selected employees of the company.

Capital management

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

For all current covenants, ecotel was well within the specified limits in the 2020 financial year and as at the reporting date.

(10) Liabilities from current and deferred income taxes

€ thousand	Opening balance 01/01/2020	Utilisation	Reversal	Additions	Closing balance as at 31/12/2020
Current income taxes	331	331	-	806	806
Deferred income taxes	986	244	-	164	906
	1,317				**1,712**
Deferred income taxes with a term of more than one year	712				681

€ thousand	Opening balance 1.1.2019*	Utilisation	Reversal	Additions	Closing balance as at 31/12/2019
Current income taxes	672	672	-	331	331
Deferred income taxes	1,191	226		21	986
	1,863				**1,337**
Deferred income taxes with a term of more than one year	998				712

** Since 1 January 2019, the new financial reporting standard IFRS 16 “Leases” has been applied.*

(11) Other financial debt, trade payables, provisions and other financial and non-financial liabilities

€ thousand	Remaining maturity of up to 1 year	Total as at 31/12/2019	Remaining maturity of up to 1 year	Total as at 31/12/2020
Loans	**1,750**	**7,250**	**2,417**	**5,500**
Trade payables	**10,488**	**10,488**	**9,103**	**9,103**
thereof liabilities to associated companies	0	0	9	9
Provisions	**11**	**11**	**10**	**10**
Other financial and non-financial liabilities	**3,234**	**4,795**	**2,553**	**3,963**
thereof liabilities from hire purchase agreements	471	1,977	620	1,791
thereof liabilities from church tax, social security	23	23	0	0
thereof liabilities from wages and salaries	571	571	3	3
thereof other personnel-related liabilities	662	662	1,042	1,042
thereof liabilities for auditing/Supervisory Board	159	159	157	157

As in the previous year, there were no derivative financial liabilities as at 31 December 2020. The loan liabilities relate to non-current loans with fixed and variable interest rates and contractually agreed repayments. The current loan liabilities relate to the loan repayments due in 2021.

The provisions chiefly comprise possible obligations from warranties.

(12) Lease liabilities

There are extension options for property leases whose utilisation is not sufficiently certain as at the reporting date. If these extension options are in fact exercised in the future, the potential future lease payments would lead to an estimated lease liability of € 4,553 thousand (31/12/ 2019: € 3,332 thousand). As at the reporting date, the non-current lease liabilities totalled € 6,511 thousand (31/12/2019: € 7,395 thousand), of which € 3,518 thousand (previous year: €3,740 thousand) is due within the next five years and € 2,993 thousand (previous year: € 3,655 thousand) in more than five years.

(13) Contract liabilities

Contract liabilities represent the obligation to provide a service to a customer. As at 31 December 2020, contract liabilities were reported in the amount of € 2,529 thousand (31/12/2019: € 2,187 thousand). Depending on the type of performance obligation and its allocation to an operating segment, the performance obligation is fulfilled and thus recognised as sales within the average contract term (3 – 6 years). Contract liabilities are divided into current and non-current liabilities depending on their settlement date.

(14) Reporting on financial instruments

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

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

Interest rate risk: In the ecotel Group, interest rate risks mainly arise from the Group's financial liabilities. Significant risks from negative changes in value that could result from unexpected interest rate changes are generally hedged against using financial derivatives.

In order to counteract any future rises in market interest rates to some extent, ecotel has entered into an interest rate hedge for a loan with a variable interest rate (€ 3.0 million). For another floating-rate loan (€ 2.0 million) whose interest rate is calculated based on the three-month Euribor, there is no hedging as at the reporting date. Due to the fixed interest on the remaining loans and the stable situation with regard to the key interest rate, there were no significant interest rate risks (in this respect) as at the reporting date, so no further hedges have been concluded for this.

Credit risk: A credit risk for the Group arises if transaction partners do not or cannot meet their payment obligations. The maximum default risk is presented in the accounts with the carrying amount of the respective financial asset. Due to the different business models and customer structures of the segments, different credit risks are also defined. In the ecotel Business Customers segment and at nacamar, trade receivables are divided into different measurement clusters (major customers, customers with special payment agreements, etc.). Within the clusters, impairment is recognised pro rata depending on the length of time by which the receivables are past due.

It ranges between 1 % and 66 % (previous year: between 5 % and 66 %). In the Wholesale segment, there are mostly settlement balances agreements with the customers. As a result of this netting in line with usual industry practice, there is only a very low credit risk. Trade receivables are therefore impaired pro rata at a rate of 1 %. In the easybell segment, receivables are mainly settled by direct debit, which considerably reduces the credit risk. Other receivables are impaired based on an age structure from one to more than 90 days. If they are past due by more than 90 days, they are written off completely. The development of the receivables portfolio is continuously monitored so that potential default risks can be identified at an early stage and appropriate measures can be initiated.

As at 31 December 2020, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment consist of trading in telephone minutes (wholesale) with national and international carriers. Netting is contractually agreed as a “reduced” payment in line with usual industry practice. The conditions (IAS 32.42) for net reporting in the statement of financial position were not fully met. At the time the statement of financial position was drawn up, these receivables and liabilities were settled in full.

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

Valuation allowances for 2020 (€ thousand)	Trade receivables	Contract assets
As at 01/01/2020	250	0
Valuation allowances for the year under review*	238	0
Disposals	37	0
As at 31/12/2020	**451**	**0**

** In the reporting year, the COVID-19 pandemic had an impact on valuation allowances in the year under review.*

Valuation allowances for receivables in 2019 (€ thousand)	Trade receivables	Contract assets
As at 01/01/2019	262	0
Valuation allowances for the year under review	65	0
Disposals	78	0
As at 31/12/2019	**250**	**0**

The table below shows the calculated default risk as at 31 December 2020:

(€ thousand)	Maximum default risk	Expected credit loss
Trade receivables	7,222	451
thereof ecotel Business Customers	3,618	323
thereof ecotel Wholesale	2,399	0
thereof easybell	867	125
thereof nacamar	338	3
Other financial assets	650	0
Contract assets	148	0

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

As at 31 December 2019, the situation was as follows:

(€ thousand)	Maximum default risk	Expected credit loss
Trade receivables	7,437	250
thereof ecotel Business Customers	3,338	123
thereof ecotel Wholesale	3,162	27
thereof easybell	672	97
thereof nacamar	266	2
Other financial assets	2,514	0
Contract assets	44	0

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

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

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

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

With the exception of non-current loans from banks, the carrying amounts reported in the following tables for financial assets and liabilities that are not accounted for at fair value represent a good approximation of their fair value, chiefly due to their short-term nature. The fair values shown in the following tables were measured using inputs for the asset or liability that are not based on observable market data (level 3). The market value of non-current loans is calculated over their term using current market interest rates and yield curves and taking account of the company's own credit risk.

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

Financial assets	31/12/2020		
	Fair Value	Carrying amount	
(€ thousand)		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		7,759	
Trade receivables		7,222	
Contract assets		148	
Other current financial assets		650	0

The financial assets also include an interest rate cap that is allocated to the "At fair value through profit or loss" category. This was calculated based on observable market data (level 2) using recognised measurement methods. Hedge accounting was not designated. Changes in value are recognised under net finance costs. In the 2020 financial year, there was no reclassification between different classes.

Financial assets	31/12/2020		
	Fair Value	Carrying amount	
(€ thousand)		Other liabilities	Total
Current loans	2,493	2,417	2,417
Trade payables		9,103	9,103
Lease liabilities		7,727	7,727
Contract liabilities		2,529	2,529
Other financial liabilities		3,392	3,392
Non-current loans	3,120	3,083	3,083
	5,613	**28,251**	**28,251**

As at 31 December 2019, the breakdown was as follows:

Financial assets (€ thousand)	31/12/2019		
	Fair Value	Carrying amount	
		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		8,253	
Trade receivables		7,437	
Contract assets		44	
Other current financial assets		2,514	0

Financial assets (€ thousand)	31/12/2019		
	Fair Value	Carrying amount	
		Other liabilities	Total
Current loans	1,837	1,750	1,750
Trade payables		10,488	10,488
Lease liabilities		8,607	8,607
Contract liabilities		2,187	2,187
Other financial liabilities		3,734	3,734
Non-current loans	5,105	5,500	5,500
	6,942	**32,266**	**32,266**

Liquidity risk: The ecotel Group companies are generally refinanced centrally by ecotel communication ag. There is a risk here that the liquidity reserves may not be sufficient to meet the financial obligations on schedule. In 2021, principal payments with a nominal volume of € 1.8 million (previous year: € 1.8 million) are due. Cash and cash equivalents of € 7.8 million (previous year: € 8.3 million) are available to cover the liquidity requirements. In addition to the reported cash and cash equivalents, credit lines amounting to € 6.0 million (previous year: € 4.0 million) are available to ecotel as at 31 December 2020, up to € 1.0 million (previous year: € 1.0 million) of which may be used for guarantee liabilities. In addition, a temporary credit facility of € 2.0 million limited to 31 March 2020 was also available in the financial year for financing a rollout project. To secure financing for the planned growth of ecotel, additional loans of € 3.2 million were also taken up in the previous year. Financial covenants have been agreed in relation to the bank loans borrowed by ecotel communication ag (residual value: € 5.5 million; previous year: € 7.3 million) and the available credit lines. Failure to comply with the financial covenants could possibly result in termination and early repayment of the investment loans and the credit facility if no agreement can be reached on an adjustment of the financial covenants or on refinancing. Overall, the liquidity risk is considered to be low. The financial liabilities are expected to result in the following (undiscounted) payments in the coming years. All other financial liabilities are due within one year.

Principal/interest payments for financial liabilities (€ thousand)	Carrying amount as at 31/12/2020	Principal payments			Interest payments		
		2021	2022 up to 2025	From 2026	2021	2022 up to 2025	From 2026
Deposits by banks	5,500	2,417	3,083	-	77	41	-

As at the previous year's reporting date, the presentation was as follows:

Tilgungs-/Zinszahlungen für finanzielle Schulden (€ thousand)	Carrying amount as at 31/12/2019	Principal payments			Interest payments		
		2020	2021 up to 2024	From 2025	2020	2021 up to 2024	From 2025
Deposits by banks	7,250	1,750	5,500	0	92	93	0

In accordance with IFRS 7, interest rate risks are generally presented using sensitivity analyses if the Group is exposed to such risks as at the reporting date. Primary floating-rate financial instruments whose interest payments are not designated as hedged items in cash flow hedges against interest rate risks, together with interest rate derivatives (interest rate swaps) that are not part of a hedging relationship in accordance with IAS 39, amounted to € 1 thousand as at the reporting date (previous year: € 8 thousand). On 31 December 2020, as at the previous year's reporting date, there were no primary financial instruments with fixed interest rates (financial liabilities) that were accounted for at fair value, as all financial instruments were accounted for at amortised cost. ecotel therefore was not exposed to any significant interest rate risks as defined in IFRS 7 on 31 December 2020. For this reason, no sensitivity analysis was performed for the risk from interest rate changes.

In accordance with IFRS 7, exchange rate risks are also presented using sensitivity analyses if the Group is exposed to risk variables as at the reporting date from the use of non-functional currencies in which Group companies enter into financial instruments. This likewise was not the case either in the previous year or as at 31 December 2020, so no sensitivity analysis was performed for the risk from exchange rate changes.

(15) Contingent assets and liabilities and other financial obligations

As at 31 December 2020, there were unrecognised liabilities from contingencies in the amount of € 316 thousand (previous year: € 316 thousand) for guarantee liabilities.

The carrying amount of the financial assets furnished as collateral totalled € 121 thousand as at 31 December 2020 (previous year: € 18 thousand). This chiefly relates to security deposits.

On 15 December 2020, ecotel was informed by the responsible tax office (control notification) that the input tax deduction from incoming invoices of an individual material supplier it to be retroactively denied. The reason given was a special sales tax audit at this supplier. The total amount of the sales tax input deduction in question amounts to € 3.7 million. In view of the existing documentation and information and with the opinions of external experts, ecotel estimates that the risk of an outflow of resources with sales tax at the above level at considerably under 50 %. In the unlikely case of a legally binding repayment obligation, ecotel would have not only the retained payables of € 1.9 million but also a repayment obligation from the supplier at the level of the reclaimed input tax, which would then result in a corresponding claim.

Notes to the consolidated statement of comprehensive income

(16) Sales

€ thousand	2019	2020
Breakdown of sales by segment		
ecotel Business Customers	46,890	46,325
ecotel Wholesale	15,369	28,256
easybell	18,606	21,453
nacamar	1,885	2,265
	82,750	**98,300**
Germany	76,643	95,379
International	6,107	2,921
	82,750	**98,300**

In the 2020 financial year, sales of € 1,424 thousand (previous year: € 1,158 thousand) were recognised that had previously been included in the contract liability balance. Sales are broken down into German and international sales based on the customer location. The sales revenue includes lease income of € 0.8 million (previous year: € 0.6 million) from hardware rental.

(17) Other operating income

Other operating income amounted to € 507 thousand in the 2020 financial year (previous year: € 716 thousand). It included income from receipts of impaired trade receivables of € 3 thousand (previous year: € 3 thousand) and reversals of impairment losses on trade receivables of € 0 thousand (previous year: € 21 thousand).

In the 2020 financial year, ecotel generated income of € 84 thousand from a sublease classified as an operating lease (previous year) € 95 thousand).

(18) Cost of materials

The cost of materials relates entirely to third-party services utilised.

(19) Staff costs

€ thousand	2019	2020
Wages and salaries	13,316	14,009
Social security contributions	2,272	2,276
Thereof expenses for pensions and other benefits	1,047	1,059
	15,588	**16,285**

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

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

Employees	2019	2020
Salaried employees	261	253

(20) Depreciation, amortisation and impairment losses

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

As in the previous year, the impairment tests performed did not result in any impairment losses on the goodwill of the cash-generating units in the 2020 financial year.

(21) Other operating expenses

Other operating expenses totalled € 10,682 thousand in the 2020 financial year (previous year: € 10,412 thousand). Partner and dealer commissions amounted to € 4,106 thousand in 2020 (previous year: € 3,847 thousand). Technical expenses for operating costs, logistics and field service and similar expenses amounted to € 1,850 thousand (previous year: € 2,209 thousand), while the change in impairment on receivables and bad debt losses amounted to € 373 thousand (previous year: € 148 thousand).

(22) Net finance costs

€ thousand	2019	2020
Interest income		
Other interest and similar income	0	0
Interest income from non-current financial assets	-	-
	0	**0**
Interest expense		
Interest expenses from loan liabilities	-201	-155
Interest expenses from leases	-256	-231
Other interest and similar expenses	-28	-91
	-485	**-478**
Net interest income	**-485**	**-478**
Other financial expenses and income		
Income from the reversal of impairment on non-current financial assets	-	-
Result from companies measured at equity	240	232
Other financial expenses	-8	-1
Net finance costs	**-254**	**-246**

(23) Income taxes

€ thousand	2019	2020
Current income taxes	-961	-1,425
Deferred income taxes	623	285
	-338	-1,139

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

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

€ thousand	2019	2020
Earnings before taxes	1,229	3,772
Group tax rate	**31.0 %**	**31.0 %**
Forecast tax expense	-381	-1.169
Differences arising from tax rates deviating from the Group tax rate	47	57
Tax effect from changes in permanent differences	-	-
Tax effect from tax-free income/expenses for profit distributions	-22	-25
Tax increases due to non-tax-deductible expenses	-15	-15
Taxes from previous years	4	1
Result from investments carried at equity	75	72
Other tax effects	-46	-59
Tax expense according to income statement (expense -/income +)	-338	-1,139
Effective tax rate in %	**27.5 %**	**30.2 %**

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

The deferred taxes are attributable to the following items

€ thousand	2019 Assets	2019 Liabilities	2020 Assets	2020 Liabilities
Property, plant and equipment/intangible assets	166	1,000	87	847
Rights of use from leases, lease liabilities	51	-	87	-
Capitalised contract costs, contrast assets, contract liabilities (IFRS 15)	-	206	-	232
Trade payables	2	-	-	-
Deferred taxes on loss carryforwards	1,158	-	1,363	-
Netting, assets/liabilities	-220	-220	-173	-173
	1,158	**986**	**1,363**	**906**

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

(24) Allocation of net profit to minority interests

The share of net profit attributable to minority interests amounts to € 1,632 thousand (previous year: € 1,056 thousand) and relates to the pro rata annual results of easybell GmbH (€ 1,349 thousand; previous year: € 800 thousand), sparcall GmbH (€ 140 thousand; previous year: € 133 thousand), carrier-services.de GmbH (€ 106 thousand; previous year: € 82 thousand) and init.voice GmbH (€ 36 thousand; previous year: € 41 thousand).

(25) Earnings per share

The number of ecotel communication ag shares outstanding as at 31 December 2020 was 3,510,000 (previous year: 3,510,000). The shares are issued as no-par-value shares with a pro-rata amount of the share capital of € 1.00.

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

Dilution of the earnings per share may occur if the average number of shares is increased by including the issue of potential shares from options and convertible financial instruments. Since July 2020 there has been a stock option plan for members of the Management Board and selected employees. In the context of the stock option plan up to 351,000 options can be issued.

The stock option plan stipulates a lock-up period of four years from the respective grant date. This did not result in any dilution of earnings per share as at 31 December 2020, meaning that basic and diluted earnings are identical.

	2019	2020
Attributable consolidated net income for the year (in €)	-165,506,86	1,000,054
Weighted average number of shares	3,510,000	3,510,000
Basic earnings per share (in €)	-0.05	0.28
Diluted earnings per share (in €)	-0.05	0.28

Notes to the consolidated statement of cash flows

(26) Consolidated statement of cash flows

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

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

Effective cash flows are allocated to ecotel’s non-current and current loans and its lease liabilities. There were no non-cash transactions in 2020.

	Non-current loans	Current loans	Lease liabilities	Total
01/01/2020	5,500	1,750	8,608	15,858
Borrowings	-	-	330	330
Repayment	-	-1,750	-1,210	-2,960
Reclassification	-2,417	2,417	-	-
31/12/2020	3,083	2,417	7,727	13,228

The following effective cash flows arose in the previous year:

	Non-current loans	Current loans	Lease liabilities*	Total
01/01/2019	4,050	1,609	9,578	15,237
Borrowings	3,200	-	158	3,358
Repayment	-	-1,609	-1,128	-2,737
Reclassification	-1,750	1,750	-	-
31/12/2019	5,500	1,750	8,608	15,858

** Since 1 January 2019, the new financial reporting standard IFRS 16 “Leases” has been applied.*

Alongside the cash flows described above, in financial year 2020 € 689 thousand (previous year: € 584 thousand) was paid for short-term leases and leases for low value assets.

Other disclosures

(27) Appropriation of profits

In accordance with section 58 (2) of the German Stock Corporation Act (AktG), the relevant basis for ecotel's appropriation of net profit is the annual financial statements of ecotel communication ag, which are prepared in line with the provisions of German commercial law. The annual financial statements of ecotel communication ag show an unappropriated surplus of € 1,897 thousand (previous year: € 989 thousand). In financial year 2020, ecotel communication ag did not distribute a dividend for the financial year 2019.

(28) Related party disclosures

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

€ thousand	Volume of services performed by ecotel		Volume of services utilised by ecotel	
	2019	2020	2019	2020
mvneco GmbH				
– from deliveries and services	39	40	21	916

As at 31 December 2020, there were receivables from mvneco GmbH in the amount of € 3 thousand (previous year: € 3 thousand) and trade payables to mvneco GmbH in the amount of € 9 thousand (previous year: € 0 thousand).

The ecotel Group had service relationships with the following related persons (or their companies) in 2020:

€ thousand	Volume of services performed by ecotel		Volume of services utilised by ecotel	
	2019	2020	2019	2020
MPC Serivces GmbH				
– from deliveries and services	4	4	420	413

Agreement with MPC Service GmbH

A commercial agency agreement is in place between MPC Service GmbH and ecotel. Under this agreement, MPC Service GmbH receives an acquisition commission and a product-based commission for monthly incoming orders based on the monthly sales of all customers acquired through MPC Service GmbH. The Supervisory Board member Mirko Mach is a Managing Director and partner of MPC Service GmbH. As at the reporting date, there were receivables from MPC Service GmbH in the amount of € 0 thousand (previous year: € 0 thousand) and liabilities of € 37 thousand (previous year: € 0 thousand).

(29) Segment reporting

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

Segmentation is based on the internal reporting by business areas, which can be differentiated as follows:

- In the ecotel Business Customers segment (the core operating segment), ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (ICT solutions) from a single source. In this segment, ecotel also provides products as a supplier for other ICT companies (e.g. resellers).
- In the ecotel Wholesale segment, ecotel offers cross-network trading in telephone minutes (wholesale) for national and international carriers.
- The easybell segment markets telephone systems for business customers which are understandable and simple to integrate and All-IP telephony with or without carrier lines.
- In the nacamar segment, the company offers its own content delivery network (CDN) streaming services for media companies.

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

In the 2020 financial year, there were no international carriers with which the Wholesale segment generated more than 10 % of consolidated sales. In the previous financial year, there were also no international carriers which generated more than 10 % of consolidated sales.

€ thousand	ecotel Business Customers		ecotel Wholesale		easybell		nacamar		Cross-segment consolidation		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External sales	46,890	46,325	15,369	28,256	18,606	21,453	1,885	2,265	-	-	82,750	98,300
Intersegment sales	-	-	4,069	5,136	668	662	-	-	-4,737	-5,798	0	0
Gross profit	23,796	24,216	389	827	8,284	11,168	1,104	1,486	-	-	33,574	37,697
EBITDA	4,349	4,792	88	445	3,990	5,853	366	591	-	-	8,792	11,682
Depreciation and amortisation	-6,118	-6,182	-	-	-907	-1,102	-204	-261	-	-	-7,230	-7,546
Unscheduled impairment	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	-1,849	-1,508	88	445	3,082	4,751	162	330	-	-	1,483	4,018
Net finance costs											-254	-246
Profit from ordinary activities											1,229	3,771
Income tax expense											-338	-1,139
Net profit											891	2,632
Consolidated net profit											-165	1,000
Minority interests											1,056	1,632

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

(30) Share-based payments

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

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

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

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

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

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

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

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

	Number	Exercise price
Options outstanding at the beginning of the reporting period	0	
Options granted during the reporting period	347,943	6,8691
Options forfeited during the reporting period	0	
Options exercised during the reporting period	0	
Options expired during the reporting period	0	
Options outstanding at the end of the reporting period	347,943	6,8691
Options exercised at the end of the period	**0**	

For options outstanding at the end of the reporting period, the exercise price is € 6.87. The remaining contractual period is 5 years and 7 months.

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

At the time the share option is granted the value of the share option is € 1.41. The following parameters were used for the valuation:

	Number
Share price (in €)	7.15
Exercise price (in €)	6.87
Option term (in years)	6.0
Term to expected exercise (in years)	4.4
Expected share price volatility (in percent)	28.3 %
Current level of the TecDAX (in €)	3.005.0
Expected volatility of the TecDAX (in percent)	17.0 %
Correlation between the share yield and the TecDAX	0.39
Risk-free return (in percent)	-0.73 %
Expected dividend yield (in percent)	2.0 %

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

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

For the stock option plan, which provides for equity-settled remuneration, taking account of expected employee fluctuation, € 50 thousand was expensed with a corresponding increase in capital reserves of € 50 thousand.

(31) Remuneration of key management personnel (disclosures in accordance with section 314 HGB and IAS 24)

Total remuneration	Peter Zils		Markus Hendrich Appointed: 1 July 2020	Achim Theis	
in € thousand	**2019**	**2020**	**2020**	**2019**	**2020**
Fixed remuneration	330	341	100	250	250
Fringe benefits	23	23	8	17	21
Annual variable remuneration		50	20	45	25
- Multi-year variable remuneration	-	8		-	6
Total remuneration	**353**	**422**	**128**	**267**	**302**

In addition to fixed remuneration and fringe benefits, the Management Board is entitled to securely earned variable remuneration of € 109 thousand for the 2020 financial year (previous year: € 0 thousand). After deducting the remuneration components already paid, corresponding liabilities were recognised. This remuneration consists of short-term benefits. Remuneration for the 2020 financial year thus amounted to € 852 thousand (previous year: € 620 thousand).

Until 2019, the variable remuneration was tied to a sustainable business development over a three-year period. Since 2020, there have been only personal targets for variable remuneration. In order to align financial incentives for the Management Board and the management more closely to the interests of shareholders with a long-term orientation, a stock option programme was initiated in July 2020. The members of the Management Board take part in the existing stock option programme. In the reporting period, the Management Board members were granted 222,943 stock options. For these share options, there is a vesting period of four years from the respective grant date until the first exercisability.

The table below shows the remuneration of the Supervisory Board:

Remuneration of the Supervisory Board in € thousand	2019	2020
Dr Norbert Bensel (Chairman of the Supervisory Board)	24	24
Mirko Mach (Deputy Chairman of the Supervisory Board)	19	19
Dr Thorsten Reinhard	14	14
Brigitte Holzer	14	14
Sascha Magsamen	13	13
Tim Schulte Havermann	14	12
Total	**98**	**96**

ecotel has also included three members of the Governing Board among its key management personnel in accordance with IAS 24 in addition to the Management Board and Supervisory Board members. The total remuneration for all key management personnel thus amounts to € 1,517 thousand (previous year: € 1,104 thousand) and is all short-term. € 40 thousand (previous year: € 30 thousand) of this was attributable to contributions to retirement provisions in the reporting period. For further information on the remuneration of the Management Board and the Supervisory Board, please refer to the statements in the Group Management Report.

(32) Declaration on corporate governance in accordance with section 289f and section 315d of the German Commercial Code (HGB) including the declaration in accordance with section 161 of the German Stock Corporation Act (AktG)

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

(33) Auditor's fees

In the 2020 financial year, the expensed fee for the auditor of the annual and consolidated financial statements of ecotel ag for auditing services amounted to € 91 thousand and comprises the fees for the statutory audit of the annual and consolidated financial statements of the company and its consolidated subsidiaries. As in the previous year, no expenses were recognised for the auditor for other assurance services, tax consulting services or other services.

(34) Events after the reporting period

No significant changes occurred between the end of the financial year and the preparation of the consolidated financial statements on 5 March 2021. The economic environment did not change to the extent that it would have had a significant impact on ecotel's operations and the sector situation was no different to that as at 31 December 2020.

(35) Exemption from disclosure

The option of exemption from disclosure of the annual financial statements in accordance with section 264 (3) of the German Commercial Code (HGB) was exercised for the subsidiary nacamar GmbH.

Düsseldorf, 5 March 2021
The Management Board

Peter Zils *Markus Hendrich* *Achim Theis*

Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.

The Auditor's Report reproduced below includes a note on the audit of the electronic reproductions of the Consolidated Financial Statements and the Group Management Report prepared for disclosure purposes pursuant to section 317 para. 3b HGB (ESEF note). The subject of this ESEF note (the ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or downloaded from the Federal Gazette (Bundesanzeiger).

Independent Auditor's Report

To ecotel communication ag, Düsseldorf

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

Audit Opinions

We have audited the Consolidated Financial Statements of ecotel communication ag, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2020 as well as the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial year from 1 January to 31 December 2020, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of ecotel communication ag, Düsseldorf, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have neither audited the Group Statement of Corporate Governance pursuant to section 289f and section 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) nor the Corporate Governance Report (including the statement pursuant to section 161 of the German Stock Corporation Act (AktG [Aktiengesetz]) referenced in section 1.7 of the Group Management Report.

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

– the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 of the German Commercial Code (HGB [Handelsgesetzbuch]) and, in compliance with these requirements, give a true and fair view of the assets, the liabilities and the financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
– the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover the content of the unaudited parts of the Group Management Report listed above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our audit opinion thereon. We do not provide a separate audit opinion on these matters.

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

– recognition and proper allocation of revenues to the correct periods

a) The Risks for the Financial Statements

The Consolidated Financial Statements disclose revenues amounting to EUR 98.3 million, EUR 46.3 million of these relate to the Business Customers segment. Revenue is generally recognized as of the date on which the service has been rendered or the asset has been delivered. To allocate revenue to the correct periods, revenue from monthly base fees for voice connections and data services from services already invoiced but not yet rendered is deferred to the relevant periods. The Company has implemented processes for this purpose so that the relevant revenue groups are recognized by the system in the correct period.

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

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

b) Audit Approach and Conclusions

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

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

Other Information

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

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

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

The Supervisory Board is responsible for the report of the Supervisory Board. The Legal Representatives and the Supervisory Board are responsible pursuant to Section 161 of the German Stock Corporation Act (AktG [Aktiengesetz]) for the declaration pursuant to the German Corporate Governance Code, which is part of the Group’s corporate governance declaration contained in section 1.7 of the Group Management Report. Besides, the Legal Representatives are responsible for the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

– Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our Audit Opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
– Obtain an understanding of the internal control system relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
– Evaluate the appropriateness of accounting policies used by the Legal Representatives and the reasonableness of estimates made by the Legal Representatives and related disclosures.
– Conclude on the appropriateness of the Legal Representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective Audit Opinions. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express Audit Opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group Audit. We remain solely responsible for our Audit Opinions.
- Assess the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 para. 3b HGB to obtain reasonable assurance about whether the reproduction of the Consolidated financial statements and the Group management report (hereinafter the “ESEF documents”) contained in the attached electronic file ESEFUnterlagen ecotel communication ag KA 2020 and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file

In our opinion, the reproduction of the Consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the "Auditor's Report on the Annual Financial Statements and on the Management Report" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the Consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with § 317 para 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

The Company's Legal Representatives are also responsible for submitting the ESEF documents together with the Auditor's Report, the accompanying audited Consolidated Financial Statements, the audited Group Management Report and other documents to be disclosed to the operator of the Federal Gazette (Bundesanzeiger).

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

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

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

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group Auditor by the Annual General Meeting on 3 July 2020. We were engaged by the Supervisory Board on 15 October 2020. We have been the Group Auditor of ecotel communication ag, Düsseldorf, continuously since the financial year 2018.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor [Wirtschaftsprüfer] responsible for the engagement is Mr. Christoph Couhorn.

Düsseldorf, 5 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Lauten	Christoph Couhorn
Public Auditor	Public Auditor

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Financial calendar	
11 May 2021	Publication of quarterly financial report (Q1)
8 July 2021	Annual General Meeting
5 August 2021	Publication of half-year financial report
9 November 2021	Publication of quarterly report (Q3)

Legal notice

Photography by Christian Köster

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