



2019
Q2 Quarterly Statement

Profit and loss account (IFRS)		1 st half year 2018 (IFRS)	1 st half year 2019 (IFRS)	2 nd quarter 2018 (IFRS)	2 nd quarter 2019 (IFRS)
Revenue	in million €	42.2	41.0	22.6	21.5
ecotel Business Solutions	in million €	23.8	23.4	11.9	11.5
ecotel Wholesale Solutions	in million €	9.6	7.8	6.4	4.9
easybell	in million €	7.8	8.8	3.9	4.5
nacamar	in million €	0.9	1.0	0.5	0.5
Gross profit	in million €	15.4	16.3	7.8	8.1
ecotel Business Solutions	in million €	11.6	11.6	5.8	5.8
ecotel Wholesale Solutions	in million €	0.1	0.2	0.1	0.1
easybell	in million €	3.2	3.9	1.7	2.0
nacamar	in million €	0.5	0.5	0.3	0.3
EBITDA ¹	in million €	3.6	4.6	1.8	2.2
in % of revenue		8.5%	11.2%	8.1%	10.4%
Operating result (EBIT)	in million €	1.0	1.0	0.5	0.4
Consolidated profit ²	in million €	0.3	0.1	0.1	0.0
Earnings per share ³	in €	0.07	0.02	0.04	0.00

Cash flow		1 st half year 2018 (IFRS)	1 st half year 2019 (IFRS)
Financial resources at beginning of period	in million €	6.4	6.1
Cash flow from ongoing business activities	in million €	2.2	4.2
Cash flow from investment activities	in million €	-3.1	-3.4
Cash flow from financing activities	in million €	-1.8	-2.7
Financial resources as of 30/06	in million €	3.7	4.2
Free cash flow ⁴	in million €	-0.9	0.8

Balance sheet (IFRS)		1 st half year 2018 (IFRS)	1 st half year 2019 (IFRS)
Balance sheet total	in million €	43.0	52.1
Equity	in million €	22.5	22.3
in % of the balance sheet total		52.4%	42.9%
Net debt	in million €	0.7	0.5

Other key figures		1 st half year 2018	1 st half year 2019
Number of shares as of 30/06 (outstanding shares)	Quantity	3,510,000	3,510,000
Employees as of 30/06	Quantity	246	263
Personnel expenses	in million €	6.9	7.6

¹ Earnings before interest, taxes, depreciation and amortisation

² Corresponds to the consolidated profit after deduction of minority interests

³ Both undiluted and diluted

⁴ Free cash flow = cash flow from ongoing business activities + cash flow from investment activities

Differences in the totals can occur due to commercial rounding.

Key figures	2
To our shareholders	
Letter to our shareholders	4
Investor relations	5
Significant developments in the Group in first quarter 2019	6
Earnings and performance	6–7
Financial position	7
Net worth	7
Risk report	8
Outlook	8
Supplementary report	8
Consolidated quarterly statement of accounts	
Consolidated balance sheet as of 30 June 2019	9–10
Consolidated profit statement for the second quarter 2019 and for the first half year 2019	11
Consolidated cash flow statement for the first half year 2019	12
Development of consolidated equity as of 30 June 2019	13
Consolidated notes as of 30 June 2019	14–17
Statement of the legal representatives	17
Financial calendar	18
Contact	18
Imprint	18
Disclaimer	18

Dear Shareholders,

The overall results of the first half year 2019 were positive for us. In the core segment ecotel Business Customers the focus of the year 2019 is clearly on the conversion from ISDN to All-IP. This is also the reason for the slight decrease in revenue of € 0.4 million to € 23.4 million in this segment for the first half year 2019. The new NGN products in the revenue at the end of the 1st half year already constituted 45 % of the total relevant revenue, and almost 50 % of the gross profit was from voice connections. More than half of all minutes are now generated on the basis of the new All-IP technology. Taking into account the successfully concluded migration contracts that are already being implemented technologically, the process of transformation from conventional ISDN-based products to All-IP products is in the final stage. The added value of these products has resulted in stable gross profit of € 5.8 million despite the slight decline in revenue.

Revenue in the easybell segment totalled € 8.8 million (previous year: € 7.8 million) in the first half year 2019. The continued focus on scalable SIP products for small business customers and router leasing transactions continued to have a positive effect, more than compensating for the expected decline in call-by-call transactions. Gross profit in this segment increased to € 3.9 million (previous year: € 3.2 million).

Revenue in the nacamar segment in the first half year 2019 increased slightly to € 1.0 million, while gross profit remained unchanged at € 0.5 million. The Wholesale segment achieved revenue of € 7.8 million in the first half year 2019 as planned (previous year: € 9.6 million).

Consolidated gross profit increased in the first half year 2019 to € 16.3 million (previous year: € 15.4 million). Higher value creation in the growing NGN product groups, both in the ecotel Business Customers segment and in the easybell segment, had positive effects.

Consolidated EBITDA increased by € 1.0 million to € 4.6 million. Application of the new accounting standard IFRS 16 »Leases« – obligatory as of 1 January 2019 – had a positive effect of € 0.7 million on EBITDA. Application of the new accounting standard had substantial effects on ecotel's earnings and assets situation. Long-term leasing payments (essentially for office rent and the computer centre) are no longer reported directly as expenses, but are instead split up into an interest share affecting net income and a repayment share not affecting net income. In addition, the leasing contracts must be reported as rights of use and depreciated over the scheduled leasing term.

Depreciations totalled € 3.6 million (previous year: € 2.6 million) in the first half year 2019. The accounting change in IFRS 16 resulted in an increase of € 0.6 million in this area as well. This change likewise lowered the financial result by € 0.1 million, for a total of € –0.1 million (previous year: € 0.0 million). After deducting taxes and the shares of other shareholders, ecotel achieved a consolidated surplus of € 0.1 million (previous year: € 0.3 million) in the first half year 2019. This corresponds to earnings per share of € 0.02 (previous year: € 0.07).

The ISDN conversion is now entering the final phase, and we will benefit financially from the added value. Now it is necessary to concentrate on the remaining customer relationships, which will result in new investments, commitment of resources and focussing on customer and product groups in the ecotel Business Customers segment.

The Management Board is convinced that ecotel remains on the right path, and therefore reconfirms the forecast for 2019. Accordingly, the Management Board expects revenue in the core segment ecotel Business Customers in a corridor of € 48 to 50 million, in the easybell segment from € 15 to 17 million, and in the nacamar segment from € 2 to 3 million. After EBITDA of € 7.5 million in 2018, EBITDA is expected to continue increasing in 2019, in a corridor of € 8 to 9 million.

Düsseldorf, August 2019



Peter Zils
Chief Executive Officer



Achim Theis
Management Board

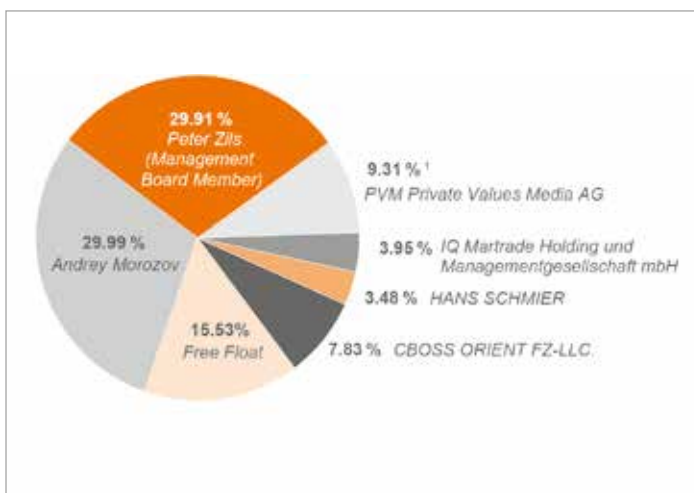
Overview of the ecotel share

The ecotel share started the year 2019 at € 7.20. During the course of the first half year 2019 the price of the share ranged from € 9.00 to € 7.25. Compared to the German share index DAX and also TecDAX the development of the ecotel share was less positive in the second quarter 2019. The ecotel share closed the first half year 2019 at a price of € 7.90. With a total of 3.51 million outstanding shares this results in market capitalization of € 27.7 million (30 June 2018: € 28.6 million). The average trading volume in the first half year 2019 totalled 1,695 shares (1st HY 2018: 1,946 shares).

Shareholder structure

As of 30 June 2019 the share capital of ecotel communication ag remained unchanged at 3,510,000 shares. The following change occurred in the shareholder structure: Hans Schmier reported share ownership of 3.48%. Peter Zils (CEO of ecotel) and Andrey Morozov each continue to hold just under 30% of the shares. PVM Private Values Media AG holds 9.31%, CBOSS Orient FZ-LLC holds 7.83% and IQ Martrade Holding und Managementgesellschaft mbH holds 3.95%. This caused a change in the diversified holdings to 15.53%.

Shareholdings (30/06/2019) in percent



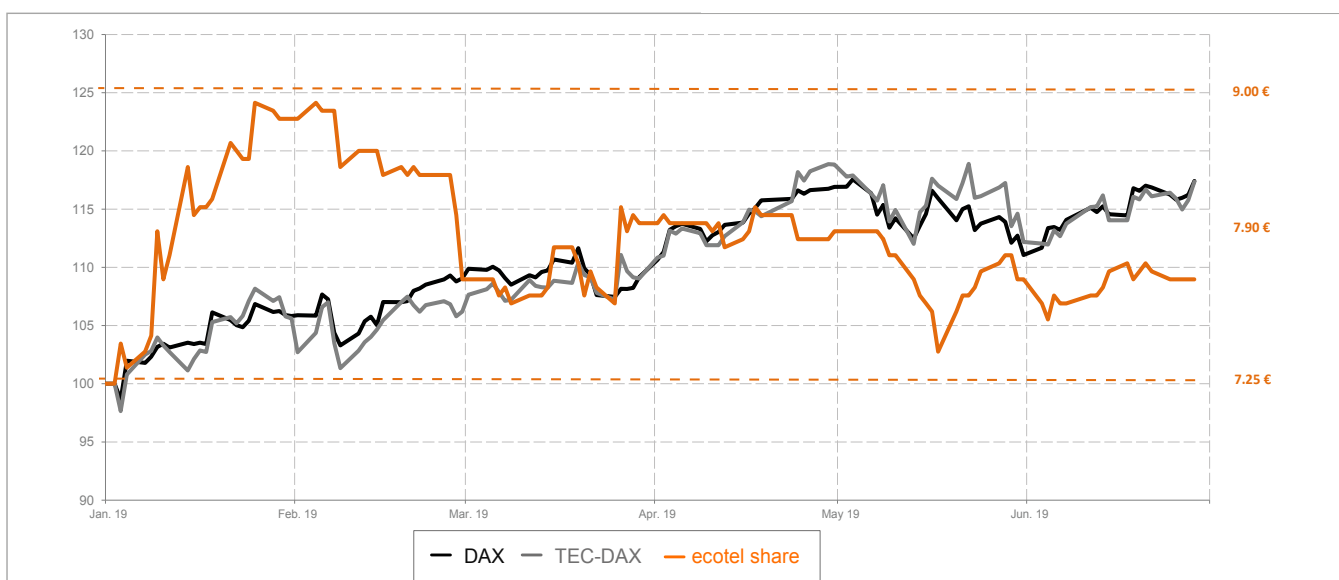
¹ according to the last notice of 07/04/2011 prior to call-in of treasury shares in 2014 (basis: 3,900,000 shares)

Key figures Ø 2019

WKN	585434
ISIN	DE0005854343
Symbol	E4C
Market segment since 08/08/2007	Prime Standard
Index affiliation	CDAX, Prime All Share Technology All Share
Class	Non par value shares
Date of first listing	29/03/2006
Number of shares as of 30/06/2019	3,510,000
Average daily trading volume 2019	1,695
High share price 2019 (€)	9.00
Low share price 2019 (€)	7.25
Market capitalisation as of 30/06/2019 (in million €)*	27.7
Designated sponsor	Lang & Schwarz Broker GmbH

* Based on the final quotation on 30 June 2019 of € 7.90 per share for 3,510,000 outstanding shares

Price trend of the ecotel stock in 2019 in percent



Earnings and performance

In the first half year 2019, revenue in the **core segment Business Solutions** decreased slightly by € 0.4 million to € 23.4 million. The **easybell** and **nacamar** segments increased their revenue during the same period by € 1.0 million and € 0.1 million to € 8.8 million and € 1.0 million, respectively. Altogether ecotel earned **consolidated revenue** of € 41.0 million in the first half year 2019.

In the **ecotel Business Customers** segment the focus is clearly on the conversion from ISDN to All-IP in financial year 2019. Significant progress was made here in the first half year. The transformation of the entire conventional customer base on the basis of ISDN technology to future sustainable All-IP products is not entering the final phase. The share of the new All-IP products in revenue totalled 45% of the total relevant revenue as of the end of the first half year. More than half of all minutes are now generated on the basis of the new technology. This higher value creation for the new products results in a higher gross profit margin in this segment. In the first half year it was 49.8% (1st HY 2018: 48.5%).

It was likewise possible to increase revenue in the **easybell** and **nacamar** segments. The change in strategy and the transformations implemented in these segments are reflected in this positive development. The growth of easybell is evident especially in the area of small business customers, who essentially procure All-IP services (SIP telephony) from easybell. nacamar is the leader in the German market for radio streaming (Internet radio), which is now the focus of the company's activities.

Consolidated **gross profit** increased in the first half year by € 0.9 million to € 16.3 million. While gross profit in the ecotel Business Customers segment remained constant at € 11.6 million, the easybell segment made a significant contribution to this development with a € 0.7 million increase in gross profit to € 3.9 million.

Personnel expenses increased by € 0.7 million to € 7.6 million compared to the first half year 2018. This increase was essentially due to the increase in the number of employees. As of 30 June 2019 the ecotel Group had 263 employees, which constitutes an increase of 17 employees since 30 June 2018. This reinforcement of human resources was necessary especially in the easybell segment.

In the first half year 2019 **other operating expenses and other operating income** decreased altogether by € 0.8 million to € 4.4 million compared to the previous year. This was due essentially to two effects. Firstly, the effect of the first application of IFRS 16 totalled about € 0.5 million for the first year 2019. Secondly, ecotel was able to resolve liabilities from commission agreements totalling € 0.4 million in the first half year 2019.

As a result of these effects, **EBITDA** increased in the first half year 2019 € 4.6 million (1st HY 2018: € 3.6 million).

Depreciations totalled € 3.6 million (1st HY 2018: € 2.6 million). The first-time application of IFRS 16 had an effect of € 0.6 million in this area. This remaining increase is the result of higher depreciations on necessary investments in high-performance and custom hardware components, as well as investments in IT systems and processes.

In the first half year 2019 ecotel achieved **EBIT** of € 1.0 million (1st HY 2018: € 1.0 million).

The **financial result** was likewise affected significantly by the first-time application of IFRS 16. Interest on leases totalled € 0.1 million in the first half year 2019. This was set off by the higher earnings from the at-equity consolidation of € 0.1 million.

Consolidated **tax expenses** remained unchanged at € 0.3 million in the first half year 2019 (1st HY 2018: € 0.3 million).

These developments resulted in **total consolidated profit** of € 0.6 million (1st HY 2018: € 0.7 million) for the first half year 2019.

After deducting the shares of other shareholders in the surplus, ecotel shareholders are entitled to a profit (**consolidated surplus**) of € 0.1 million (1st HY 2018: € 0.3 million). This corresponds to **earnings per share** of € 0.02 (1st HY 2018: € 0.07).

Financial position

In the first half year 2019 the financial position of the ecotel Group continued to be marked by the anticipated high investments in intangible assets and property, plant and equipment. In the first half year 2019 the company reported **free cash flow** of € 0.8 million (1st HY 2018: € –0.9 million). The changes in reporting of the consolidated cash flow statement made necessary by the first-time application of IFRS 16 had a positive effect of € 0.8 million on the free cash flow development. Consolidated cash and cash equivalents totalled € 4.2 million as of 30 June 2019 (30 June 2018: € 3.7 million).

Cash flow from ongoing business activities – at € 4.2 million – exceeded the previous year's figure (€ 2.2 million). This improvement was due essentially to active management of the working capital.

The **outflow of funds from investment activities** totalled € 3.4 million (1st HY 2018: € 3.1 million). Of this amount, € 2.6 million was earmarked for investments in customer equipment, the computer centre, and the IT infrastructure necessary for operation of customer services.

Cash flow from financing activities in the first half year 2019 totalled € –2.7 million. In addition to scheduled interest and repayments, dividends of € 1.0 million were distributed to non-controlling shareholders in 2019. The changes in reporting of the consolidated cash flow statement made necessary by the first-time application of IFRS 16 had a negative effect of € 0.7 million on the cash flow from financing activities.

Net worth

The group **assets position** did not change substantially compared to the end of year 2018. However, the first-time application of IFRS 16 resulted in an increase in the balance sheet total by € 9.0 million as of 30 June 2019. For further information, please refer to the section »New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019«.

In addition to these effects there was an increase in **non-current assets**, since the additions to fixed assets (€ 4.0 million) exceeded the depreciations (€ 3.0 million).

Current assets decreased by a total of € 1.9 million. While receivables and other financial and non-financial assets remained virtually unchanged on balance, financial resources decreased to € 4.2 million as of 30 June 2019.

Non-current and current liabilities remained virtually unchanged without the aforementioned effect.

Equity totalled € 22.3 million on 30 June 2019, which represents an overall decrease by € 0.4 million. While the shares of other shareholders (minorities) decreased by € 0.5 million to € 2.8 million, the share in equity allocated to the shareholders of ecotel communication ag increased by € 0.1 million to € 19.5 million.

The first-time application of IFRS 16 and the related substantial increase in the balance sheet total led to a decrease in the reported **equity ratio** of 42.9% as of 30 June 2019 (1st HY 2018: 52.4%).

Risk report

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

In this context we refer to the details of the risk report included in the 2018 Group management report, which remains valid with respect to the current risk and opportunity situation.

Outlook

The Management of ecotel communication ag reaffirms the forecast published in the 2018 Annual Report and for 2019 expects revenue in a corridor of € 48 to 50 million in the core segment ecotel Business Customers, € 15 to 17 million in the easybell segment, and € 2 to 3 million in the nacamar segment. EBITDA is expected to be in a corridor of € 8 to 9 million, taking into account the positive effects of the first-time application of the IFRS 16 leasing standard on EBITDA. In view of the currently planned business activities for 2019 ecotel expects significant negative effects from EBITDA in 2019 due to the regulations of IFRS 15, which were already

applied in 2018. According to current estimations, these two opposing effects will virtually cancel each other out, so that the planned and forecast increase in EBITDA will result essentially from improvement of the business activities. In this connection we refer to the information in the forecast report of the 2018 Group management report, which remains valid.

Supplementary report

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

To secure the financing of further growth ecotel took out another long-term loan of € 1.2 million in July 2019. The loan will be repaid by 31 December 2022, starting on 1 January 2020.

At the same time, the group's credit line was adjusted to € 5.0 million. Up to € 1.0 million of this can be used for surety obligations.

Consolidated balance sheet as of 30 June 2019 (unaudited)

€	31/12/2018	30/06/2019
Assets		
A. Non-current assets		
I. Intangible assets	12,964,382	13,582,698
II. Fixed assets	8,976,903	9,358,310
III. Rights of use from leasing agreements	–	8,954,683
IV. Capitalised contract costs	2,799,351	2,724,780
V. Financial assets measured at equity	865,465	977,899
VI. Deferred income tax claims	740,258	1,049,723
Total non-current assets	26,377,359	36,648,093
B. Current assets		
I. Trade receivables	7,908,908	8,357,617
II. Contract assets	56,180	49,698
III. Other financial assets	2,073,951	1,369,117
IV. Other non-financial assets	577,581	662,401
V. Actual income tax claims	624,792	752,236
VI. Cash and cash equivalents	6,093,030	4,211,169
Total current assets	17,334,441	15,402,238
Total assets	43,671,800	52,050,331

Since 1 January 2019 the new accounting standards IFRS 16 »Leases« is applied. The previous year's figures have not been adjusted. For further information, please refer to the section »New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019« on p. 14.

Differences in the totals can occur due to commercial rounding.

Consolidated balance sheet as of 30 June 2019 (unaudited)

€	31/12/2018	30/06/2019
Liabilities		
A. Equity capital		
I. Subscribed capital	3,510,000	3,510,000
II. Capital reserves	1,833,254	1,833,254
III. Other provisions	14,061,246	14,137,424
Shares of the owners of the parent company	19,404,500	19,480,678
IV. Shares of other shareholders	3,313,290	2,839,321
Total equity capital	22,717,791	22,320,000
B. Non-current liabilities		
I. Latent income tax	1,191,182	1,308,577
II. Non-current loans	4,049,999	3,374,995
III. Leasing liabilities	–	7,886,151
IV. Contract liabilities	780,967	748,016
V. Other financial liabilities	–	393,376
Total non-current liabilities	6,022,148	13,711,114
C. Current liabilities		
I. Actual income tax	672,447	502,281
II. Current loans	1,609,370	1,336,456
III. Leasing liabilities	–	1,171,554
IV. Accounts payable	9,228,576	9,791,467
V. Contract liabilities	957,860	941,411
VI. Provisions	19,850	16,850
VII. Other financial liabilities	1,567,864	1,352,185
VIII. Other non-financial liabilities	875,894	906,913
Total current liabilities	14,931,862	16,019,217
Total liabilities	43,671,800	52,050,331

Since 1 January 2019 the new accounting standards IFRS 16 «Leases» is applied. The previous year's figures have not been adjusted. For further information, please refer to the section «New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019» on p. 14.

Differences in the totals can occur due to commercial rounding.

Consolidated profit statement

for the second quarter 2019 and for the first half year 2019 (unaudited)

€	1 st half year 2018	1 st half year 2019	2 nd quarter 2018	2 nd quarter 2019
1. Sales revenue	42,170,978	41,031,001	22,592,660	21,476,324
2. Other operating income	124,899	573,637	66,254	262,758
3. Other company-manufactured items capitalised	262,853	285,314	135,785	131,932
4. Total revenue	42,558,730	41,889,952	22,794,699	21,871,015
5. Cost of materials				
5.1 Expenses for services purchased	-26,750,620	-24,755,760	-14,788,735	-13,377,302
6. Personnel expenses				
6.1 Wages and salary	-5,887,401	-6,434,979	-2,943,105	-3,205,283
6.2 Social contributions and expenses for pensions and benefits	-998,774	-1,132,502	-507,308	-578,819
7. Scheduled depreciations	-2,560,600	-3,568,555	-1,285,537	-1,811,568
of which depreciations on rights of use from leases	-	-623,076	-	-311,220
8. Other operating expenses	-5,347,481	-5,006,116	-2,747,146	-2,501,670
9. Operating result (EBIT)	1,013,854	992,039	522,868	396,373
10. Financial income	781	38	61	38
11. Interest expenses	-78,387	-251,480	-42,215	-118,243
thereof interest expenses from leasing liabilities	-	-130,796	-	-64,632
12. Other financial expenses	-	-8,012	-	-2,352
13. Earnings from financial assets measured at equity	40,508	121,435	2,750	66,809
14. Financial result	-37,098	-138,020	-39,404	-53,748
15. Earnings from normal business activities before income tax	976,757	854,019	483,463	342,625
16. Taxes on income and earnings	-264,431	-271,410	-116,443	-105,000
17. Surplus (= total consolidated profit)	712,326	582,609	367,020	237,625
18. Allocation of the surplus to the				
18.1 Owners of the parent company (consolidated surplus)	257,886	76,178	132,095	-31,528
18.2 Shares of other shareholders	454,440	506,431	234,926	269,153

€	1 st half year 2018	1 st half year 2019	2 nd quarter 2018	2 nd quarter 2019
Undiluted earnings per share	0.07	0.02	0.04	0.00
Diluted earnings per share	0.07	0.02	0.04	0.00

Since 1 January 2019 the new accounting standards IFRS 16 »Leases« is applied. The previous year's figures have not been adjusted. For further information, please refer to the section »New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019« on page 14.

Due to lack of data, the »other comprehensive income« is not reported. Differences in the totals can occur due to commercial rounding.

Consolidated cash flow statement for the first half year 2019 (unaudited)

Thousand €	1 st half year 2018	1 st half year 2019
Earnings from normal business activities before income tax	977	854
Net interest income	78	252
Depreciations on non-current assets	2,561	3,568
Earnings from financial assets measured at equity	-41	-121
Profit (-) / loss (+) from retirements of intangible assets	7	20
Change in the active working capital	-1,362	-57
Change in the provisions	-28	-3
Change in other passive working capital	524	246
Paid (-) / received (+) income tax	-471	-569
Inflow of funds from ongoing business activities	2,245	4,189
Payments made for investments in intangible assets and property, plant, and equipment	-3,138	-3,372
Interest paid in	1	0
Outflow of funds from investment activities	-3,137	-3,372
Payments to non-controlling shareholders	-980	-980
Payments for repayment of financial loans	-735	-948
Payments for repayment of leases	-	-520
Interest payments for other financial liabilities	-78	-121
Interest payment for leases	-	-131
Cash flow from financing activities	-1,794	-2,699
Cash-effective change in financial resources	-2,686	-1,882
Financial resources at start of period	6,393	6,093
Financial resources at end of period	3,707	4,211

Since 1 January 2019 the new accounting standards IFRS 16 «Leases» is applied. The previous year's figures have not been adjusted. For further information, please refer to the section »New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statements as of 1 January 2019« on p. 14.

Differences in the totals can occur due to commercial rounding.

Development of consolidated equity as of 30 June 2019 (unaudited)

Amounts in thousand €	Retained earnings						Total ¹
	Subscribed capital	Capital reserves	Other retained earnings	Consolidated profit	Equity capital to be allocated to shareholders of ecotel communication ag	Shares of non-controlling shareholders	
As of 01 January 2018	3,510	1,833	13,601	466	19,410	3,359	22,769
Restoring of previous year's earnings	0	0	466	-466	0	0	0
Distributions	0	0	0	0	0	-980	-980
Change in equity capital not affecting the earnings	0	0	466	-466	0	-980	-980
Consolidated profit for 1 st half year 2018	0	0	0	258	258	454	712
Change in equity capital affecting the earnings	0	0	0	258	258	454	712
As of 30 June 2018	3,510	1,833	14,067	258	19,668	2,832	22,501
As of 31 December 2018	3,510	1,833	13,611	451	19,405	3,313	22,718
Adjustment due to first-time application of IFRS 16	0	0	0	0	0	0	0
As of 01 January 2019	3,510	1,833	13,611	451	19,405	3,313	22,718
Restoring of previous year's earnings	0	0	451	-451	0	0	0
Distributions	0	0	0	0	0	-980	-980
Change in equity capital not affecting the earnings	0	0	451	-451	0	-980	-980
Consolidated profit for 1 st half year 2019	0	0	0	76	76	506	583
Change in equity capital affecting the earnings	0	0	0	76	76	506	583
As of 30 June 2019	3,510	1,833	14,061	76	19,481	2,839	22,320

Differences in the totals can occur due to commercial rounding.

New standards or amendments to IASB pronouncements to be applied for the first time in the consolidated financial statement as of 1 January 2019:

For financial years starting on 1 January 2019, the new standard **IFRS 16 »Leases«** must be applied for the first time in the consolidated financial statements.

The standard **IFRS 16 »Leases«** supersedes the previous standard on leasing relations (IAS 17) and IFRIC 4 »Determining whether an arrangement contains a lease«. The standard specifies how leases are to be recognised, measured, presented and disclosed. The standard differentiates between the lessor and the lessee. For the **lessee** a single accounting model is introduced. In the future, all rights and obligations from leasing agreements are to be reported in the balance sheet as a "right of use" or "leasing liability". The right of use is to be recognised at the cash value of the future leasing payments plus initial direct costs and depreciated over the planned term of the lease. The leasing liability is likewise to be recognised at the cash value. In the subsequent measurement of the leasing liability the book value is compounded at the applied interest rate and reduced by the payments made. For leases involving assets of low value and for short-term leases (less than twelve months) there are provisions to facilitate application. For the **lessor** the accounting regulations are essentially unchanged. As in the past, the lessor must still differentiate between financing and operating leases.

The analysis of leases within the ecotel Group shows that ecotel is affected as a **lessee** in the following areas: Long-term leasing of real estate for operation of the computer centre, as well as administration, long-term leasing of network infrastructure (backbone) and long-term fleet leasing.

As a **lessor** the analysis of leases shows that the application of IFRS 16 has no effects for ecotel. Although the Group provides customers with hardware components, they do not fulfil the recognition criteria for a lease in accordance with IFRS 16, since the rights of the customer are limited and the customer has no substantial decision-making rights concerning the hardware provided (essentially ecotel business customers), or the economic use remains essentially within the group (essentially easybell).

The standard was first applied as of 1 January 2019 and was not applied according to the modified retrospective method, i.e. the previous year's figures were not modified. The cumulative effect of the change-over was set off with reserves in the equity as not affecting net income. In addition, ecotel will apply the provisions for facilitation of application and continue to recognise the resulting expenses directly.

Application of the new standard, taking into account the existing rental and leasing obligations, as well as exercise of discretion and estimates, affects the consolidated balance sheet as follows:

Balance sheet items	01 January 2019
Rights of use from leasing agreements	9,578
Total assets	9,578
Long-term leasing liabilities	8,447
Short-term leasing liabilities	1,131
Total liabilities	9,578

In the first half year 2019 application of the new standard had the following effects:

Long-term leases are no longer reported directly as expenses, but are instead split up into an interest share affecting net income and a repayment share not affecting net income. In addition, the capitalized rights of use throughout the planned term of the lease are recognised as depreciations. This resulted in an increase in depreciations of € 0.6 million and an increase in interest expenses of € 0.1 million in the first half year 2019. EBITDA improved by the amount of € 0.7 million. In the cash flow statement the change resulted in an increase in the operative cash flow of € 0.8 million and a decrease in the cash flow from financing activities of € 0.7 million.

General information

The consolidated financial statements of ecotel communication ag as the reporting parent company were prepared as of 30 June 2019 in compliance with the regulations of IAS 34 and applying Section 315a of the German Commercial Code in accordance with the rules in force on the closing date of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) taking into account the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC) – as accepted by the EU. IFRS/IAS not yet in force or their interpretations have not been prematurely applied. The comparative figures of the previous period were determined based on the same principles.

Segments

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

- In the **ecotel Business Customers** segment (the company's core segment) ecotel offers business customers throughout Germany an integrated product portfolio of voice and data services (IT/telecom solutions) from a single source. In this segment the focus is on business customers with more than 50 employees. They can be customers with only one location or several locations, as well as large retail chain stores, insurance companies or banks. ecotel has suitable telecom solutions for all of these customer groups. As an upstream supplier for other IT/telecom companies (e.g. resellers) ecotel also provides products in this segment.
- The **ecotel Wholesale Solutions** segment comprises the cross-network trading of telephone minutes (wholesale) for national and international carriers. For this purpose ecotel maintains network interconnections with approximately 100 national and international carriers.
- The **easybell** segment comprises the entire business of the easybell Group, consisting of four companies. In this segment easybell markets broadband Internet access and VoIP telephony for private customers, as well as SIP trunking services for smaller enterprises. In addition the easybell group operates a router rental model (www.routermiete.de) and offers inexpensive call-by-call services for domestic and foreign telephone calls.
- In the **nacamar** segment, nacamar GmbH offers streaming services for media enterprises on the basis of the company's own Content Delivery Network (CDN), which is hosted in the ecotel computer centre.

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

Thousand €	ecotel Business Solutions		ecotel Wholesale Solutions		easybell		nacamar		Consolidation, cross-segment		Group	
	2018 1 st HY	2019 1 st HY	2018 1 st HY	2019 1 st HY	2018 1 st HY	2019 1 st HY	2018 1 st HY	2019 1 st HY	2018 1 st HY	2019 1 st HY	2018 1 st HY	2019 1 st HY
Sales revenue	23,828	23,411	9,587	7,827	7,826	8,782	931	981	–	–	42,171	41,031
Inter-segment revenue	–	–	1,800	1,957	221	353	–	–	–2,021	–2,310	0	0
Gross profit	11,568	11,670	120	152	3,243	3,913	488	541	–	–	15,420	16,275
EBITDA	1,911	2,609	–32	–220	1,632	2,021	94	183	–	–	3,605	4,593
Operating result (EBIT)	–309	–365	–32	–220	1,344	1,489	41	89	–	–	1,044	992

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

Thousand €	ecotel Business customers		ecotel Wholesale Solutions		easybell		nacamar		Consolidation, cross-segment		Group	
	2018 2 nd Q	2019 2 nd Q	2018 2 nd Q	2019 2 nd Q	2018 2 nd Q	2019 2 nd Q	2018 2 nd Q	2019 2 nd Q	2018 2 nd Q	2019 2 nd Q	2018 2 nd Q	2019 2 nd Q
Sales revenue	11,891	11,546	6,383	4,931	3,850	4,531	468	469	–	–	22,593	21,476
Inter-segment revenue	0	0	1,121	1,022	117	138	–	–	–1,238	–1,160	0	0
Gross profit	5,800	5,753	67	–115	1,686	2,006	251	266	–	–	7,804	8,099
EBITDA	912	1,235	8	–70	844	1,034	64	73	–	–	1,828	2,227
Operating result (EBIT)	–197	–302	8	–115	693	789	39	25	–	–	543	396

Consolidated companies and acquisitions

The consolidated companies of the ecotel consolidated financial statements have remained unchanged since 31 December 2018.

Taxes from income and revenue

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

Amounts in thousand €	2018 1 st half year	2019 1 st half year	2018 2 nd quarter	2019 2 nd quarter
Taxes from income and revenue – effective	–385	–463	–215	–243
Taxes from income and revenue – deferred	121	192	98	138
Taxes from income and revenue	–264	–271	–116	–105

Earnings per share

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

A dilution of the earnings per share occurs if the average number of shares is increased due to the additional issue of potential shares from options and convertible financial instruments. As of 30 June 2019, there were no share options, so that the undiluted and diluted earnings per share are identical.

	2018 1 st half year	2019 1 st half year	2018 2 nd quarter	2019 2 nd quarter
Accrued consolidated profit for the year (in €)	257,886.11	76,178.26	132,094.60	-31,528.36
Weighted average number of shares	3,510,000	3,510,000	3,510,000	3,510,000
Undiluted/diluted earnings per share (in €)	0.07	0.02	0.04	0.00

Other information

No significant transactions with related parties were conducted in the first half year 2019.

Düsseldorf, 8 August 2019

The Management Board

Peter Zils

Achim Theis

Responsibility statement of the legal representatives

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

Düsseldorf, 8 August 2019

ecotel communication ag

The Management Board

Peter Zils

Achim Theis

Financial calendar

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Contact

Annette Drescher

Phone: +49 211-55 007-740

Fax: +49 211-55 007 5 740

E-mail: investorrelations@ecotel.de

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Disclaimer

Exclusion of liability:

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

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

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

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