ANNUAL 2021 REPORT

ecotel®
all around communication

ecotel®
all around communication

300	205	>100,000	>21,000
partners	employees	voice lines	data lines

Certifications and awards:

Certified ISO 27001 Rechenzentrum + VPN & Voice-Services Made in Germany.

IT-BESTENLISTE BEST OF 2021 initiative mittelstand BEST OF

51%

easybell

ROUTERMIETE.DE
CARRIER-SERVICES.de
init voice
sparcall

63	>340,000	>33,000
employees	voice lines	data lines

100%

nacamar

Add+Radio
YBRID®

11	2.35	1.59
employees	billion listener hours	billion sessions

33%

mvneco managed services

23 employees + 46 employees in dispatch

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 55,000 data lines and in excess of 440,000 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.

The ecotel Wholesale segment comprises cross-network trading in telephone minutes (Wholesale Voice) and marketing data lines (Wholesale Data) for national and 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,

We concluded financial year 2021 with a record result. At the same time, we posted a considerable year-on-year improvement for all Group operating key figures and performance indicators.

Consolidated sales at € 95.9 million (previous year: € 98.3 million) were again 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 segments ecotel Business Customers (+4 % to € 46.3 million) and easybell (+16 % to € 25.0 million) were further expanded. In the ecotel Wholesale and nacamar segments, sales developed in line with planning.

We improved gross profit by € 8.0 million (+21 % to € 45.7 million), with particular contributions being made as a result of positive developments in the ecotel Business Customers segment at € 28.5 million (previous year: € 23.9 million) and the easybell segment at € 14.6 million (previous year: € 11.2 million).

EBITDA surged by 55 % to € 18.1 million (previous year: € 11.7 million). Furthermore, economies of scale are becoming increasingly evident in the ecotel Business Customers segment. As a result, it was possible to almost double EBITDA to € 8.6 million (previous year: € 4.4 million). The strongly growing easybell segment also continue the positive trend of the previous year, moving up EBITDA by € 2.6 million to € 8.5 million. EBITDA in the ecotel Wholesale and nacamar segments, developed as planned, each generating € 0.5 million.

Taking account of the expected lower depreciation and amortisation, net finance costs, taxes and minorities, consolidated net profit of € 4.8 million was generated (previous year: € 1.0 million), equivalent to earnings per share (EPS) of € 1.36 (€ 0.28).

The considerable upturn in operating results also brought with it an improvement in the net assets and financial position. With free cash flow of € 10.5 million (previous year: € 4.4 million) or approximately € 3 per share, net financial assets rose to € 9.6 million (previous year: € 2.3 million).

This pleasing trend is also confirmation that the strategic realignment and the investments made in growth over recent years are bearing fruit. The trust placed by shareholders in the ecotel share should now be rewarded. For this reason, together with the ecotel Supervisory Board, we resolved to propose to the Annual General Meeting, not only the basis dividend of € 0.70 / share (> 50 % of EPS), but also a specific dividend of € 1.55 / share and thus a total dividend of € 2.25 per eligible share.

In view of the last year's business performance and the strategic alignment of the segments described above combined with the opportunities and risks described in the Group Management Report, we have the following outlook for 2022:

Overall, we anticipate a further increase in gross profit and further growth in Group EBITDA within the € 20 million to € 22 million range and a further increase of consolidated net income in financial year 2022.

Factoring in current knowledge on risks and opportunities, for the ecotel Group, we are anticipating annual sales growth of roughly 5 %, combined with higher gross profit and higher EBITDA, also after financial year 2022 and also once again beyond the € 100 million threshold of the German Telecommunications Act which has been utilised since 2018. Furthermore, we anticipate, also after financial year 2022, that we will maintain the key figures and targets of the sustained financial strategy presented in the Group Management Report.

Without our highly motivated employees we would not have been able to make such a success for what was for all of us an outstanding financial year 2021. In the second year of the COVID-19 pandemic and the related restrictions, we again all worked together for success at ecotel. For this reason, at this point, we would like to thank not only you, dear shareholders, but also our many colleagues for their excellent work. However, our particular thanks also goes to the confidence placed in us by our loyal business partners and customers.

We are looking into the future with great confidence and are looking forward to the challenges and opportunities that the fast-moving telecommunications market holds for us.

Peter Zils
Co-Chairman of the Management Board

Markus Hendrich
Co-Chairman of the Management Board

Achim Theis
Management Board member

MANAGEMENT BOARD, SUPERVISORY BOARD, AND REPORT OF THE SUPERVISORY BOARD

Management Board member

Peter Zils (born in 1963) is the founder and Co-Chairman of the Management Board of ecotel communication ag and is responsible for the areas of Strategy, Wholesale, Finance and Investor Relations. 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. He joined ecotel communication ag on 1 July 2020, initially as Chief Digital Officer (CDO). Since 1 October 2021, in his role as Co-Chairman of the Management Board, he has been responsible for the areas of Technology, Operations, Product Management, Human Resources and the new area - Digitalization. Markus Hendrich has over ten 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 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 Norbert 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.

Uwe Nickl (born in 1969) has been a member of the Supervisory Board of ecotel communication ag since July 2021 and since then took on the tasks of Deputy Chairman. Uwe Nickl is an independent business consultant. After studying business administration, Uwe Nickl worked at management level in various companies in the telecommunications industry. His last position, from 2016 to 2021 was as CEO of the Deutsche Glasfaser Group with responsibility for the strongest FTTH supplier in Germany.

Mirko Mach (born in 1976) has been a member of the Supervisory Board of ecotel communication ag since July 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, Mirko Mach is currently responsible for commercial management, sales management and online marketing.

Brigitte Holzer (born in 1961) has been a member of the Supervisory Board of ecotel communication ag since January 2006. Since February 2022, Brigette Holzer has been CFO for the holding company Going Beyond GmbH and its interest in the LIGANOVA Group. After studying business administration, Brigitte Holzer was responsible for finance at various companies; in her last 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 and in 2021 as CFO for eClear AG.

Alfried Bührdel (born in 1962) has been a member of the Supervisory Board of ecotel communication ag since July 2021. Alfried Bührdel is self-employed as supervisory and advisory board member and business angel. After studying business administration, Alfried Bührdel worked in management positions at various companies. His last two positions were as CFO for the Tengelmann Group and from 1998 to 2014 as CFO and Deputy Chairman of the Ströer AG Management Board, where he was involved in developing the company to a leading European media provider.

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 2021 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 five times in the year under review, on 11 February 2021, on 10 March 2021, on 18 May 2021, on 8 July 2021 and on 9 December 2021. Due to the corona pandemic, only the meeting in July was held with personal attendance; the other meetings were held as video conferences or conference calls. In addition, three resolutions were 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 2021, the Supervisory Board was informed in detail about the course of business and the company's position. Focus areas included the 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.

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

11 February 2021: Discussion of the German Corporate Governance Code, determination of the finance strategy for 2021/2022

10 March 2021: auditor's report on the implementation and results of the annual and consolidated financial statements for 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 2020, resolution on the target achievement rate for the variable remuneration components of the Management Board for 2020

18 May 2021: resolution on the target agreements for the Management Board for 2021, business development at nacamar GmbH, resolutions on the Annual General Meeting

8 July 2021: constitutive meeting of the Supervisory Board, discussion on the new product strategy and the status of the new Business Support System (BSS)

19 December 2021: discussion on the first budget draft for 2022, preparation for the 2021 audit of the annual financial statements with participation of the statutory auditor

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 Mirko Mach and Dr Thorsten Reinhard. With Mirko 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 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 on 8 July 2021, the Cologne 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. The auditor 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 2021 financial year, but instead approved the annual financial statements and the consolidated financial statements by way of a resolution adopted on 8 March 2022. The annual financial statements of ecotel for the 2021 financial year were thus approved.

4. Corporate governance

With the following exception, all members attended all Supervisory Board meetings: Sascha Magsamen excused himself and did not attend the Supervisory Board meeting on 8 July 2021.

On 18 May 2021 and on 9 December 2021, the Supervisory Board convened, partially without the Management Board.

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 3 February 2021. The most recent joint declaration of compliance by the Management Board and the Supervisory Board was made on 9 December 2021. The declarations were each made permanently available to the public on the company's website.

On 9 December 2021, an external law firm provided the Supervisory Board with training on legal topics relating to Supervisory Board activity. The particular focus was on legislative changes such as the German Financial Market Integrity Act (FISG) and the Second Management Position Act, obligations in line with the Market Abuse Regulation and corporate governance topics.

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

The term of office of all members of the Supervisory Board ended with the end of the Annual General Meeting on 8 July 2021. Sascha Magsamen and Tim Schulte Havermann did not stand for re-election. As proposed by the Supervisory Board, the Annual General Meeting on 8 July 2021 re-elected Brigitte Holzer as well as Dr Norbert Bensel, Mirko Mach and Dr Thorsten Reinhard to the Supervisory Board, with Alfried Bührdel and Uwe Nickl being elected to the Supervisory Board for the first time. The Supervisory Board members were elected to the end of the Annual General Meeting that ratifies actions for financial year 2025.

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

In the year under review, there were the following changes in the Management Board: since 1 October 2021, Peter Zils and Markus Hendrich share the chair of the Management Board, a position that Peter Zils previously held alone. Their service contracts were revised for the period from 1 October 2021 to 30 June 2024, rescinding all earlier agreements. Peter Zils is responsible for the areas of Strategy, Wholesale, Finance and Investor Relations, and Markus Hendrich for Technology and Operations, Digitalisation and HR. Achim Theis is the third member of the Management Board, and continues to be 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 five meetings at which it particularly discussed the intra-year financial reports and the annual and consolidated financial statements for 2020. The Audit Committee also discussed the internal control system. Until 8 July 2021, the Audit Committee consisted of Brigitte Holzer (Chairwoman), Mirko Mach and Sascha Magsamen. With the re-election of the Supervisory Board at the Annual General Meeting on 8 July 2022, the Audit Committee was reconstituted and since then has consisted of Brigitte Holzer (Chairwoman) together with Mirko Mach and Alfried Bührdel.

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 three meetings in the 2021 financial year. Until 8 July 2021, the Nomination Committee consisted of Dr Thorsten Reinhard (Chairman), Dr Bensel and Tim Schulte Havermann. With the re-election of the Supervisory Board at the Annual General Meeting on 8 July 2022, the Nomination Committee was reconstituted and since then has consisted of Dr Thorsten Reinhard (Chairman) together with Dr Bensel and Uwe Nickl.

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 2021.

Düsseldorf, 8 March 2022
For the Supervisory Board:

Dr Norbert Bensel
Chairman of the Supervisory Board

INVESTOR RELATIONS

Key figures

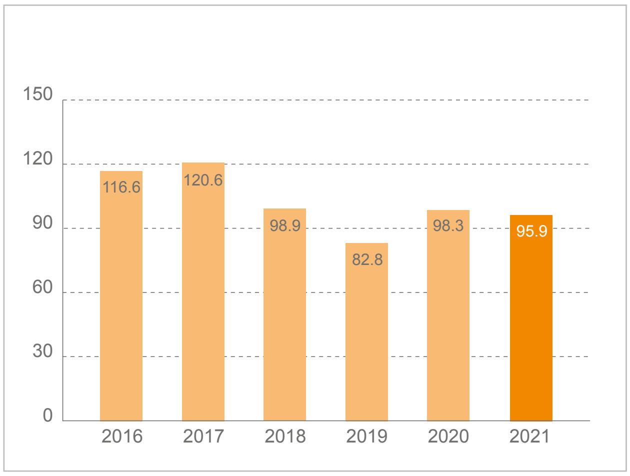
Income statement (IFRS)		2019	2020	2021
Sales	in € million	**82.8**	**98.3**	**95.9**
ecotel Business Customers [1]	in € million	45.6	44.5	46.3
ecotel Wholesale [1]	in € million	16.7	30.0	22.4
easybell	in € million	18.6	21.5	25.0
nacamar	in € million	1.9	2.3	2.2
Gross profit	in € million	**33.6**	**37.7**	**45.7**
ecotel Business Customers [1]	in € million	23.5	23.9	28.5
ecotel Wholesale [1]	in € million	0.7	1.1	1.1
easybell	in € million	8.3	11.2	14.6
nacamar	in € million	1.1	1.5	1.5
EBITDA [2]	in € million	**8.8**	**11.7**	**18.1**
ecotel Business Customers [1]	in € million	4.0	4.6	8.6
ecotel Wholesale [1]	in € million	0.4	0.6	0.5
easybell	in € million	4.0	5.9	8.5
nacamar	in € million	0.4	0.6	0.5
Operating result (EBIT)	**in € million**	**1.5**	**4.0**	**10.6**
Consolidated net income [3]	in € million	-0.2	1.0	4.8
Number of shares as at 31 December (outstanding shares)	Number	3,510,000	3,510,000	3,510,000
Earnings per share [4]	in €	**-0.05**	**0.28**	**1.36**

Cash flow		2019	2020	2021
Cash and cash equivalents at beginning of period	in € million	6.1	8.3	7.8
Cash flow from operating activities	in € million	10.0	10.3	15.4
Cash flow from investing activities	in € million	-6.4	-5.9	-4.9
Cash flow from financing activities	in € million	-1.5	-4.9	-5.6
Cash and cash equivalents as at 31 December	in € million	8.3	7.8	12.6
Free cash flow [5]	in € million	**3.6**	**4.4**	**10.5**

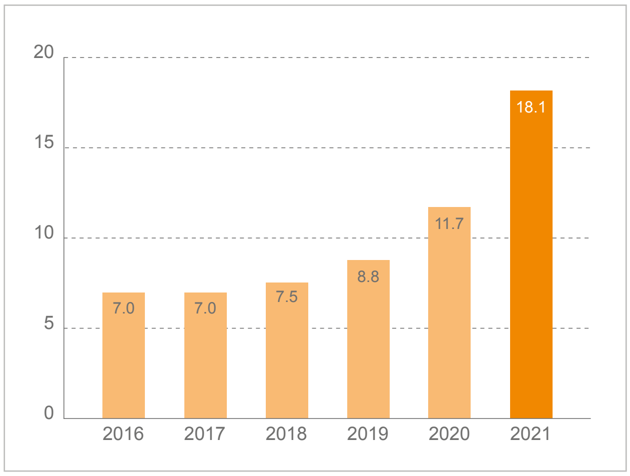
Statement of financial position (IFRS)		2019	2020	2021
Total assets	in € million	56.8	53.9	61.1
Equity	in € million	22.2	23.4	29.1
in % of total assets		39.0 %	43.4 %	47.6 %
Net financial assets [6]	in € million	**1.0**	**2.3**	**9.6**

Differences in the totals may occur due to rounding
1 Change of segment reporting as at 31 December 2021. See note 29
2 Earnings before depreciation, amortisation and impairment losses, net finance costs and income taxes
3 Corresponds to consolidated net income after deducting minority interests
4 Both basic and diluted
5 Free cash flow = cash flow from operating activities + cash flow from investing activities
6 Loans payables less cash and cash equivalents / 6 Not including minority-owned companies (mvneco GmbH)

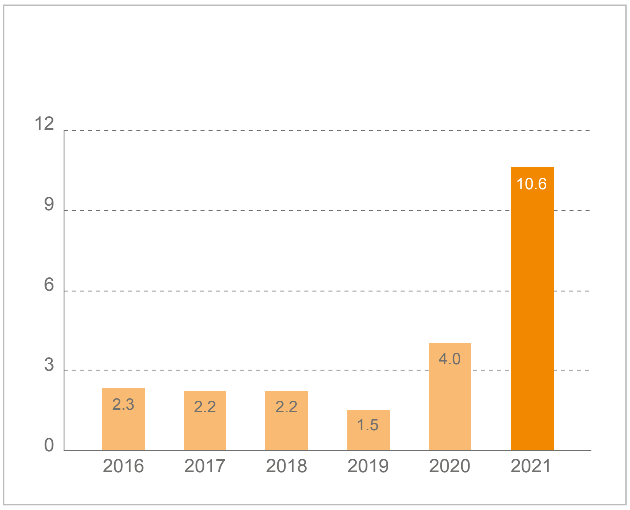
Sales in € million



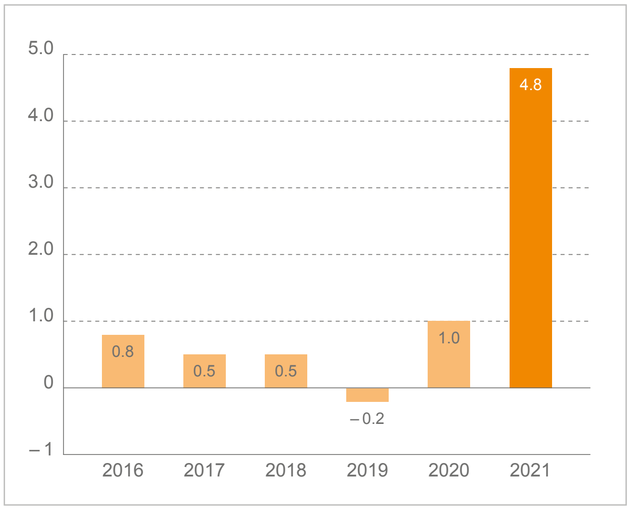
EBITDA in € million



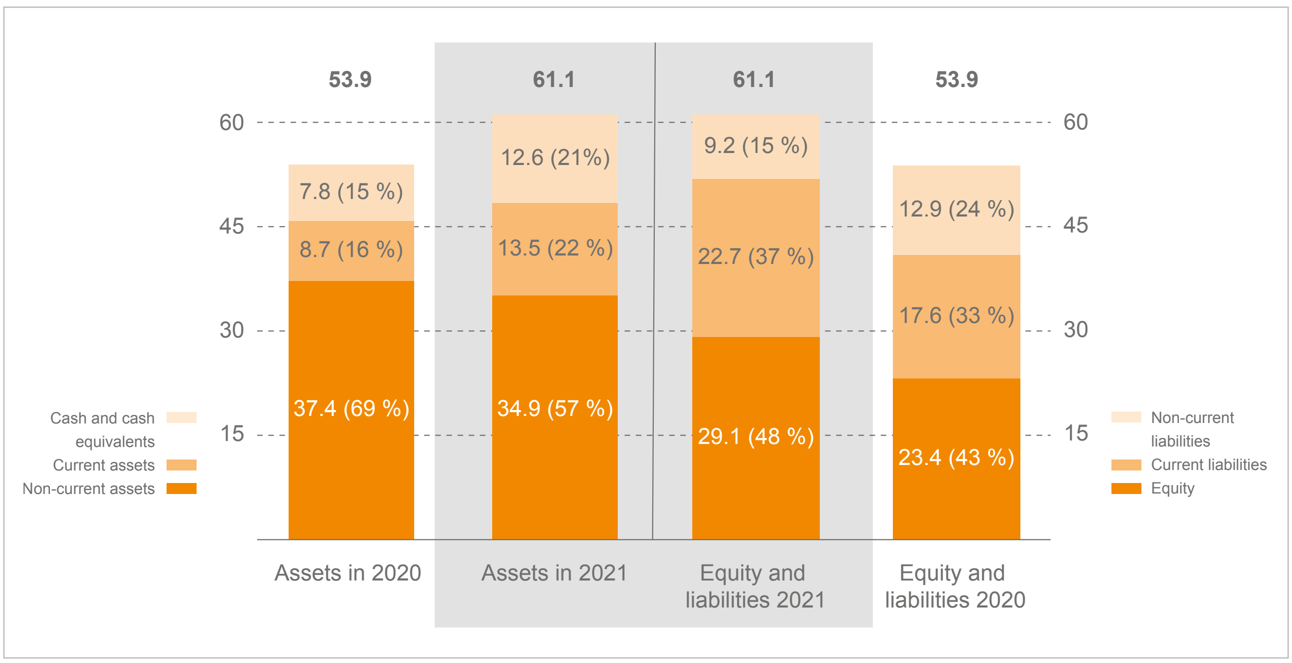
EBIT in € million



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 2021, the share capital was unchanged at 3,510,000 shares. The company does not hold any treasury shares.

Share price performance in 2021

In 2021, the most important German share index, the DAX, posted strong gains achieving a performance of approximately 16 %. It closed out the year at 15,885 points. The TecDAX performed somewhat better, moving up by roughly 22 % over the year.

The ecotel share started 2021 at a price of € 10.20. After a short-lasting dip to € 8.95 at the beginning of the year, the share performance was extremely pleasing. Driven by the very good business figures and several ad-hoc releases and guidance increases, the ecotel share price almost quadrupled over 2021. At the end of the year, the share price was € 38.60, an increase of 378 %.

As at 31 December 2021, market capitalisation amounted to € 135.5 million (previous year: € 35.8 million). The average daily trading volume of the share in 2021 came to 5,710 shares per day compared to 3,044 shares per day in the previous year, meaning that daily trading volume continued to increase considerably.

Investor relations

There was an intensive dialogue with investors, analysts and journalists again in 2021. This particularly focused on the company's development, the strategic alignment and the very good business performance.

In addition to regular reporting, the Annual General Meeting and reports in selected specialist media, analyst and investor conferences were also held in September 2021 and December 2021.

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

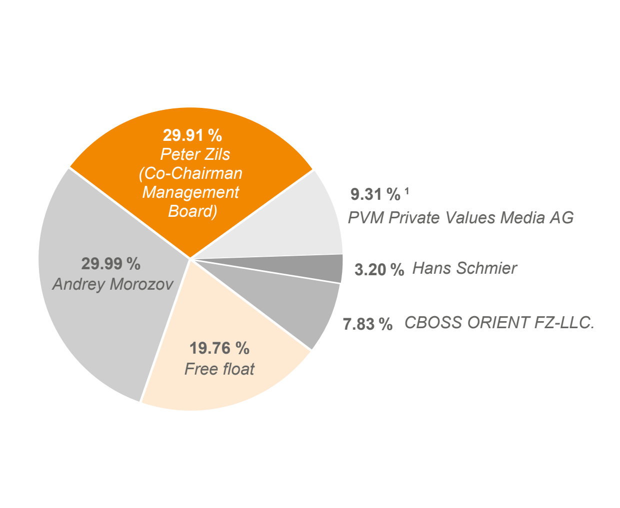
In 2021, there were no significant changes in the shareholder structure:

Peter Zils (Chairman of the Management Board) and Andrey Morozov now each hold just under 30 % of the shares. A further 20 % is distributed across shareholders known to us on the basis of the relevant notifications (WpHG notifications). Free float is around 20 % of the share capital.

Key figures Ø 2021			
WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as at 31 December 2021	3,510,000
Symbol	E4C	Average daily volume in 2021	5,710
Market segment since 8 August 2007	Prime Standard	Highest price in 2021 (€) Lowest price in 2021 (€)	38.60 8.95
Index membership	CDAX, Prime All Share Technology All Share	Market capitalisation as at 31 December 2021 (€ million)*	135.5
Category	No-par-value shares	Designated Sponsor	ICF BANK AG

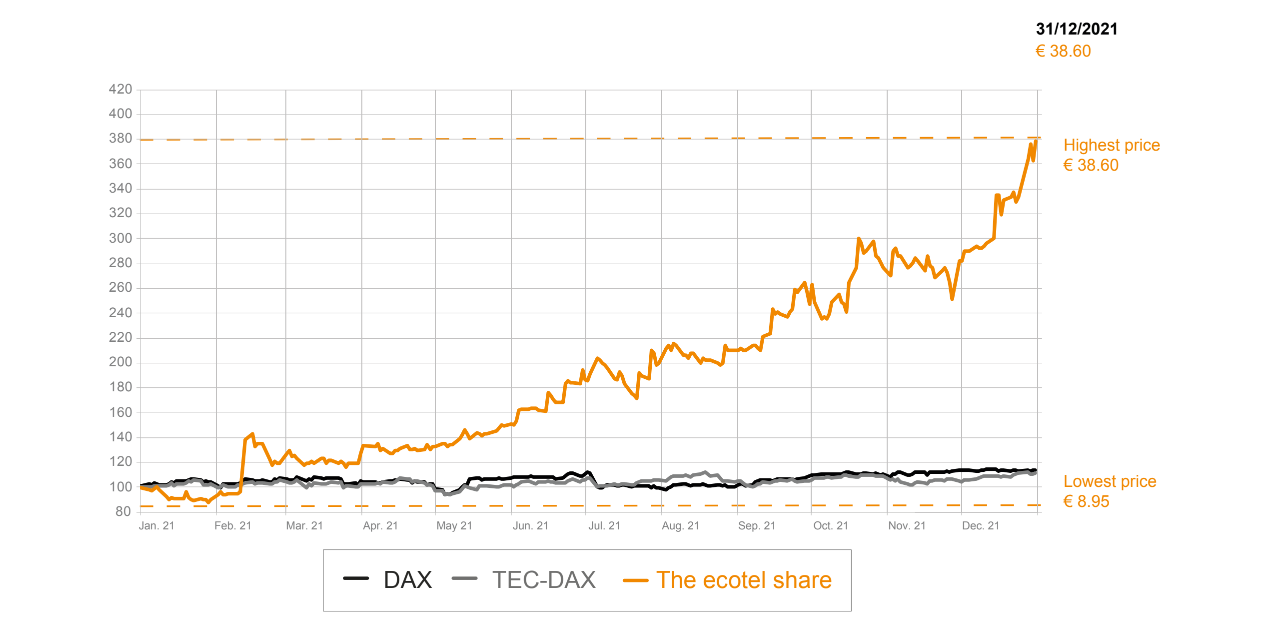
** Based on the closing price of € 38.60 per share on 31 December 2021 with 3,510,000 shares outstanding*

Share ownership (31/12/2021) in percent



1 % rate according to the 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 2021 in percent



1.0

GROUP MANAGEMENT REPORT

1.1 Basic information on the Group

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 55,000 data lines and in excess of 440,000 voice channels.

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 product range covers not only flexible and high-quality telephony solutions (SIP protocol, cloud telephony) and broadband connections (fibre optic, x-DSL, etc.), but also managing the connection of company locations (SD WAN-, IP- and MPLS-VPNs) and realising direct connectivity to the leading cloud providers (multi-cloud-connect). The products and services are operated on the basis of geo-redundant data centres in Germany which are connected in a fail-safe fashion via their own backbone Within the context of the multi-carrier concept almost all German infrastructure providers are connected to this backbone. In this way, the best customer-specific provision can be realised for each customer without a provider connection.

ecotel all around communication

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) and since this financial year (with the previous year figures being restated) marketing data lines 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 markets IP communication services in the form of SIP trunks and cloud telephone systems as well as complete DSL connections. In doing so, easybell focuses on easy-to-handle customised products for small and medium-sized business customers. In addition to the business customers, easybell also continues to address provide private customers with voice products and, particularly for private customers the well-known AVM routers (FRITZ!-Box) which can also be leased on www.routermiete.de – the platform operated by the easybell segment. In addition, in financial year 2021 easybell made initial steps on the road to internationalisation and launched the www.easybell.com website.

“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.

Infrastructure

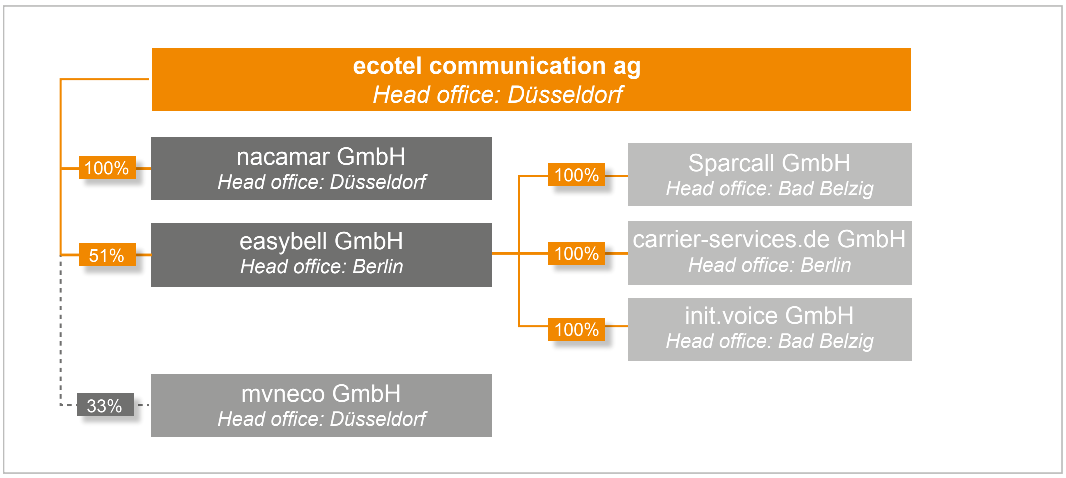
ecotel does not operate its own access network, but instead procures telecoms supply services from various upstream suppliers and can therefore choose the operator offering the best value for money in each case. Typical upstream suppliers include Deutsche Telekom, 1&1 Versatel, Vodafone, Verizon, EWE, 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.

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. In addition, the ecotel ag control systems meet the requirements of the "Minimum Requirements for Risk Management" (MaRisk) and the "Banking Regulation Requirements for IT" (BAIT), something demonstrated every year on the basis of the audit options in line with IDW PS 951 Type 2.

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 (Co-Chairman),** responsible for Strategy, Wholesale, Finance and Investor Relations, **Markus Hendrich (Co-Chairman),** responsible for Technology, Operations, Product Management, Human Resources and 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), Wilfried Kallenberg (CTO)** and **Oliver Jansen (COO)** make up the ecotel Governing Board.

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.

Shareholders expect transparent reporting, reliable forecasts and predictable, attractive shareholder remuneration. **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.

ecotel is developing into a leading quality provider in the area of telecommunications for business customers in Germany and as a legal entity thus expects 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 segment and easybell	Attractive and competitive products	Stable balance sheet ratios	Transparent capital market reporting
Increase in gross profit	Development of modern, forward-looking IT systems	Net financial assets	Realistic forecasts
Growth-dependent investments in 2022/2023: At least € 6 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: > € 2 per share
	Sustainable HR policy and training measures	Debt servicing (interest and principal) in 2022/23 Approx. € 3 million to ~ € 0	Dividend policy: At least 50 % of EPS**

** Cash flow from operating activities + cash flow from investing activities before investments in 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 2021, capitalised development expenses amounted to € 1.2 million (previous year: € 0.5 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

After ten years of steady growth, in the corona crisis year of 2020 the German economy slid into a deep recession. With a price-adjusted slump of gross domestic product (GDP) of 4.6 % against 2019, economic performance declined strongly, even if not quite as sharply as during the financial and economic crisis of 2009 when GDP sank by 5.7 %. After a weak start to the year, GDP recovered on a product, price- and calendar-adjusted basis over the course of the 2021, at 2.0 % in the second quarter and 1.7 % in the third quarter. Overall GDP moved up in 2021 by 2.7 % against the previous year. (Source: Destatis)

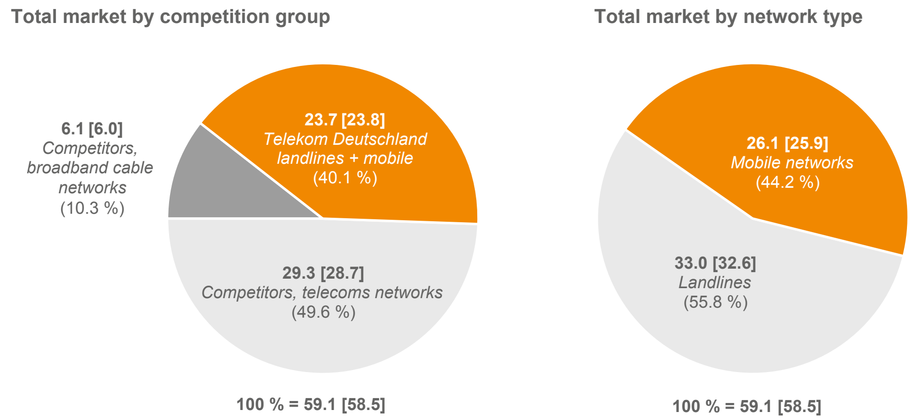
For ecotel and the telecommunications market in Germany there was a mixed trend.

For the telecommunications industry, the COVID-19 pandemic was again a challenge in 2021. This meant that the whole telecommunication industry still faced the challenge of providing the ongoing increase in data and telephony use smoothly and without any downtime. In the process demand for high-performance broadband connections, particularly with fibre-optic technology, surged in the Business Customers market. Demand for services relating to home office solutions and collaboration tools also posted a considerable rise in 2021.

Overall, for the ecotel segments, it can be stated that the impact of the COVID-19 pandemic in 2021 continued to bring with it many changes and challenges, but did not have any material impact on the result of operations at ecotel.

Slight increase in telecommunications market volume
Total sales generated by telecommunications providers increased by around € 0.7 billion in 2021. While total sales from telecommunications services came to € 58.4 billion in the previous year, we expect them to total € 59.1 billion in 2021. In the landline market, consisting of connections, voice services and data services including TV broadband cable, companies generated sales of € 33 billion. € 15.5 billion of this was attributable to Deutsche Telekom 2020: (€ 15.7 billion) and € 17.5 billion to the competitors (2020: € 16.9 billion).

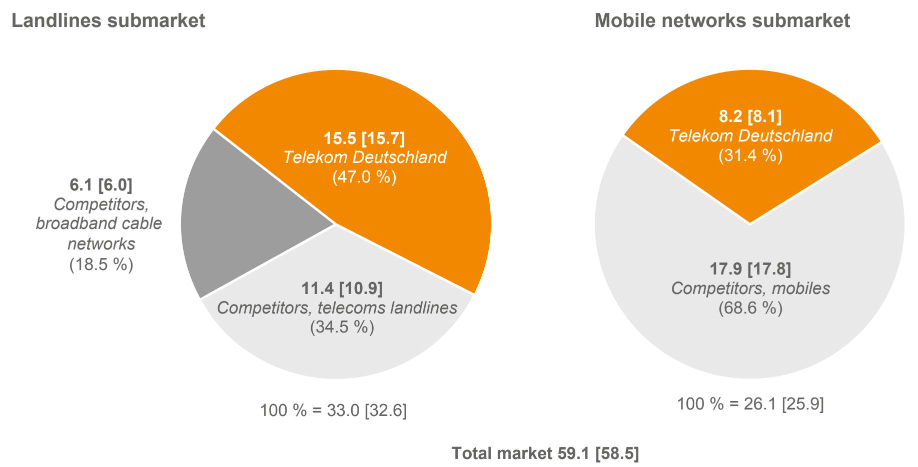
Overall market for telecommunications in Germany in € billion and in %



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 %

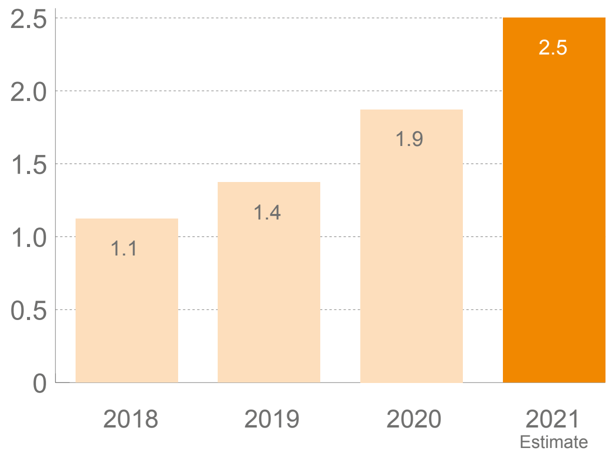


including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT-/VATM analyses and forecasts

Growth in broadband landline connections is continuing unabated. The number of broadband landline connections increased by around 1.2 million to 37.4 million in 2021. Around 25.9 million of these were DSL connections (2020: 25.6 million). In 2021, the number of active fibre optic connections increased to 2.5 million (2020: 1.9 million), 39 % of which are from Telekom Deutschland.

Number of active fibre-optic connections in million

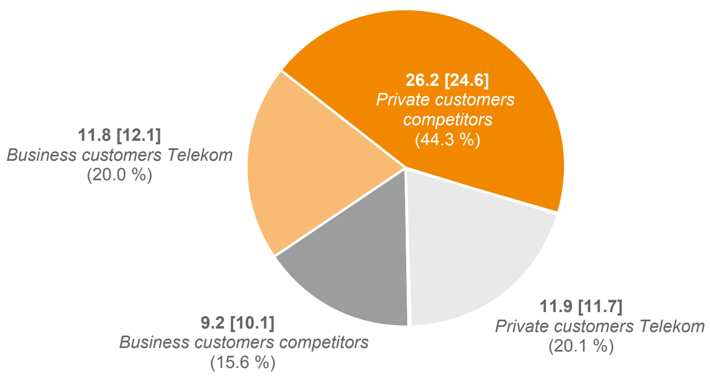


Source: DIALOG CONSULT-/VATM analyses and forecasts

Trends on the B2B market

The business customer segment (B2B) in Germany is characterised by continued intense competition. Sales on the business customer market declined slightly to around € 21.0 billion in 2021 (previous year: € 22.2 billion) and accounted for 35.5 % of the total market. The breakdown of sales between Deutsche Telekom and competitors did not materially change in 2021. Deutsche Telekom is expected to have generated sales of € 11.8 billion on the business customer market in 2021, with competitors generating around € 9.2 billion.

Market for telecommunications services in € billion and in %

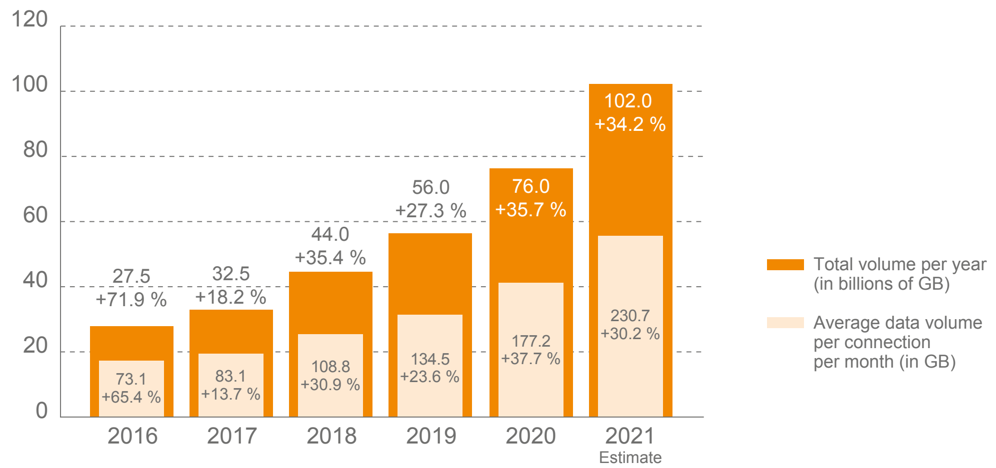


including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

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 average data volume handled by landlines grew by more 34 % to over 231 gigabytes per broadband connection per month in 2021.

Development of volumes in GB billion 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 (cloud telephony and UCC solutions) 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.

Companies are increasingly deploying “cloud telephony” rather than local telephone systems. Key arguments for use are independence in respect to location, flexibility in operation and cost savings. Essential for deploying cloud telephony is a quick and reliable internet connection. The increasing expansion of fibre optic connections in Germany thus increases the technical availability for realising cloud telephony. According to a series of studies, market penetration in Germany is still less than 10 %. Over the next few years, it is anticipated that this figure will double.

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 (UCC),
- Smart devices, 3D printing, eHealth / telemedicine,
- Mobile payment / contactless payment,
- Smart energy / intelligent power grid,
- Deregulation.

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 2021, 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

Group result of operations

Total sales

At € 95.9 million (previous year: € 98.3 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).

Sales in the high-margin operating segments ecotel Business Customers (plus € 1.7 million) and easybell (plus € 3.5 million) were further expanded. As anticipated, the ecotel Wholesale (€ -7.7 million) and nacamar (€ -0.1 million) operating segments posted a slight decline.

However, in spite of this 2 % dip in sales, the Group achieved a 21 % rise in **gross profit** to € 45.7 million (previous year: € 37.7 million). As a result, the Group gross profit margin improved considerably by 10 percentage points to 48 %.

EBITDA

In contrast to developments over the past few years, the upturn in gross profits was not offset by higher operating expenditure in this financial year. Group staff costs increased by € 1.6 million to € 17.9 million, other operating expenses by € 0.8 million to € 11.5 million. Thus, for financial year 2021 the Group generated **EBITDA** of € 18.1 million, an increase of € 6.4 million or 55 %.

Earnings before interest and tax (EBIT)

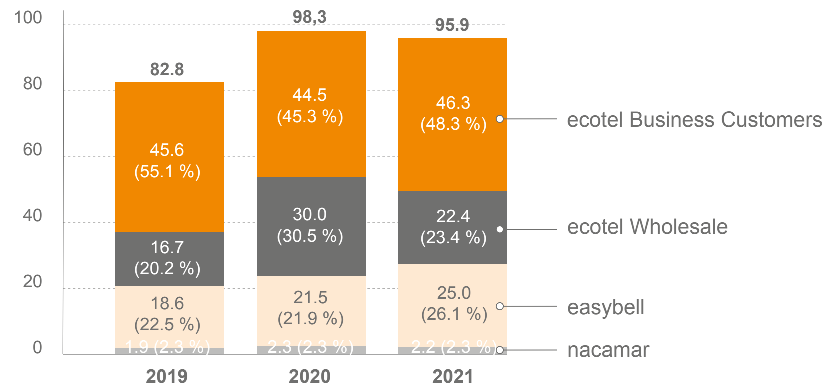
Amortisation and depreciation were on a par with the previous year's level at € 7.5 million. As a result Group **EBIT** more than doubled, increasing by € 6.6 million to € 10.6 million.

After deducting finance costs and the share of minorities in consolidated net profit, **consolidated net income** at € 4.8 million (previous year: € 1.0 million) was the highest the company has ever achieved. Thus financial year 2021 closed with **earnings per share** of € 1.36 (previous year: € 0.28).

Results of operations of the operating segments

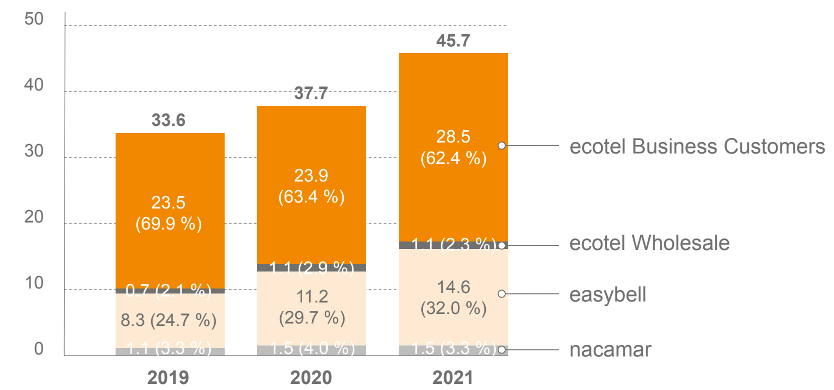
The chart below shows the development of the sales and gross profit of the last three financial years and the breakdown by segment.

Sales breakdown 2019 to 2021 by segment (€ million and in %)



Previous years restated due to a change in segment reporting.
For further information, please refer to Note 29.

Gross profit 2019 to 2021 by segment (€ million and in %)



Previous years restated due to a change in segment reporting.
For further information, please refer to Note 29.

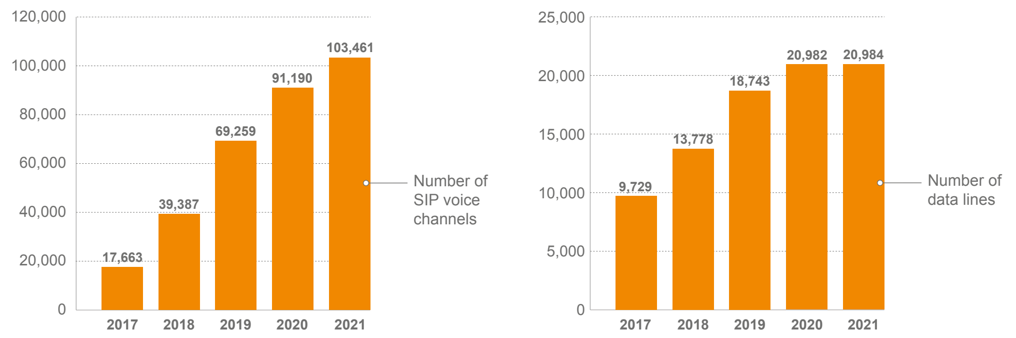
Gross profit of ecotel Business Customers

In the financial year 2021, gross profit rose by € 4.7 million or 19 % to € 28.5 million. As an annual average, the gross profit margin moved up to 62 % (previous year: 54 %). This was driven by the high value added in the NGN-based voice products and the accompanying higher margin levels as well as the purchasing advantages achieved in financial year 2021 – particularly in the area of broadband connections.

In this segment, the rise in operating costs (mainly commissions, staff costs, other operating expenses) was more moderate in relation to the upturn in gross profit, unlike previous years. Here too the economies of sales of the new products impacted.

As a result, segment EBITDA was increased by € 4 million or 87 % to € 8.6 million.

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



Previous years restated due to a change in segment reporting. For further information, please refer to Note 29.

ecotel Wholesale segment: expansion of business model

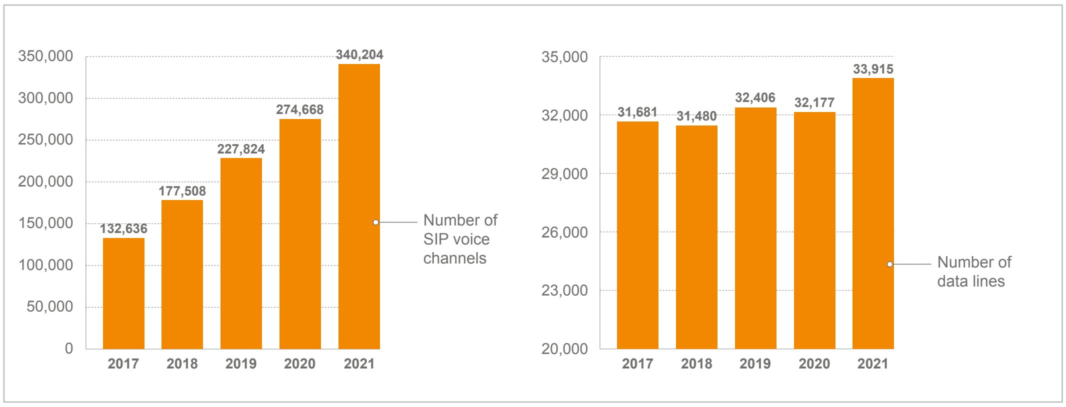
With sales of € 22.4 million (previous year: € 30.0 million), gross profit of € 1.1 million (previous year: € 1.1 million) and EBITDA of € 0.5 million (previous year: € 0.6 million), the segment developed in line with planning. As of this financial year, data sales (connections) generated with wholesale partners are no longer recognised in the ecotel Business Customers segment, but in the ecotel Wholesale segment. Over the next few years, the objective is to expand this area with the wholesale partners.

easybell segment: further significant increase in sales, gross profit and EBITDA

Growth is ongoing in the easybell segment. In this segment sales were lifted by € 3.5 million to € 25.0 million. This growth was based primarily on the internally developed, automated and highly scalable production platform for voice and connection products, which markets a product range aligned to business customers in a customised fashion, mostly on an online basis. As a result, EBITDA was moved up by € 2.6 million to € 8.5 million.

In financial year 2021, a key factor was the increased number of customers in the Business Customers segment. This resulted in another strong rise in profitability. Gross profit climbed by € 3.5 million to € 14.6 million. What is more, in the last financial year, under easybell.com initial successes in the internationalisation of the business model were achieved, with sales outside Germany being invoiced.

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



The number of voice channels moved up 24 % to over 340,000 and the number of data lines was also increased slightly to close on 34,000.

nacamar segment: development in line with planning

Sales in the nacamar segment at € 2.2 million were almost at the level of the previous year. In financial year 2021, the segment lost an important customer. As a result there was no growth. But segment gross profit at € 1.5 million and EBITDA at € 0.5 million were held at the level of the previous year.

nacamar

Comparison of forecasts with the actual business development

During 2021, ecotel made two upward adjustments to its original guidance for the financial year, most recently on 2 November 2021. All forecast figures and ranges were achieved or exceeded. However, the change to segment reporting as at 31 December 2021 should be noted. Data sales (connections) generated with wholesale partners are no longer recognised in the ecotel Business Customers segment, but in the ecotel Wholesale segment.

The considerably increased profitability across the Group in financial year 2021 is due not only to the continuation of the trends from the last months of 2020, but also due to the fact that product scalability is now reflected in the result. What is more, particularly in the ecotel Business Customers segment, purchasing advantages achieved in 2021 impacted – particularly for broadband connections – something which will positively impact the earnings situation on a sustained basis.

Forecast figure	Target range			
	2021 (€ million)	Original forecast (€ million)	Forecast from November 2021 (€ million)	
Segment sales				
ecotel Business Customers (old)	48.3	47 – 50	47 – 50	Achieved
ecotel Business Customers (new)	46.3			
easybell	25.0	24 – 26	24 – 26	Achieved
nacamar	2.2	2.0 – 2.5	2.0 – 2.5	Achieved
Gross profit of ecotel Business Customers	28.5	Increase	Increase	Significant increase
Gross profit margin for ecotel Business Customers	61.5 %	Slight increase	Slight increase	Significant increase
EBITDA	**18.1**	**12 – 14**	**17.5 – 18.5**	**Achieved**
ecotel Business Customers	8.6	5.5 – 6.5	7.5 – 8.5	Slight increase
easybell	8.5	6.0 – 7.0	7.5 – 8.5	Achieved
nacamar	0.5	0.5 – 1.0	approx. 1.0	Almost achieved

Financial position

Financial position

The Group's financial position developed in a considerably positive fashion in the financial year. With **free cash flow** of € 10.5 million (previous year: € 4.4 million) financial loans and leasing liabilities were repaid. In addition, payments were made to minority interests and for dividend payments. Even so, in comparison to 31 December 2020, cash and cash equivalents increased by € 4.9 million to € 12.6 million at the end of 2021.

Net cash from operating activities rose by € 5.1 million to € 15.4 million in financial year 2021. This increase resulted primarily from the considerable EBITDA upturn of € 6.4 million. On the other hand, higher earnings resulted in income taxes increasing by € 1.5 million to € 2.6 million. Changes in working capital on the assets and liabilities side almost offset each other.

As expected, **net cash used in investing activities** declined in financial year 2021 to € 4.9 million (previous year: € 5.9 million). Both the volume and procurement prices for customer-specific hardware were lower. On the other hand, payments were made for a new business support system, for which development started in 2020 and which was initially deployed in a basis version in the ecotel Business Customers segment in 2021. In subsequent periods, this system will be further developed, so that to the end of the financial 2021 advance payments have to be recognised.

Net cash used in financing activities moved up by € 0.7 million to € 5.6 million. In comparison to the previous year, repayments on financial loans increased by € 0.7 million to € 2.4 million. The dividend payment of € 0.5 million (previous year: € 0 million) also contributed to the increase. Payments to minority interests rose by € 0.2 million to € 1.2 million and interest paid on liabilities declined by € 0.1 million to € 0.3 million.

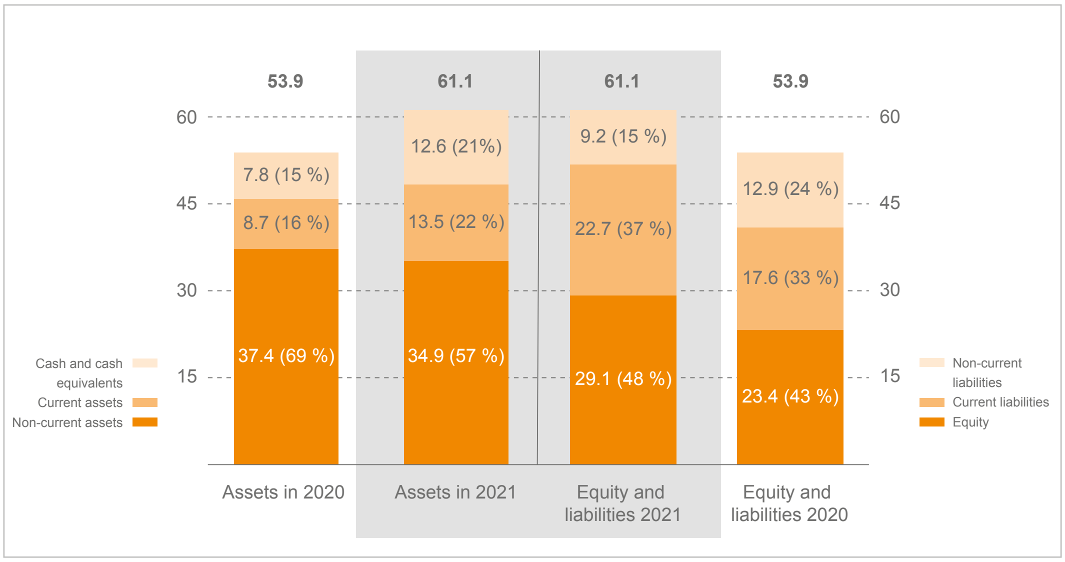
As in the previous years, ecotel was able to meet all payment obligations in full and on schedule. The important goals of financial management such as complying with the financial covenants agreed with the banks and minimising any credit risks and interest rate risks we again achieved in financial year 2021.

Net asset situation

The Group's total assets rose slightly to € 61.1 million as at 31 December 2021 (previous year: € 53.9 million).

Net asset situation

Assets and equity/liabilities in € million



On the **assets side, non-current assets** declined by € 2.4 million to € 35.0 million. Intangible assets increased by € 1.0 million, primarily from the above-mentioned payments and capitalisation for the IT system in the ecotel Business Customers segment. Property, plant and equipment declined by € 2.0 million. Here depreciation exceeded capital expenditure. In addition, capitalised deferred taxes declined by € 0.7 million as a result of utilisation, thus reducing tax loss carry forwards. Overall, capitalised rights of use from leases, capitalised contact costs and investments accounted for using the equity method remained at the level of the previous year.

As at the reporting date, **current assets** rose by € 9.6 million to € 26.1 million. This was driven not only by the already described increase in cash and cash equivalents by € 4.9 million to € 12.6 million, but also by the rise from € 1.4 million to € 1.8 million in current income tax assets as a result of paid corporate tax.

In addition, as at the reporting date, **trade receivables** rose considerably by € 3.4 million to € 10.6 million. However, the following opposite effects should be noted. Due to the considerably higher business volume in the ecotel Wholesale segment, receivables from this area increased by € 4.3 million. This higher figure was driven by normal international terms of payments and netting agreements in this segment. Adjusted for this effect, trade receivables were € 0.9 million lower, the result of effectively implemented working capital measures, particularly in the ecotel Business Customers segment.

Equity increased by € 5.7 million to € 29.1 million. Based on total assets of € 61.1 million, this resulted in an equity ratio of 47.6 % (previous year: 43.4 %). Higher equity is the result of the consolidated comprehensive income less distributions to shareholders and minorities.

Non-current liabilities were reduced by € 3.7 million to € 9.3 million. This was driven by payments of non-current loans, lease liabilities and other non-current financial liabilities.

As at the reporting date, **current liabilities** rose to € 22.8 million (31/12/2020: € 17.6 million). Trade payables rose by € 1.9 million as at the reporting date. At the same time, liabilities from current income taxes increased by € 1.2 million. In addition, other non-financial liabilities moved up by € 1.8 million to € 2.4 million. This was impacted by the change of sales tax legislation during the year, according to which the major share of the Group’s purchasing volume was no longer subject to sales tax, thus resulting in there being no input tax deduction (reverse charge method).

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.

Authorised capital

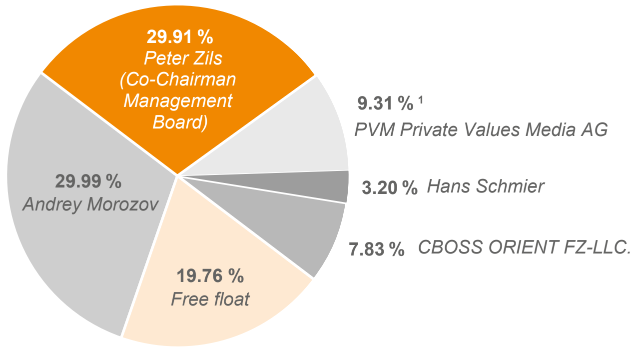
By way of resolution adopted by the Annual General Meeting on 8 July 2021, the Management Board of ecotel ag is now authorised to increase the share capital of ecotel ag, with the approval of the Supervisory Board, one or more times by a total of up to € 1,775,000.00 (previously: € 1,755,000.00) in exchange for cash and/or non-cash contributions by 7 July 2026 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.

Contingent capital

Capital of up € 1,404,000 by issuing up to 1,404,000 no-par-value bearer shares was resolved (new version of **Contingent Capital 2017**). In addition, by way of a resolution adopted by the Annual General Meeting on 3 July 2020 a decision was made to issue stock options (Stock Option Plan 2020) and to create new contingent capital (2020) **(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 2021. 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 2021



[1] % rate according to the last notification dated 7 April 2011 before withdrawal of treasury shares in 2014 (basis: 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

Overall, the Group's economic situation improved considerably in financial year 2021. The strong profit upturn which started in financial year 2020 continued in financial year 2021. At the same time, there were again strong sales increases in the key segments. Key balance sheet ratios (equity, equity ratio and net financial assets) developed positively in the financial year. Against the previous year, there has also been a considerable 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

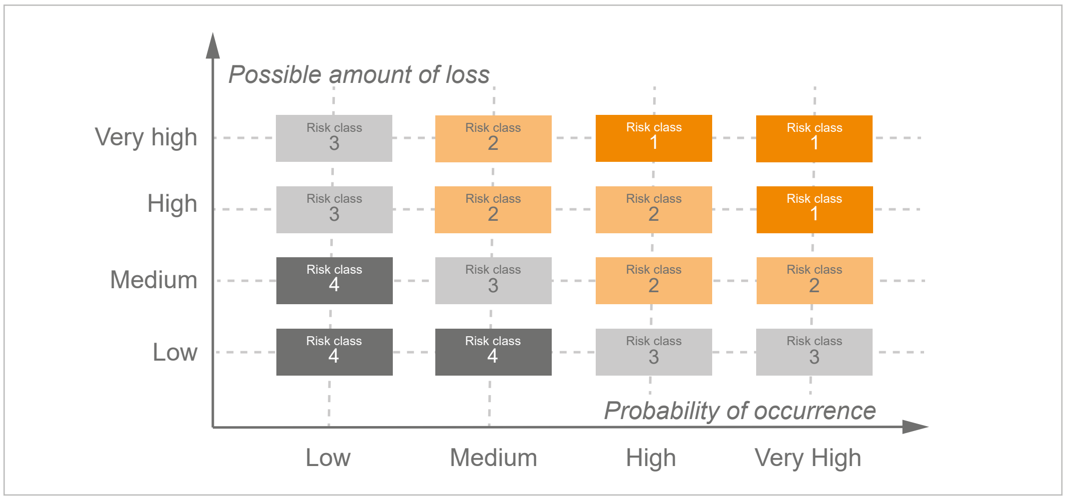
1. Control and risk management system

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 2021, 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

In the course of its ordinary business operations, ecotel faces operating risks, financial risks, strategic risks and market risks. The key risks with their gross and net impact (after measures implemented) are described below. There has been no material change to the risk situation compared to the previous year.

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. The system landscape developed for local exchange carrier operations is redundantly structured and designed both within a data centre and between the Frankfurt am Main and Düsseldorf locations and within the actual system. These measures 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).

As a result of operating data centres, the ecotel Business Customers segment in particular is also dependent on **energy purchasing prices**. Purchasing prices, particularly for electricity, have significantly increased over the last few months. If this trend continues on a sustained basis, there is the risk that these increases cannot be compensated by passing them on our customers, thus negatively impacting segment profitability. (gross risk 3 / net risk 3; especially ecotel Business Customers segment; loss class: high).

Financial risks

Financial risks

Financial risks at ecotel include credit risks, liquidity risks, foreign currency risks and interest rate 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 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 2022. (gross risk 2 / net risk 4; risk class: very high).

Special situation COVID-19 pandemic

The spread of the corona virus continues to pose great challenges for business. Even after two years' experience with the COVID-19 pandemic, predictability and planning security remains possible only to a limited extent. For this reason, a definitive risk assessment cannot be implemented. For 2020 and 2021, it had only a limited impact on the financial situation of the company. However, it is not possible to foresee the consequences of the necessary (partial) shutdowns of individual business sectors as well as the occurrence and impact of further virus mutations. They could impact future business performance. Business restrictions can increase the risk of customer or supplier insolvencies and thus result in 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 2021 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 2015 to 2017.

In 2020, ecotel was informed by the responsible Dusseldorf tax office (control notification) that the input tax deduction from incoming invoices of an individual material supplier is 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. The supplier has submitted 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. There has not yet been any further informal or formal information on the control notification from the Dusseldorf tax office which is responsible for ecotel. However, in financial year 2021, ecotel (members of executive bodies and employees dealing with the matter) was questioned as a witness on the matter by the prosecuting tax authorities. For this reason, ecotel and the mandated experts and lawyers anticipate that it will be some time before there is definitive 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 as a result of the denial of the input tax deduction is considerably under 50 %.

Of the € 1.9 million open accounts payable to the supplier / the factor which had been retained by ecotel, € 0.9 million was paid in 2021 on the basis of a settlement reached. Due to the partially unclarified contractual and legal situation, ecotel continues to recognise a provision of € 0.8 million for the remaining liabilities after the input tax correction.

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; especially ecotel Business Customers segment; loss class: high).

Risks relating to the market environment

Risks relating to the market environment

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 2022, 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 and 2021 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 leading collaboration solutions from RingCentral and 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 cloud telephony products (cloud.phone) and UCC solutions

Two further key trends in telecommunications are voice over IP (VoIP) and the relocation of telephone systems to the network (cloud telephony). The ecotel product range has exactly these characteristics. With its local exchange carrier operations as well as its in-house cloud.phone solutions converting the existing customer basis provided further opportunities to raise sales 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.

Acquisition of further major customers and renewal of contracts and expansion with existing major customers

The large projects already successfully implemented make it possible for ecotel to offer similar projects, also to 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

easybell has further developed the business with NGN voice services for small and medium-sized business customers (SIP trunk), successfully implemented new UCC products, such as the MS-Teams-Connector and taken initial steps on the road to internationalisation (www.easybell.com) towards the end of financial year 2021. These new products and other product ideas may have a positive influence on easybell's sales and earnings performance in the future.

easybell

New products at nacamar

nacamar has positioned itself very well with digital media services for broadcasting customers and has currently established new innovative 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

Current forecasts on the development of gross domestic product for 2022 vary considerably according to who makes the forecast and when. However, all forecasts are indicating an increase in GDP.

Forecast

In the past, due to its broad and diversified customer basis and its broad product portfolio, ecotel's business had generally not been affected by macroeconomic fluctuations and other crises. 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 2022.

2022 forecast and medium-term planning

In view of the opportunities and risks contained in the annual report and the currently anticipated general economic conditions with the related uncertainties, the Management Board is issuing the following forecast:

	2021 (€ million)	Forecast for 2022 (€ million)
Segment sales		
ecotel Business Customers	46.3	47 – 50
ecotel Wholesale	22.4	20 – 25
easybell	25.0	27 – 30
nacamar	2.2	0.5 – 1.5
Gross profit	**45.7**	**Increase**
EBITDA	**18.1**	**20 – 22**
ecotel Business Customers	8.6	8.5 – 10.5
ecotel Wholesale	0.5	> 0.5
easybell	8.5	9.5 – 11.5
nacamar	0.5	Positive
Consolidated net income	**4.8**	**Increase**

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.

Factoring in current knowledge on risks and opportunities, for the ecotel Group, the Management Board anticipates annual sales growth of roughly 5 %, combined with higher gross profit and higher EBITDA, also after financial year 2022 and also beyond the currently used € 100 million threshold of the German Telecommunications Act. Furthermore, the Management Board anticipates, maintaining the key figures and targets of the sustained financial strategy presented in this report, also beyond financial year 2022.

1.5 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.

1.6 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 ***(https://ir.ecotel.de/websites/ecotel/English/6600/statement-on-corporate-governance-and-corporate-governance-report.html)***.

Düsseldorf, 4 March 2022

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, 4 March 2022

ecotel communication ag
The Management Board

Peter Zils *Markus Hendrich* *Achim Theis*

2.0

CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated statement of financial position as at 31 December 2021

€	Notes	31/12/2020	31/12/2021
Assets			
A. Non-current assets			
I. Intangible assets	(1)	13,717,986	14,765,225
II. Property. plant and equipment	(2)	10,513,000	8,485,378
III. Rights of use from leases	(3)	7,448,229	6,534,486
IV. Capitalised contract costs	(4)	3,132,841	3,335,303
V. Investments accounted for using the equity method	(5)	1,129,059	1,124,219
VI. Contract assets	(6)	100,291	69,513
VII. Deferred income tax assets	(7)	1,362,886	691,210
Total non-current assets		**37,404,292**	**35,005,334**
B. Current assets			
I. Trade receivables	(6)	7,221,831	10,599,902
II. Contract assets	(6)	48,140	51,269
III. Other financial assets	(6)	649,554	358,462
IV. Other non-financial assets	(6)	411,309	636,456
V. Current income tax assets	(7)	433,332	1,791,657
VI. Cash and cash equivalents	(8)	7,758,849	12,639,795
Total current assets		**16,523,015**	**26,077,541**
Total assets		**53,927,307**	**61,082,875**

Differences in the totals may occur due to rounding.

€	Notes	31/12/2020	31/12/2021
Equity and liabilities			
A. Equity	(9)		
I. Share capital		3,510,000	3,510,000
II. Capital reserves		1,883,234	2,002,095
III. Other reserves		14,439,493	18,730,920
Interests attributable to owners of the parent		**19,832,727**	**24,243,015**
IV. Minority interests		3,550,736	4,807,928
Total equity		**23,383,463**	**29,050,942**
B. Non-current liabilities			
I. Deferred income taxes	(10)	905,847	1,145,791
II. Non-current loans	(11)	3,083,333	666,666
III. Lease liabilities	(12)	6,510,994	5,703,870
IV. Contract liabilities	(13)	1,259,529	1,068,168
V. Other financial liabilities	(11)	1,171,774	675,418
Total non-current liabilities		**12,931,477**	**9,259,913**
C. Current liabilities			
I. Current income taxes	(10)	806,341	1,979,553
II. Current loans	(11)	2,416,667	2,416,667
III. Lease liabilities	(12)	1,216,204	1,265,283
IV. Trade payables	(11)	9,102,578	11,043,348
V. Contract liabilities	(13)	1,269,296	1,137,341
VI. Provisions	(11)	10,000	3,500
VII. Other financial liabilities	(11)	2,219,857	2,551,169
VIII. Other non-financial liabilities	(11)	571,424	2,375,159
Total current liabilities		**17,612,367**	**22,772,020**
Total equity and liabilities		**53,927,307**	**61,082,875**

Differences in the totals may occur due to rounding.

2.2 Consolidated statement of comprehensive income for the financial year 2021

€	Notes	01/01–31/12/2020	01/01–31/12/2021
1. Sales	(16)	98,299,936	95,867,742
2. Other operating income	(17)	507,056	717,359
3. Other own work capitalised		327,523	1,015,460
4. Total operating performance		**99,134,515**	**97,600,561**
5. Cost of materials			
5.1 Cost of purchased services	(18)	-60,603,094	-50,144,895
6. Staff costs	(19)		
6.1 Wages and salaries		-14,008,766	-15,438,369
6.2 Social security and expenses for pensions and other benefits		-2,276,266	-2,445,303
7. Depreciation and amortisation	(20)	-7,546,066	-7,481,002
thereof amortisation of rights of use from leases		-1,323,671	-1,328,146
8. Other operating expenses	(21)	-10,682,276	-11,456,953
9. Operating result (EBIT)		**4,018,046**	**10,634,039**
10. Interest income		173	1,478
11. Interest expense		-478,048	-349,759
thereof interest expense from lease liabilities		-231,368	-208,224
12. Other financial expenses		-835	-44
13. Net income from investments accounted for using the equity method		232,232	261,660
14. Net finance costs	(22)	**-246,478**	**-86,666**
15. Profit from ordinary activities before income taxes		**3,771,567**	**10,547,373**
16. Income taxes	(23)	-1,139,431	-3,281,854
17. Net profit (= consolidated comprehensive income)		**2,632,136**	**7,265,519**
18. Allocation of net profit to			
18.1 Owners of the parent (consolidated net profit)		**1,000,054**	**4,782,827**
18.2 Minority interests	(24)	1,632,082	2,482,692

€	Notes	01/01–31/12/2020	01/01–31/12/2021
Basic earnings per share	(25)	0.28	1.36
Diluted earnings per share*	(25)	0.28	1.36

** As at 31 December 2021, as in the previous year there was no dilution of earnings per share. In financial year 2021, 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.

2.3 Consolidated statement of cash flows for the financial year 2021

(see note 26)

€ thousand	2020	2021
Profit from ordinary activities before income taxes	3,772	10,547
Net interest income	467	329
Amortisation of non-current assets	7,546	7,481
Net income from investments accounted for using the equity method	-232	-262
Expenses for equity-settled share-based remuneration	50	119
Gain (-) / loss (+) from disposals of fixed assets	27	0
Changes in working capital assets	1,646	-3,487
Change in provision	-1	-7
Change in other working capital liabilities	-2,014	3,268
Income taxes paid (-) / received (+)	-1,006	-2,555
Net cash from operating activities	**10,255**	**15,434**
Payments for investments in intangible assets and property, plant and equipment	-5,951	-5,184
Cash receipts from repayments of equity by investments measured using the equity method	100	267
Interest payments received	0	1
Net cash used in investing activities	**-5,851**	**-4,916**
Dividends paid	0	-491
Payments to minority interests	-1,471	-1,226
Repayments of financial loans	-1,750	-2,417
Repayments of lease liabilities	-1,210	-1,172
Interest payments for other financial liabilities	-247	-142
Interest payments for leases	-221	-189
Net cash used in financing activities	**-4,898**	**-5,637**
Cash-effective change in cash and cash equivalents	**-494**	**4,881**
Cash and cash equivalents at beginning of period	8,253	7,759
Cash and cash equivalents at end of period	**7,759**	**12,640**

Differences in the totals may occur due to rounding.

2.4 Consolidated statement of changes in equity

€ thousand Note (9)	Share capital	Capital reserves
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 at 1 January 2021	**3,510**	**1,883**
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	119
Consolidated net income for 2021	0	0
Changes in equity recognised in income	**0**	**119**
As at 31 December 2021	**3,510**	**2,002**

Differences in the totals may occur due to rounding.

Earnings reserves				
Other earnings reserves	Consolidated net income	Interests attributable to owners of the parent	Minority interests	Total
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**
13,439	**1,000**	**19,833**	**3,551**	**23,383**
-491	0	-491	-1,226	-1,717
1,000	-1,000	0	0	0
509	**-1,000**	**-491**	**-1,226**	**-1,717**
0	0	119	0	119
0	4,783	4,783	2,483	7,266
0	**4,783**	**4,902**	**2,483**	**7,385**
13,948	**4,783**	**24,243**	**4,808**	**29,051**

2.5 Notes to the consolidated financial statements ecotel communication ag

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). The 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 Voice) and marketing data lines (Wholesale Data) 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 4 March 2022 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 2021 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 2021

By the date the consolidated financial statements as at 31 December 2021 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 in financial year 2021

Standard / interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IFRS 4: Insurance Contracts: Deferral of effective date of IFRS 9	1 January 2021	1 January 2021
Amendments to IFRS 9 Financial Instruments, IFRS 4 Insurance Contracts, 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 FRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021	1 April 2021

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 2021

Standard / interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendment to IFRS 3 Business Combinations References to the Conceptual Framework	1 January 2022	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	1 January 2022
Amendments to an IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022	1 January 2022
Annual Improvements project 2018 – 2020 Cycle IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, IFRS 16 Leases	1 January 2022	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023	1 January 2023

By the date the consolidated financial statements as at 31 December 2021 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 2021 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
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	1 January 2023	pending
Amendments to IAS 1 Presentation of Financial Statements: Definition of material and immaterial accounting policies	1 January 2023	pending
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023	pending
Amendments to IAS 12 Income Taxes	1 January 2023	pending

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 2021):

Information on the basis of IFRS	Share of capital in %[2]	Equity in € thousand[2]	Earnings in € thousand[2]	Sales in € thousand[2]	Employees[1] (Average)[2]
easybell GmbH, Berlin (fully consolidated)	50.98	8,836	7,522	22,235	58
	(50.98)	(3,364)	(2,753)	(19,765)	(46)
carrier-services.de GmbH[3], Berlin (fully consolidated)	100.00	347	281	1,283	4
	(100.00)	(2,566)	(217)	(1,220)	(5)
sparcall GmbH[3], Bad Belzig (fully consolidated)	100.00	383	210	660	0
	(100.00)	(1,173)	(285)	(903)	(0)
init.voice GmbH[3], Bad Belzig (fully consolidated)	100.00	747	552	1,612	0
	(100.00)	(195)	(74)	(228)	(0)
nacamar GmbH, Düsseldorf (fully consolidated)[4]	100.00	645	128	2,231	9
	(100.00)	(773)	(300)	(2,265)	(8)
mvneco GmbH, Düsseldorf (associated company)	33.33	3,373	788	7,075	25
	(33.33)	(3,384)	(697)	(6,451)	(25)

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 ag generally relate to internally generated software and applications that are used by the company itself rather than being sold (including development relating to local exchange carrier operations, the sales partner portal and automation of systems and their improvement). 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 – 15 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).

ecotel ag does not conduct any ***fundamental research***. ***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.

For further information, please refer to the Group Management Report in Chapter 4. Research and development.

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.

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 (office and IT equipment such as photocopiers and fax machines) 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 valuation allowances relate only to the major “amortised cost” 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 has only subleases that are classified as operating leases. The lease liabilities are divided into current and non-current liabilities depending on their settlement date.

Contract assets 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 from contracts with customers are recognised in line with the provisions of IFRS 15. These sales are determined and recognised using the five-step model described in IFRS 15. Sales are 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 are 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 for trading in voice minutes (Wholesale Voice), 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. Sales from marketing data lines (wholesale data) are recognised as in the ecotel Business Customers segment.

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 leases. 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 expense 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. Depending on the lease object, this varies between 2 % and 3 %. 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 2021 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 01/01/2021	**14,427**	**7,187**	**6,473**	**9,769**	**1,017**	**38,873**
Additions	-	506	419	-	1,680	2,605
Reclassifications	-	1,186	689	-	-1,875	0
Disposals	-	203	1,615	-	-	1,818
As at 31/12/2021	**14,427**	**8,676**	**5,966**	**9,769**	**822**	**39,660**
Depreciation as at 01/01/2021	**5,553**	**5,697**	**4,720**	**9,185**	**0**	**25,155**
Amortisation	-	623	792	143	-	1,558
Disposals	-	203	1,615	-	-	1,818
As at 31/12/2021	**5,553**	**6,117**	**3,897**	**9,328**	**0**	**24,895**
Carrying amounts as at 31/12/2021	**8,874**	**2,559**	**2,069**	**441**	**822**	**14,765**

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 01/01/2020	**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**

The reported goodwill breaks down as follows:

Cash-generating unit (CGU) € thousand	Carrying amount as at 31/12/2020	Carrying amount as at 31/12/2021
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 2021 financial year.

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

- Capitalisation rate (WACC) after taxes: 3.0 % (previous year: 3.2 %), before taxes: 4.3 % (previous year: 4.4 %)
- 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:

- Development of the CGU's gross profit margin of between 58 % and 62% (previous year: between 52 % and 55 %),
- Annual sales growth of the CGU between 3 % and 6 % (previous year: 3 % and 6 %),
- 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 2021 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 01/01/2021	**6,143**	**316**	**31,257**	**668**	**38,384**
Additions	308	75	2,048	135	2,566
Reclassifications	127	-	358	-485	0
Disposals	79	-	818	-	897
As at 31/12/2021	**6,499**	**392**	**32,846**	**318**	**40,055**
Depreciation as at 01/01/2021	**5,497**	**200**	**21,954**	**220**	**27,871**
Depreciation	224	48	4,323	-	4,595
Impairment	-	-	-	-	-
Disposals	79	-	818	-	897
As at 31/12/2021	**5,642**	**248**	**25,459**	**220**	**31,569**
Carrying amounts as at 31/12/2021	**857**	**144**	**7,387**	**98**	**8,486**

In the 2020 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 01/01/2020	**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**

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	Rights of use buildings	Rights of use vehicles	Rights of use infrastructure	Total
Cost as at 01/01/2021	**9,399**	**587**	**80**	**10,066**
Additions	38	250	127	415
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2021	**9,437**	**837**	**207**	**10,481**
Depreciation as at 01/01/2021	**2,163**	**389**	**66**	**2,618**
Depreciation	1,099	188	42	1,329
Impairment	-	-	-	-
Disposals	-	-	-	-
As at 31/12/2021	**3,262**	**577**	**108**	**3,947**
Carrying amounts as at 31/12/2021	**6,175**	**260**	**99**	**6,534**

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 € 691 thousand in the 2021 financial year (previous year: € 657 thousand). Expenses for leases for low-value assets amounted to € 37 thousand in the year under review (previous year: € 37 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	Rights of use buildings	Rights of use vehicles	Rights of use 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**

(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 2021, capitalised contract costs amounted to € 3,335 thousand (31/12/2020: € 3,133 thousand). Depreciation and amortisation amounted to € 1,941 thousand (previous year: € 1,697 thousand) in the 2021 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	1,124 (1,129)	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	31/12/2020	31/12/2021
Current assets	3,665	3,677
Non-current assets	508	385
Current liabilities	789	689
Net assets (equity)	3,384	3,373
Pro-rata net assets	1,129	1,124
At-equity carrying amount	1,129	1,124
	2020	2021
Sales	6,451	7,075
Earnings	697	788

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

€ thousand	Remaining maturity of more than 1 year	Total as at 31/12/2020	Remaining maturity of more than 1 year	Total as at 31/12/2021
Trade receivables	0	7,222	0	10,600
Contract assets	100	148	70	121
Miscellaneous other receivables and assets	125	650	126	358
Other non-financial assets	82	411	135	636

As at 31 December 2021, contract assets were reported in the amount of € 121 thousand (31/12/2020: € 148 thousand). From financial year 2021, current and non-current contract assets are also recognised on the balance sheet. There was no impairment in 2021. 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 2021, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment include trading in telephone minutes (Wholesale Voice) 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.

€ thousand	Gross (reported)	Netting	Net (cash flow)
Trade receivables	6,347	6,343	4
Trade payables	6,438	6,343	95

In the previous year, there were no material receivables and liabilities with settlement balances agreements with customers and suppliers.

(7) Current and deferred income tax assets

€ thousand	31/12/2020	31/12/2021
Deferred income tax assets	1,363	691
Current income tax assets	433	1,792
	1,796	**2,483**
Deferred income tax assets with a remaining term of more than one year	1,363	0

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	31/12/2020	31/12/2021
Bank balances	7,759	12,640
Cash in hand and cheques	0	0
	7,759	**12,640**

(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 (€ 2,541 thousand, previous year: € 1,795 thousand) and the indirect minority interests in the equity of sparcall GmbH (€ 555 thousand, previous year: € 417 thousand), carrier-services.de GmbH (€ 1,357 thousand, previous year: € 1,254 thousand) and init.voice GmbH (€ 355 thousand, previous year: € 84 thousand).

Aggregated key data of the easybell Group:

€ million	31/12/2020	31/12/2021
Total assets	**12.0**	**16.6**
Cash and cash equivalents	4.6	10.08
Other current assets	3.3	1.9
Non-current assets	4.1	3.8
Total liabilities	**12.0**	**16.6**
Current liabilities	3.9	6.1
Non-current liabilities	0.8	0.6
Equity	10.8	14.7

€ million	2020	2021
Sales	21.5	25.0
Profit	3.3	8.6
Cash flow	0.4	6.2

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 2021:

	2021
Peter Zils	29.91 %
Andrey Morozov	29.99 %
PVM Private Values Media AG	9.31 %
CBOSS Orient FZ-LLC	7.83 %
Hans Schmier	3.20 %
Sub-total:	80.24 %
Free float	19.76 %

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 resolution adopted by the Annual General Meeting on 8 July 2021, 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 € 1,775,000.00 (previously: € 1,755,000.00) in exchange for cash and/or non-cash contributions by 7 July 2026 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.

Contingent capital

By way of resolution adopted by the Annual General Meeting on 3 July 2020, a contingent increase in the share capital of up € 1,404,000 by issuing up to 1,404,000 no-par-value bearer shares was resolved (new version of **Contingent Capital 2017**). In addition, by way of a resolution adopted by the Annual General Meeting on 3 July 2020 a decision was made to issue stock options (Stock Option Plan 2020) and to create new contingent capital (2020) **(Contingent Capital 2020)**.

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 2021 financial year and as at the reporting date.

(10) Liabilities from current and deferred income taxes

€ thousand	Opening balance 01/01/2021	Utilisation	Reversal	Additions	Closing balance as at 31/12/2021
Current income taxes	806	806		1,980	1,980
Deferred income taxes	906	187		427	1,146
	1,712				**3,125**
Deferred income taxes with a term of more than one year	681				763

€ 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

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

€ thousand	Remaining maturity of less than 1 year	Total as at 31/12/2020	Remaining maturity of less than 1 year	Total as at 31/12/2021
Loans	**2,417**	**5,500**	**2,417**	**3,083**
Trade payables	**9,103**	**9,103**	**11,043**	**11,043**
thereof to associated companies	9	9	9	9
Provisions	**10**	**10**	**4**	**4**
Other financial and non-financial liabilities	**2,553**	**3,963**	**4,881**	**5,602**
thereof liabilities from hire purchase agreements	620	1,791	496	1,172
thereof liabilities from church tax, social security	0	0	4	4
thereof liabilities from wages and salaries	3	3	3	3
thereof other personnel-related liabilities	1,042	1,042	1,399	1,399
thereof liabilities for audit / Supervisory Board	157	157	256	256

As in the previous year, there were no derivative financial liabilities as at 31 December 2021. 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 2022.

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 € 4,354 thousand (31/12/2020: € 4,553 thousand). As at the reporting date, the non-current lease liabilities totalled € 5,704 thousand (31/12/2020: € 6,511 thousand), of which € 4,303 thousand (previous year: € 3,518 thousand) is due within the next five years and € 1,401 thousand (previous year: € 2,993 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 2021, contract liabilities were reported in the amount of € 2,206 thousand (31/12/2020: € 2,529 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, the ecotel Wholesale segment (Wholesale Data) 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 %. In addition to trade receivables whose default risk is not already determined on the basis of the clusters, an expected default risk of 1 % is assumed.

In the ecotel Wholesale segment (Wholesale Voice), for clients involved in minute trading there are mostly settlement balance 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 2021, there are receivables and liabilities with settlement balances agreements with customers and suppliers. The business activities in the ecotel Wholesale segment include trading in telephone minutes (Wholesale Voice) with national and international carriers. When trading with telephone minutes, 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 2021 (€ thousand)	Trade receivables	Contract assets
As at 01/01/2021	451	0
Valuation allowances for the year under review	19	0
Disposals	230	0
As at 31/12/2021	**241**	**0**

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

The table below shows the calculated default risk as at 31 December 2021:

(€ thousand)	Maximum default risk	Expected credit loss
Trade receivables	10,600	241
thereof ecotel Business Customers	2,640	95
thereof ecotel Wholesale	7,011	0
thereof easybell	822	144
thereof nacamar	127	1
Other financial assets	358	0
Contract assets	121	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 2020, the situation was as follows:

(€ 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

** The previous year was restated due to a change in segment reporting. See Note (29)*

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	31/12/2021		
	Fair value	Carrying amount	
(€ thousand)		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		12,640	
Trade receivables		10,600	
Contract assets		121	
Other current financial assets		358	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 2021 financial year, there was no reclassification between different classes.

Financial assets	31/12/2021		
	Fair value	Carrying amount	
(€ thousand)		Other liabilities	Total
Current loans	2,417	2,417	2,417
Trade payables		11,043	11,043
Lease liabilities		6,969	6,969
Contract liabilities		2,204	2,204
Other financial liabilities		3,227	3,227
Non-current loans	667	667	667
	3,084	**26,527**	**26,527**

As at 31 December 2020, the breakdown was as follows:

Financial assets (€ thousand)	31/12/2020		
	Fair value	Carrying amount	
		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

Financial assets (€ thousand)	31/12/2020		
	Fair value	Carrying amount	
		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**

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 2022, principal payments with a nominal volume of € 2.4 million (previous year: € 1.8 million) are due. Cash and cash equivalents of € 12.6 million (previous year: € 7.8 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: € 6.0 million) are available to ecotel as at 31 December 2021, up to € 1.0 million (previous year: € 1.0 million) of which may be used for guarantee liabilities. Financial covenants have been agreed in relation to the bank loans borrowed by ecotel communication ag (residual value: € 3.1 million; previous year: € 5.5 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 31/12/2021	Principal payments			Interest payments		
		2022	2023 to 2026	From 2027	2022	2023 to 2026	From 2027
Deposits by banks	3,083	2,417	667	0	36	6	0

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

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

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 € 0 thousand as at the reporting date (previous year: € 1 thousand). On 31 December 2021, 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 2021. 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 2021, so no sensitivity analysis was performed for the risk from exchange rate changes.

(15) Contingent assets and liabilities and other financial obligations

The carrying amount of the financial assets furnished as collateral totalled € 121 thousand as at 31 December 2021 (previous year: € 121 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 as a result of the denial of the input tax deduction at considerably under 50 %.

Notes to the consolidated statement of comprehensive income

(16) Sales

€ thousand	2020	2021
Breakdown of sales by segment		
ecotel Business Customers*	44,528	46,269
ecotel Wholesale*	30,053	22,394
easybell	21,453	24,975
nacamar	2,265	2,231
	98,300	**95,868**
Germany	95,379	75,792
International	2,921	20,076
	98,300	**95,868**

** The previous year was restated due to a change in segment reporting. See Note (29)*

In the 2021 financial year, sales of € 1,407 thousand (previous year: € 1,424 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. Sales include lease income of € 0.9 million (previous year: € 0.8 million) from hardware rental.

(17) Other operating income

Other operating income amounted to € 717 thousand in the 2021 financial year (previous year: € 507 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 € 230 thousand (previous year: € 0 thousand).

In the 2021 financial year, ecotel generated income of € 102 thousand from a sublease classified as an operating lease (previous year: € 84 thousand).

(18) Cost of materials

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

(19) Staff costs

€ thousand	2020	2021
Wages and salaries	14,009	15,438
Social security contributions	2,276	2,445
thereof expenses for pensions and other benefits	1,059	1,131
	16,285	**17,884**

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	2020	2021
Salaried employees	249	261

(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 2021 financial year.

(21) Other operating expenses

Other operating expenses totalled € 11,457 thousand in the 2021 financial year (previous year: € 10,682 thousand). Partner and dealer commissions amounted to € 4,739 thousand in the 2021 financial year (previous year: € 4,106 thousand). Technical expenses for operating costs, logistics and field service and similar expenses amounted to € 1,895 thousand (previous year: € 1,850 thousand), while the change in impairment on receivables and bad debt losses amounted to € 160 thousand (previous year: € 373 thousand).

(22) Net finance costs

€ thousand	2020	2021
Interest income		
Other interest and similar income	0	1
Interest income from non-current investments	-	-
Interest expenses		
Interest expenses from loan liabilities	-155	-75
Interest expenses from leases	-231	-208
Other interest and similar expenses	-91	-66
Net interest income	**-478**	**-348**
Other financial expense and income		
Income from reversal of impairment on non-current financial assets	-	-
Result from companies measured at equity	232	262
Other financial expenses	-1	0
Net finance costs	**-246**	**-87**

(23) Income taxes

€ thousand	2020	2021
Current income taxes	-1,425	-2,370
Deferred income taxes	285	-912
	-1,139	-3,282

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	2020	2021
Earnings before tax	3,772	10,547
Group tax rate	**31.0 %**	**31.0 %**
Forecast tax expense	-1,169	-3,270
Differences arising from tax rates deviating from the Group tax rate	57	122
Tax effect from changes in permanent differences	-	-
Tax impact due to tax-free income / expenses for profit distributions	-25	-114
Tax increases due to non-deductible expenses	-15	-40
Taxes from previous years	1	-3
Results from investments carried equity	72	82
Other tax effects	-59	-59
Tax expense according to income statement (expense - / income +)	-1,139	-3,282
Effective tax rate in %	**30.2 %**	**31.1 %**

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	2020 Assets	2020 Liabilities	2021 Assets	2021 Liabilities
Property, plant and equipment / intangible assets	87	847	7	898
Rights of use from leases, lease liabilities	87	-	135	-
Capitalised contract costs, contrast assets, contract liabilities (IFRS 15)	-	232	-	389
Trade payables	-	-	-	-
Deferred taxes on loss carryforwards	1,363	-	691	-
Netting, assets/liabilities	-173	-173	-142	-142
	1,363	**906**	**691**	**1,146**

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 € 2,483 thousand (previous year: € 1,632 thousand) and relates to the pro rata annual results of easybell GmbH (€ 1,972 thousand; previous year: € 1,349 thousand), sparcall GmbH (€ 138 thousand; previous year: € 140 thousand), carrier-services.de GmbH (€ 103 thousand; previous year: € 106 thousand) and init.voice GmbH (€ 270 thousand; previous year: € 36 thousand).

(25) Earnings per share

The number of **ecotel communication ag shares** outstanding as at 31 December 2021 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 2021, meaning that basic and diluted earnings are identical.

	2020	2021
Attributable consolidated net income for the year (in €)	1,000,054	4,782,827
Weighted average number of shares	3,510,000	3,510,000
Basic earnings per share (in €)	0.28	1.36
Diluted earnings per share (in €)	0.28	1.36

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 2021.

	Non-current loans	Current loans	Lease liabilities	Total
01/01/2021	3,083	2,417	7,727	13,228
Borrowings	-	-	414	414
Repayment	-	-2,417	-1,172	-3,589
Reclassification	-2,417	2,417	-	0
31/12/2021	667	2,417	6,969	10,053

The following effective cash flows arose in the previous year:

	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

Alongside the cash flows described above, in financial year 2021 € 711 thousand (previous year: € 689 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 € 7,900 thousand (previous year: € 1,897 thousand). In financial year 2021, ecotel communication ag distributed a dividend of € 491 thousand for the financial year 2020 (previous year: € 0 thousand).

(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	
	2020	2021	2020	2021
mvneco GmbH				
– from deliveries and services	40	36	916	914

As at 31 December 2021, there were receivables from mvneco GmbH of € 4 thousand (previous year: € 3 thousand) and trade payables to mvneco GmbH of € 9 thousand (previous year: € 9 thousand).

The ecotel Group had service relationships with the following related persons (or their companies) in 2021:

€ thousand	Volume of services performed by ecotel		Volume of services utilised by ecotel	
	2020	2021	2020	2021
MPC Serivces GmbH				
– from deliveries and services	4	5	413	379

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 of € 0 thousand (previous year: € 0 thousand) and liabilities of € 37 thousand (previous year: € 37 thousand).

(29) Segment reporting

As at 31 December 2021, ecotel ag is changing its segment reporting. With the increasing change of the ecotel Wholesale segment's business activities and a change to internal management, alongside cross-network trading in telephone minutes (Wholesale Voice), marketing data lines (Wholesale Data) for national and international carriers is also allocated to this segment. Previously the Wholesale Data business was allocated to the ecotel Business Customers segment. In the consolidated financial statements, the restatement in line with IFRS 8.29 was implemented on a retrospective basis.

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 and marketing data lines 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 2021 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	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
External sales	44,528	46,269	30,053	22,394	21,453	24,975	2,265	2,231	-	-	98,300	95,868
Intersegment sales			5,136	5,995	662	816			-5,798	-6,811	0	0
Gross profit	23,850	28,500	1,193	1,051	11,168	14,642	1,486	1,530	-	-	37,697	45,723
EBITDA	4,606	8,634	631	499	5,853	8,465	591	517	-	-	11,682	18,115
Depreciation and amortisation	-6,182	-6,025	-	-	-1,102	-1,186	-261	-270	-	-	-7,546	-7,481
Unscheduled impairment	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	-1,694	2,610	631	499	4,751	7,279	330	247	-	-	4,018	10,634
Net finance costs											-246	-87
Profit from ordinary activities											3,771	10,547
Income tax expense											-1,139	-3,282
Net profit											2,632	7,266
Consolidated net profit											1,000	4,783
Minority interests											1,632	2,483

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 (shares)	Exercise price in €
Options outstanding at the beginning of the reporting period	347,943	6,8691
Options granted during the reporting period	0	
Options forfeited during the reporting period	0	
Options exercised during the reporting period	0	
Options expired during the reporting period	-1,000	
Options outstanding at the end of the reporting period	346,943	6,8691
Options exercised at the end of the period	**0**	

As in the previous year, for options outstanding at the end of the reporting period, the exercise price is € 6.87. The remaining contractual period is 3 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 of grant, 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, € 119 thousand (previous year: € 50 thousand) was expensed with a corresponding increase in capital reserves of € 119 thousand (previous year: € 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	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Fixed remuneration	341	350	100	212	250	250
Fringe benefits	23	20	8	15	21	21
Annual variable remuneration	50	50	20	40	25	33
Multi-year variable remuneration	8	-	-	-	6	-
Total remuneration	**422**	**420**	**128**	**267**	**302**	**304**

In addition to fixed remuneration and fringe benefits, the Management Board is entitled to securely earned variable remuneration of € 123 thousand for the 2021 financial year (previous year: € 109 thousand). After deducting the remuneration components already paid, corresponding liabilities were recognised. This remuneration consists of short-term benefits. Remuneration for the 2021 financial year thus amounted to € 991 thousand (previous year: € 852 thousand).

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 2020, the Management Board members were granted a total of 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	**2020**	**2021**
Dr Norbert Bensel (Chairman of the Supervisory Board)	24	35
Uwe Nickl (since 8 July 2021 Deputy Chairman of the Supervisory Board)	-	18
Alfried Bührdel (since 8 July 2021)	-	14
Brigitte Holzer	14	20
Mirko Mach (until 8 July 2021 Deputy Chairman of the Supervisory Board)	19	23
Dr Thorsten Reinhard	14	19
Sascha Magsamen (until 8 July 2021)	13	7
Tim Schulte Havermann (until 8 July 2021)	12	8
Total	**96**	144

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 € 1,748 thousand (previous year: € 1,517 thousand) and is all short-term. € 47 thousand (previous year: € 40 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 2021 financial year, the expensed fee for the auditor of the annual and consolidated financial statements of ecotel ag for auditing services amounted to € 107 thousand and comprises the fees for the statutory audit of the annual and consolidated financial statements of the company and its consolidated subsidiaries, € 8 thousand of which related to prior periods. € 12 thousand were recognised for other assurance services. As in the previous year, there were no expenses for 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 4 March 2022. 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 2021.

(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, 4 March 2022
The Management Board

Peter Zils *Markus Hendrich* *Achim Theis*

2.6 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 2021 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 2021, 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 2021. 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]) listed in section 1.6 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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 2021. 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 95.9 million, EUR 46.3 million of these relate to the ecotel 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 1.6 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 on the other information obtained before the date of this auditor's report, 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. 3a 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. 3a 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 "ESEF Unterlagen_ecotel_communication_ag_KA_2021.zip" 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 Consolidated Financial Statements and the Group 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 Consolidated Financial Statements and the accompanying Group Management Report for the financial year from 1 January to 31 December 2021 contained in the “Auditor’s Report on the Consolidated Financial Statements and on the Group 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 3a HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410) (10.2021). 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 Supervisory Board is responsible for overseeing the process for 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) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU 2019/815, in the version in force at the date of the financial statements, 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 Auditor by the Annual General Meeting on 8 July 2021. We were engaged by the Supervisory Board on 10 August 2021. We have been the 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).

Other matter – Use of the Auditor's Report

Our Auditor's Report must always be read together with the audited Consolidated Financial Statements and the audited Group Management Report as well as the assured ESEF documents. The Consolidated Financial Statements and the Group Management Report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited Consolidated Financial Statements and the audited Group Management Report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor [Wirtschaftsprüfer] responsible for the engagement is Mr. Tobias Schmelter.

Cologne, 4 March 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Lauten Public Auditor	Tobias Schmelter Public Auditor

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Financial calendar	
10 May 2022	Publication of quarterly financial report (Q1)
8 July 2022	Annual General Meeting
16 August 2022	Publication of half-year financial report
8 November 2022	Publication of quarterly report (Q3)

Legal notice

Photography by Christian Köster

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