ecotel
cloud & fibre

ANNUAL REPORT
cloud & fiber

22

ecotel®
cloud & fibre

25 YEARS ecotel

Certifications and awards:

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

IT-BESTENLISTE BEST OF 2022 initiative mittelstand BEST OF

225 employees

>300 partners

100 associations

>100 thousand voice lines

>20 thousand data lines

>15 thousand customers

100%

nacamar

Add+Radio

YBRID®

6 employees

572 million listener hours

403 million sessions

33%

mvneco managed services

30 employees

+

44 employees in dispatch

Company profile

As a quality provider of IT and telecommunications solutions exclusively for business customers, ecotel is firmly established on the German market as an innovative partner. With a focus on “cloud & fibre”, we support mid-market and major customers as they work to implement the digital transformation – through modern data networks, innovative cloud solutions and broadband connectivity.

Our products and solutions are “made in Germany” and are operated on the basis of ecotel’s own geo-redundant data centres. These include highly available telephony solutions (SIP, Cloud-PBX), high-performance data connections (DSL and ethernet) and secure company networking using SD-WAN or MPLS technology. Thanks to our unique multi-carrier approach (network interconnections with local and national fibre optic carriers, including Deutsche Telekom), we have access to > 1 million kilometres of fibre optic cables in Germany.

For more than a quarter of a century, together with our partners we have put customer satisfaction at the heart of what we do every day and are dedicated to addressing their concerns, both large and small. We do this on the basis of extensive expertise and personal enthusiasm and are motivated by our goal of achieving the best results time and time again.

Our strength is our ability to develop customised solutions for complex requirements, even if there is a sudden change in the external environment.

After all, it is not enough to promise quality. At ecotel, we guarantee it.

Contents

Foreword by the Management Board

Dear shareholders,

The 2022 financial year was extraordinarily successful for ecotel communication ag. Operating business withstood the geopolitical uncertainties and the new focus on **cloud** and **fibre** is being well received.

As well as operating business, however, the 2022 financial year was also considerably affected by **non-recurring effects:** The Group generated non-recurring income totalling € 68.3 million before tax from the **disposal of the interest in the easybell Group** and the **transfer of right-of-use assets to online resources.** However, higher-than-expected **energy costs** in the months from May to September 2022 depressed net earnings by € 0.3 million. Towards the end of the financial year and at the start of 2023, energy costs returned to the level we originally anticipated for the 2022 financial year.

Overall, ecotel closed the exceptional 2022 financial year with **EBITDA (including non-recurring effects) of € 77.1 million,** resulting in **consolidated net profit of € 67.5 million,** and **earnings per share of € 19.24.**

Adjusted for these effects, the financial year can be summarised as follows:

Sales rose by 32% to € 93.3 million (previous year: € 70.9 million), largely driven by higher sales in the ecotel Wholesale segment (€ 46.5 million; previous year: € 22.4 million).

In the core ecotel Business Customers segment, sales as a whole fell short of original guidance and came to € 45.6 million (previous year: € 46.3 million). The conflict in Ukraine and the general economic uncertainty that this entails made decision-makers far more cautious, especially when it came to concluding major projects. However, the segment reported significant project orders at the end of 2022 that will have a delayed positive impact on sales in 2023.

Despite higher energy expenses, the Group increased **gross profit** slightly by € 0.1 million to € 31.2 million. The Business Customers segment contributed € 0.6 million to this rise in gross profit.

With increased staff costs (+ € 0.4 million) – essentially due to pay rises and payments of inflationary benefits – as well as a higher balance from operating expenses and income (+ € 0.3 million), the higher gross profit resulted in **adjusted EBITDA** of € 9.1 million (previous year: € 9.7 million).

After deducting declining depreciation and amortisation of € 5.7 million (previous year: € 6.3 million), the Group achieved **EBIT** of € 3.4 million, on par with the previous year. Including net income from discontinued operations, net finance costs and after deducting minority interests, **consolidated net profit comes to € 67.5 million,** adjusted for non-recurring effects of € 4.9 million (previous year: € 4.8 million). As well as a regular dividend of € 0.82, the Management Board and Supervisory Board will also propose a special dividend of € 18.00, and thus a total dividend of € 18.82 per eligible share, to the Annual General Meeting on 21 April 2023.

Even taking account of this high dividend, ecotel is in an excellent position to invest in growth. The German telecommunications market is essentially driven by the two trends of cloud telephony and broadband expansion. With its own cloud.phone product group and multi-carrier-based ethernet, ecotel is ideally positioned for these two growth areas and so deliberately focuses on **"cloud and fibre"**. The Cloud telephony market in Germany currently still lags behind international developments on account of delays in rolling out fibre optic. Accordingly, the two growth areas area interlinked and present an outstanding opportunity for ecotel to bring new and existing customers on board for both services.

Together with the Supervisory Board, we firmly believe that ecotel has good chances of achieving above-average growth compared to the market in the years ahead thanks to its strategic position. Given this, the company's goal is to facilitate growth not only with its existing organizations and available resources but also through targeted investment, chiefly in sales and sales-supporting resources and by tapping new sales channels.

Factoring in current knowledge on risks and opportunities, we expect sales for the ecotel Group in the 2023 financial year to range from €95 million to €100 million, gross profit of between €31 million and €33 million and operating EBITDA of €9 million to €10 million.

We expect these investments to pay off in 2024 and 2025 thanks to above-average sales growth and higher earnings in the long term.

We would like to thank our highly motivated employees, without whom we would not have been able to make such a success of what was for all of us an extraordinary financial year 2022. Our thanks also go to our loyal business partners and customers. We also thank you, dear shareholders, for your loyalty and trust in us and in ecotel.

We are looking into the future with great confidence and looking forward to the challenges and opportunities that the new financial year holds for us.

Markus Hendrich
Chief Executive Officer

Peter Zils
Deputy Chairman of the
Management Board

Achim Theis
Member of the
Management Board

MANAGEMENT BOARD & SUPERVISORY BOARD

Report of the Supervisory Board

Management Board

Markus Hendrich (born in 1980) is the Chief Executive Officer of ecotel communication ag and has worked there since 1 July 2020, initially as Chief Digital Officer (CDO). He was Co-Chairman from 1 October 2021 to 30 August 2022. Since September 2022, he has been responsible for Strategy, Technology, Operations, Portfolio and Processes and central administrative departments as the sole CEO. Markus Hendrich previously spent 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.

Peter Zils (born in 1963) is the founder and Deputy Chairman of the Management Board of ecotel communication ag and is responsible for the areas of Strategy, Wholesale and Regulation, 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.

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

Sabrina Bublitz (born in 1981) has been working for ecotel communication ag since 2016. Since 2023, in her role as Chief Commercial Officer (CPO) and authorised signatory she has been responsible for the areas of Project Management, Process and Quality Management, Special Solutions and the Project Management Office. Sabrina Bublitz has worked in the telecommunications sector since 2005, holding a range of positions at various companies in the areas of sales and product, process and project management.

Oliver Jansen (born in 1968) has been working for ecotel communication ag since 2013. Since 2023, he has been responsible for cloud telephony as Chief Business Officer (CBO) in the role of Chapter Lead. Oliver Jansen has been working since the early 1990s in the telecommunications industry, operating in the area of sales, marketing, business and product development.

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.

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

Uwe Nickl (Chairman) (born in 1969) has been a member of the Supervisory Board of ecotel communication ag since July 2021 and has been its Chairman since September 2022. 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.

Dr Norbert Bensel (Deputy Chairman) (born in 1947) has been a member of the Supervisory Board of ecotel communication ag since July 2010 and has been its Deputy Chairman since September 2022. 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.

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 2022 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 seven times in the year under review, on 19 January, 8 March, 20 May, 8 July, 16 August, 6 October and 8 December 2022. Due to the corona pandemic, only the meetings in May, July and December were held with personal attendance; the other meetings were held as video conferences or conference calls. In addition, eight 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 2022, 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. The Supervisory Board also focused on two other project in particular: the sale of shares in the subsidiary easybell GmbH and the sale of right-of-use assets to online resources. It also discussed developments in the market situation.

In addition, the Supervisory Board supported the Management Board with strategic issues arising from changes in the telecommunications market, for example with regard to the company's strategic direction with a focus on marketing "cloud & fibre-solutions".

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.

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:

19 January 2022: resolution on the 2022 budget and preparation of capital market outlook; discussion of the opportunities to market online resources

8 March 2022: auditor's report on the implementation and results of the annual and consolidated financial statements for 2021, 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 2021, approval of appropriation of profits proposal, resolution on the target achievement rate for the variable remuneration components of the Management Board for 2021, decision that the Annual General Meeting is to be held virtually

20 May 2022: Quota set for percentage of women on the Management Board and Supervisory Board; resolutions on the Annual General Meeting

8 July 2022: resolution on early repayment of bank loans, report on status of marketing online resources

16 August 2022: resolution on changes to the Supervisory Board; resolution on amending the service contracts of Peter Zils and Markus Hendrich and the company's rules of procedure; resolution to engage Noerr Partnergesellschaft mbB for the disposal of shares in the subsidiary easybell GmbH

6 October 2022: resolution to dispose of shares in easybell GmbH

8 December 2022: discussion of the cloud & fibre strategy; discussion of the first budget draft for 2023; discussions of the schedule for the 2023 audit of the annual financial statements and the 2023 Annual General Meeting

In particular, on 10 May 2022 the Supervisory Board resolved by way of circulation to sell right-of-use assets to online resources.

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 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. Given the legal consultancy services provided by Noerr Partnergesellschaft mbB, Dr Reinhard also abstained from voting in the resolution on the disposal of shares in easybell GmbH.

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 2022, 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 2022 financial year, but instead approved the annual financial statements and the consolidated financial statements by way of a resolution adopted on 7 March 2023. The annual financial statements of ecotel for the 2022 financial year were thus approved.

4. Corporate governance

With the following exception, all members attended all Supervisory Board meetings: Dr Thorsten Reinhard excused himself and did not attend the Supervisory Board meeting on 20 May 2022. Dr Norbert Bensel excused himself and did not attend the Supervisory Board meetings on 8 July 2022 and 8 December 2022.

On 8 July 2022, the Supervisory Board convened partially without the Management Board.

In the 2022 financial year, 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 21 December 2022. The declaration was made permanently available to the public on the company's website.

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

There were no changes to the composition of the Supervisory Board in the year under review. As Dr Norbert Bensel expressed his desire to resign as Chairman of the Supervisory Board with effect from 31 August 2022, it was necessary to elect a new Chairman of the Supervisory Board. The Supervisory Board appointed Mr Uwe Nickl as Chairman with effect from 1 September 2022. Dr Bensel was elected as the Deputy Chairman of the Supervisory Board.

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 July 2022, Mr Peter Zils has performed his duties on a part time basis (50% of regular hours). His service contract was revised for the period from 1 July 2022 to 30 June 2024, rescinding all earlier agreements. Mr Markus Hendrich has been the sole CEO since 1 September 2022. The joint Co-Chairman positions of Mr Zils and Mr Hendrich ended at the same time.

Mr Zils's service contract was revised for the period from 1 September 2022 to 30 June 2024, rescinding all earlier agreements. Mr Zils has been responsible for Strategy, Wholesale, Regulation, Finance and Investor Relations since this time. Mr Hendrich's service contract was revised for the period from 1 September 2022 to 31 August 2026, rescinding all earlier agreements. Mr Hendrich has been responsible for Strategy, Technology, Operations, Portfolio, Processes and Central Administrative Functions since this time. Achim Theis is the third member of the Management Board, and continues to be responsible for Sales, Marketing and Key Account Management. An agreement regarding a special bonus target was added to Mr Hendrich's Management Board contract in December 2022.

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 nine meetings at which it particularly discussed the intrayear financial reports and the annual and consolidated financial statements for 2021. The Audit Committee also discussed the internal control system and the FISG project. The Audit Committee held one in-person meeting and another eight as video conferences. The Audit Committee held one in-person meeting and another eight as video conferences. The Audit Committee comprises Mr Alfried Bührdel (Chairman since 1 January 2022), Ms Brigitte Holzer and Mr Mirko Mach.

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 four meetings in the 2022 financial year. One of these meetings was held in person and the other three as telephone or video conferences. All members of the Nomination Committee attended all meetings. The Nomination Committee consists of Dr Thorsten Reinhard (Chairman), 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 2022.

Düsseldorf, 7 March 2023
For the Supervisory Board:

Uwe Nickl
Chairman of the Supervisory Board

INVESTOR RELATIONS

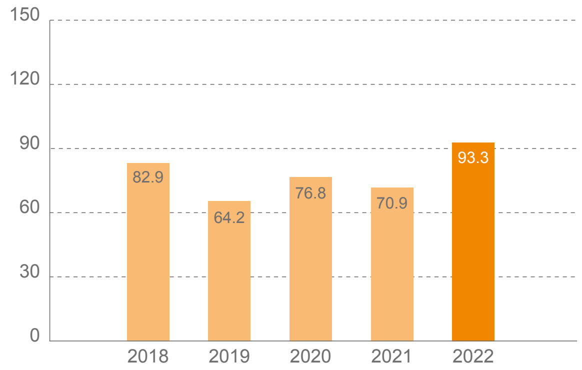
Key figures

Income statement (IFRS)		2020	2021	2022
Sales from continuing operations	€ million	**76.8**	**70.9**	**93.3**
ecotel Business Customers	€ million	44.5	46.3	45.6
ecotel Wholesale	€ million	30.0	22.4	46.5
nacamar	€ million	2.3	2.2	1.2
Gross profit from continuing operations	€ million	**26.5**	**31.1**	**31.2**
ecotel Business Customers	€ million	23.9	28.5	29.1
ecotel Wholesale	€ million	1.1	1.1	1.2
ecotel Business Customers	€ million	1.5	1.5	0.9
EBITDA[1] including net deconsolidation gains/losses in the easybell segment	€ million	**5.8**	**9.7**	**77.1**
Adjusted EBITDA[2]	€ million	**5.8**	**9.7**	**9.1**
ecotel Business Customers	€ million	4.6	8.6	8.3
ecotel Wholesale	€ million	0.6	0.5	0.6
nacamar	€ million	0.6	0.5	0.3
EBIT from continuing operations	**€ million**	**–0.8**	**3.4**	**17.9**
Consolidated net profit[3]	**€ million**	**1.0**	**4.8**	**67.5**
of which from discontinued operations (easybell segment)	€ million	1.7	2.6	55.4
Number of shares as at 31 December (outstanding shares)	Number	3,510,000	3,510,000	3,510,000
Earnings per share[4]	€	0.28	1.36	19.24
Earnings per share[4] (adjusted for non-recurring effects)	€	**0.28**	**1.36**	**1.39**

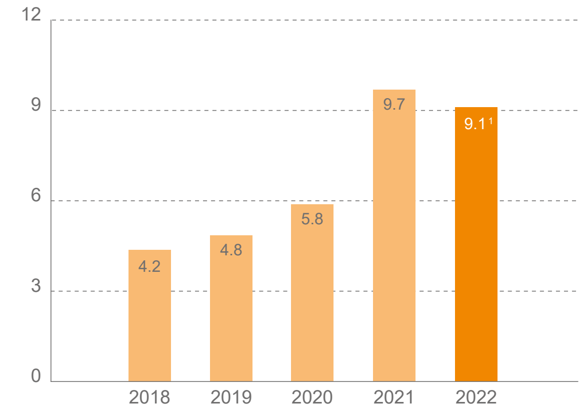
Other key figures		2020	2021	2022
Cash and cash equivalents at beginning of period	€ million	8.3	7.8	12.6
Cash flow from operating activities	€ million	10.3	15.4	28.5
Cash flow from investing activities	€ million	–5.9	–4.9	44.0
Cash flow from financing activities	€ million	–4.9	–5.6	–18.2
Cash and cash equivalents as at 31 December	€ million	7.8	12.6	66.9
Free cash flow[5]	€ million	**4.4**	**10.5**	**72.5**
Total assets	€ million	53.9	61.1	108.4
Equity	€ million	23.4	29.1	83.8
in % of total assets	in %	43.4	47.6	75.9
Net financial assets[6]	€ million	**2.3**	**9.6**	**66.9**

Differences in the totals may occur due to rounding
1 Earnings before depreciation, amortisation and impairment losses
2 For reconciliation see Group Management Report (result of operations, financial position and net asset position)
3 Corresponds to consolidated net income after deducting minority interests
4 Basic
5 Free cash flow = cash flow from operating activities + cash flow from investing activities
6 Loan payables less cash and cash equivalents

Sales from continuing operations in € million

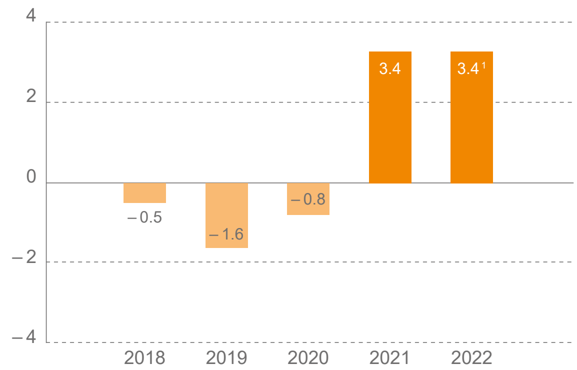


EBITDA from continuing operations in € million



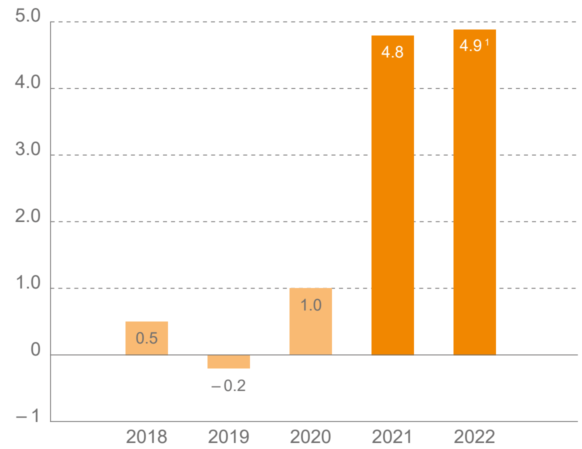
1 Adjusted for special effects

EBIT from continuing operations in € million



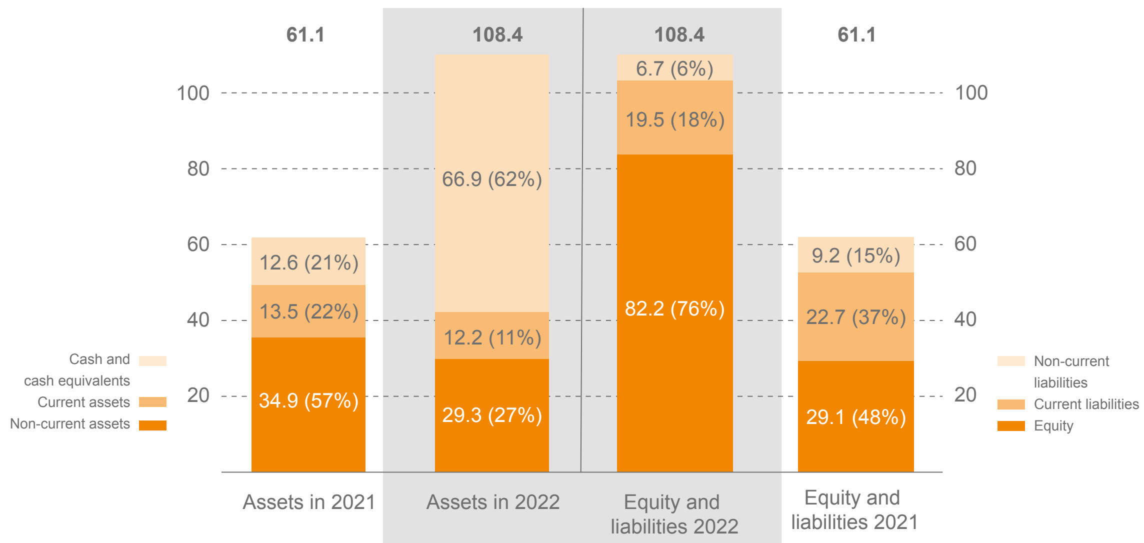
1 Adjusted for special effects

Net income from continuing operations in € million



1 Adjusted for special effects

Assets and equity / liabilities in € million



2021: including easybell Group, 2022: excluding easybell Group

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 2022, the share capital was unchanged at 3,510,000 shares. The company does not hold any treasury shares.

Share price performance in 2022

After a very strong year for stock markets in 2021, they showed their weaker side in 2022. All relevant indices around the world reported significant losses. Inflation and interest rate hikes by central banks, the war in Ukraine and the sharp surge in energy prices stark weighed heavily on stock markets. The most important German stock market barometer, the DAX 40, lost 12.4% over the year, with the TecDAX falling even more substantially in the same period.

Even the ecotel share was unable to maintain its highest price of €38.60 at the start of 2022 over the year. After bottoming out at € 23.00 at the start of March 2023, ecotel's share price moved virtually in step with the two benchmark indices. At the end of the year, the share price was € 30.80.

As at 31 December 2022, market capitalisation amounted to €108.1 million (previous year: €135.5 million). The average daily trading volume of the ecotel share in 2022 was 2,825 (previous year: 5710) shares per day.

Investor relations

There was an intensive dialogue with investors, analysts and journalists again in 2022. 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, the company repeatedly sought contact with interested parties and spoke to analysts by participating in various investor and analyst events in 2022.

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

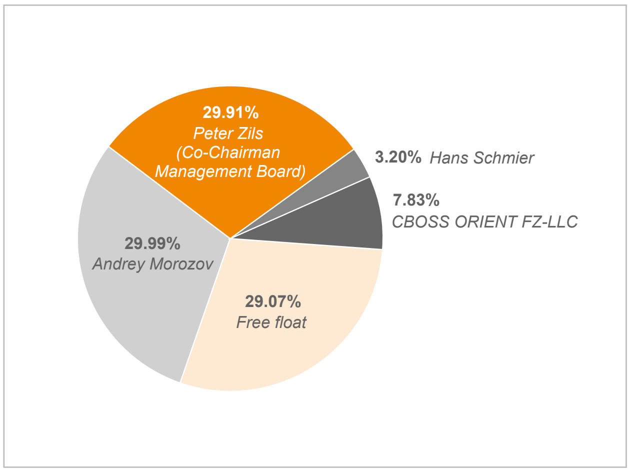
The shareholder structure at the end of the year was as follows:

Peter Zils (Deputy Chairman of the Management Board) and Andrey Morozov each hold just under 30% of the shares. A further 11% is distributed across shareholders known to us on the basis of the relevant notifications (WpHG notifications). Free float is around 29% of the share capital.

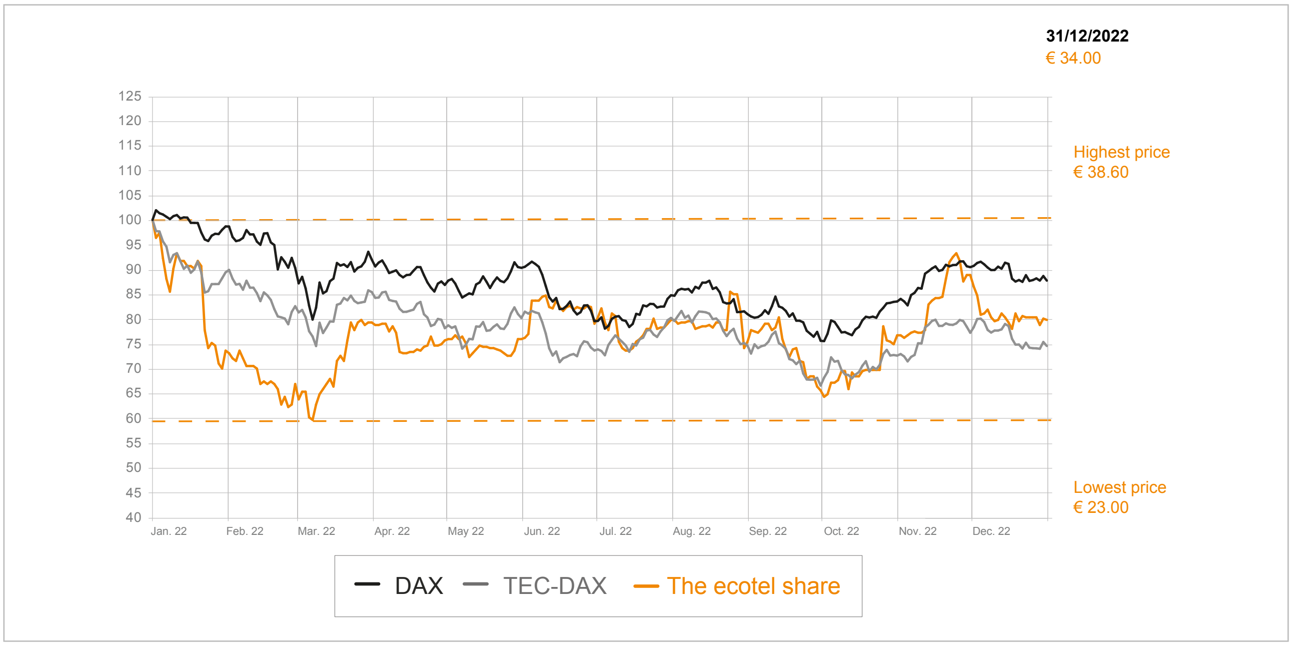
Key figures Ø 2022			
WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as at 31 December 2022	3,510,000
Symbol	E4C	Average daily volume in 2022	2,825
Market segment since 8 August 2007	Prime Standard	Highest price in 2022 (€) Lowest price in 2022 (€)	38.60 23.00
Index membership	CDAX, Prime All Share Technology All Share	Market capitalisation as at 31 December 2022 (€ million)[1]	108.1
Category	No-par-value shares	Designated Sponsor	ICF BANK AG

1 Based on the closing price of € 34.00 per share on 31 December 2022 with 3,510,000 shares outstanding

Share ownership (31/12/2022) in percent



Price performance of the ecotel share in 2022 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.

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

The “easybell” segment was sold on 17 November 2022 (closing). The easybell segment will thus be treated as a discontinued operation in the rest of the Group Management Report.

The segments are described in more detail below:

“ecotel Business Customers” segment
The German telecommunications market is essentially driven by the two trends of **cloud telephony** and **broadband expansion** (sources: 24. TK-Marktanalyse Deutschland 2022; VATM / Dialog Consult). With its own cloud.phone product group and multi-carrier ethernet, ecotel believes it is ideally positioned for these two growth areas and so focuses on “cloud and fibre” in this 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 relevant German infrastructure providers are connected to this backbone. In this way, the best customer-specific provision can be realised for each customer.

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 believes it has established itself as a successful partner in its collaboration with more than 100 purchasing cooperatives and associations.

mvneco GmbH is also part of the ecotel Business Customer segment. It 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 marketing data lines for national and international carriers. For this purpose, ecotel maintains network interconnections with a high number of 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.

“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.

“Easybell” discontinued operation

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 has focused on easy-to-handle customised products for small and medium-sized business customers. easybell GmbH and its subsidiaries were sold to the Dstny Group (Dstny DE SC GmbH) with effect from 17 November 2022.

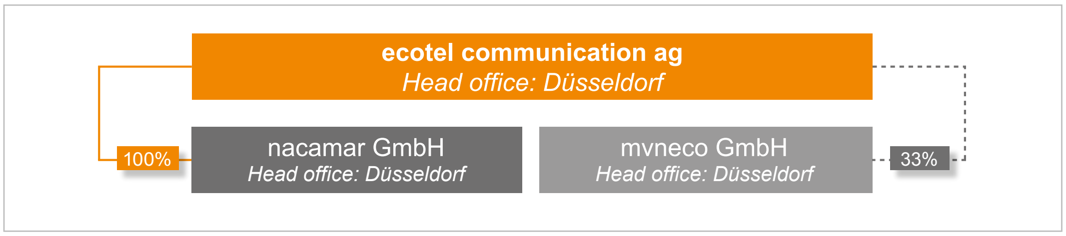
Infrastructure

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.

2. Structure of the Group

As well as ecotel communication ag (ecotel ag), as at 31 December 2022 the Group also comprises nacamar GmbH and the interest in mvneco GmbH.



3. Management of the Group

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 **Markus Hendrich (CEO),** responsible for Technology, Operations, Product Management, Human Resources and Digitalisation, **Peter Zils (Deputy Chairman of the Management Board),** responsible for Strategy, Whole-sale, Finance and Investor Relations, 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), Oliver Jansen (CBO)** and, since 1 January 2023, the **authorised signatory Sabrina Bublitz (CPO),** make up the **ecotel Governing Board.**

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's goal is to become the 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. Starting in 2023, investment and resource expansion will also be necessary in the two focus areas of **"cloud"** and **"fibre"**, as the growth potential described above is to be tapped. Ultimately, ecotel wants to focus development on user-friendly, flexible and scalable platforms to meet the customer requirements of German SMEs and position customised products and solutions.

Derived from this sustained corporate governance, ecotel has put a sustainable finance strategy into place. This does not include the key performance indicators but should reflect the interests of the stakeholder groups described above.

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	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 debt: < 2.5x EBITDA	Realistic forecasts
Growth-dependent investments in 2023/2024: At least €8 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[1]-target: positive
	Sustainable HR policy and training measures		Dividend policy: At least 50% of EPS[2]

1 Cash flow from operating activities and cash flow from investing activities before investments in customer equipment for future projects with major customers
2 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 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, number of seats, minutes volume, number of connections, prices per unit (ARPUs), gross profit margin) are also monitored and are mapped in a reporting system. The **nacamar** segment and the discontinued operation **easybell** were 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.

Non-financial performance indicators help the management run ecotel and support its long-term strategic direction. However, their primary purpose is not to manage the Group and is instead to provide further information about the Group's situation and allow decisions to be made on this basis. Accordingly, ecotel does not have any non-financial performance indicators that are of material significance for the Group's business activities.

The most important financial performance indicators for corporate management are segment sales, gross profit, consolidated EBITDA, adjusted / operating EBITDA for the individual segments and consolidated net profit. The Supervisory Board monitors compliance with the key management indicators and receives quarterly reports from the Management Board.

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 2022, capitalised development expenses amounted to €0.5 million (previous year including easybell segment: €1.2 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

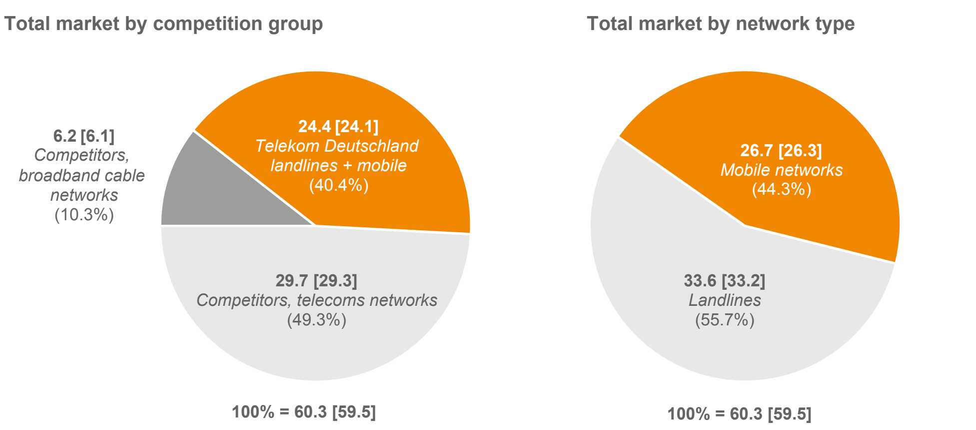
Price-adjusted gross domestic product (GDP) in 2022 was 1.9% higher than in the previous year according to initial calculations by the Federal Statistical Office. Adjusted for calendar effects, the economy grew by 2.0%. Germany's macroeconomic performance in 2022 was shaped by the consequences of the war in Ukraine and by extreme energy price hikes. In addition, more severe material and supply bottlenecks, massive increases in prices (e.g. for food), the labour shortage and the ongoing, albeit declining, impact of the pandemic also had an effect. Despite these still challenging conditions, the German economy as a whole fared well in 2022. GDP was 0.7% higher in 2022 than in 2019, the year before the pandemic. (Source: Destatis, press release no. 20 dated 13 January 2023).

The following statements can be made about ecotel and the telecommunications market in Germany:

Increase in telecommunications market volume

Total sales generated by telecommunications providers increased by around € 0.8 billion in 2022. While total sales from telecommunications services came to € 59.5 billion in the previous year, we expect them to total € 60.3 billion in 2022. In the landline market, consisting of connections, voice services and data services including TV broadband cable, companies generated sales of € 33.6 billion. € 15.8 billion of this was attributable to Deutsche Telekom 2021: (€ 15.7 billion) and € 17.8 billion to the competitors (2021: € 17.5 billion). (Source: 24. TK-Marktanalyse Deutschland 2022).

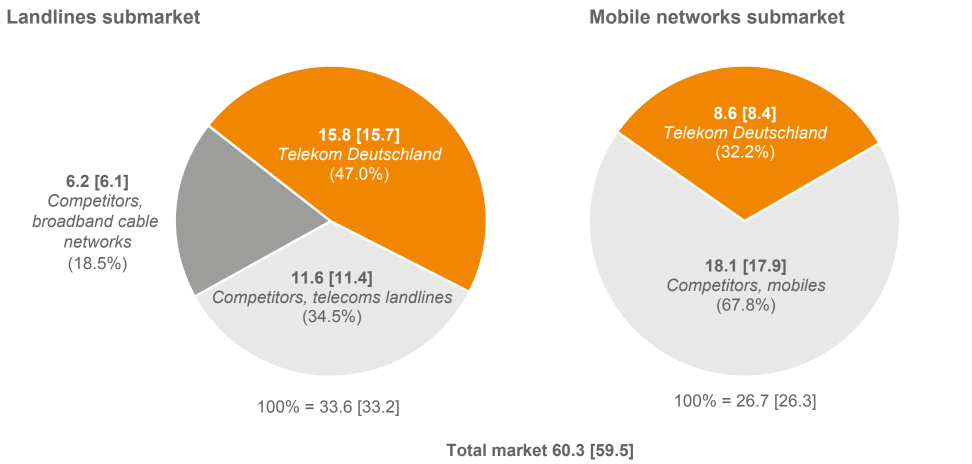
Overall market for telecommunications in Germany in € billion and in %



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 %

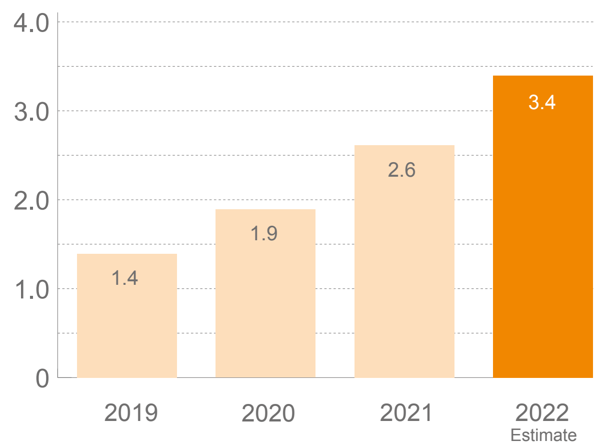


Including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

Source: DIALOG CONSULT-/VATM analyses and forecasts

Growth in broadband landline connections is continuing unabated. The number of broadband landline connections increased by around 0.7 million to 37.7 million in 2022. Around 25.1 million of these were DSL connections (2021: 25.4 million). The number of active fibre optic connections rose to 3.4 million in 2022 (2021: 2.6 million). Telekom Deutschland accounts for about 35% of these.

Number of active fibre-optic connections in million

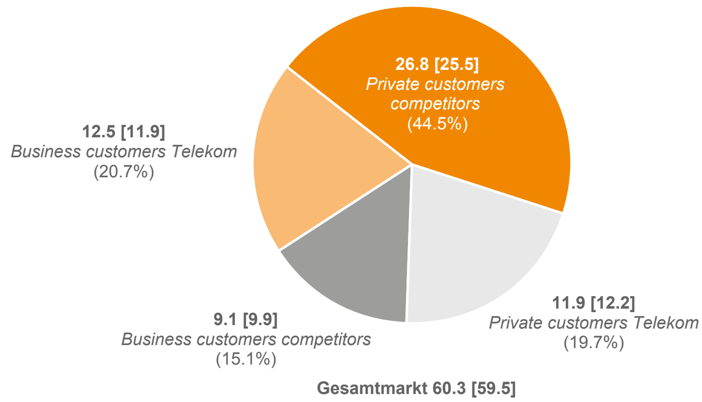


Source: DIALOG CONSULT-/VATM analyses and forecasts

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 €21.6 billion in 2022 (previous year: €21.8 billion) and accounted for 35.8% of the total market. The breakdown of sales between Deutsche Telekom and competitors did not materially change in 2022. Deutsche Telekom is expected to have generated sales of €12.5 billion on the business customer market in 2022, with competitors generating around €9.1 billion.

Market for telecommunications services in € billion and in %

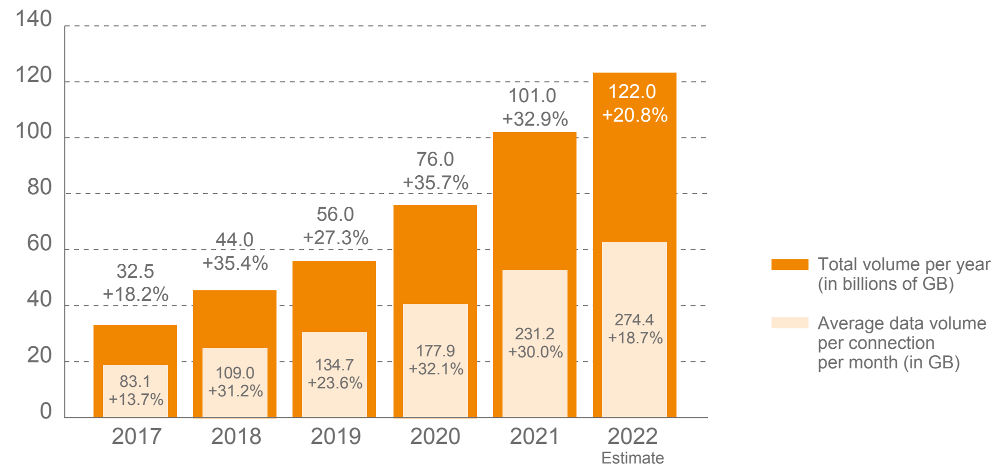


Including voice and internet services, data services, interconnection, leased lines, content, devices and distribution of TV content sold by network operators and their sales partners. Figures in square brackets represent the corresponding absolute sales in the previous year.

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 18.7% to over 274.4 gigabytes per broadband connection per month in 2022.

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 as many relevant products as possible 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 2022, 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

The Group's results of operations were significantly affected by several **non-recurring effects** in the financial year. EBITDA was corrected in the 2022 financial year for one-time developments that the Management Board believes will not recur each year and cannot be influenced by the Management Board. In the view of the Management Board, this adjusted EBITDA allows for a transparent analysis of business performance in relation to changes compared to planning and the previous year.

The **disposal of the easybell operating segment** as at 17 November 2022 (closing) resulted in deconsolidation gains, taking account of the related transaction costs, of €53.4 million before tax/€52.6 million after tax. This effect and net earnings in the easybell segment for the period from 1 January 2022 to 17 November 2022 of €5.3 million are recognised in earnings after taxes from discontinued operations.

In addition, the **transfer right-of-use assets to online resources** of €15.7 million, of which €14.9 million before taxes (€11 million after taxes) was not included in the original planning for 2022, had a material impact on results of operations. These are reported under other operating income. This effect is attributable to the Business Customers operating segment.

As well as these two non-recurring effects, the Group's results of operations in the 2022 financial year were negatively impacted by what the Management Board considers a non-recurring effect: the original forecast for the 2022 financial year anticipated a substantial rise in energy costs – especially **electricity costs** for operating data centres. Overall, therefore, €1.4 million was budgeted for electricity for the 2022 financial year, more than a 40% increase on the costs in 2021. Actual expenses incurred for electricity in the 2022 financial year, particularly between May and September, were higher than this original planning as a result of gas supply being first reduced and then temporarily cut off entirely. Following the measures taken by the German federal government to find alternative gas sources, purchase prices settled at a still high but stable and predictable level. The need to operate the data centres and the Group's obligations to supply customers that are considered critical infrastructure meant that there was no option other than to purchase at these historically high prices. Given the unique nature of these events, the Management Board assumes that this effect of approximately €0.3 million is non-recurring and so it was removed from adjusted EBITDA for analysis purposes. This effect is attributable to the Business Customers operating segment.

The following table reconciles EBITDA (profit from ordinary activities before depreciation, amortisation and impairment losses) for the individual segments and the Group to **adjusted EBITDA** for the 2022 financial year:

(in € million)	ecotel Business Customers	ecotel Wholesale	nacamar	Group
EBITDA from continuing operations in accordance with segment reporting	**22.8**	**0.6**	**0.3**	**23.7**
less unplanned income from the transfer of right-of-use assets to online resources	–14.9	–	–	–14.9
plus unexpected additional expenses for energy (electricity)	0.3	–	–	0.3
Adjusted EBITDA	**8.3**	**0.6**	**0.3**	**9.1**

Differences in the totals may occur due to rounding.

The Group generated **sales** from continuing operations of €93.3 million in 2022 (previous year: €70.9 million), a rise of 32%. This increase was essentially due to sales in the low-margin ecotel Wholesale segment. In turn, **gross profit** (sales less cost of materials) picked up by just €0.2 million/0.5% to €31.2 million.

Group **EBITDA adjusted** for the non-recurring effects described above was €9.1 million (previous year: €9.6 million). The year-on-year rise in staff costs to € 14.3 million (previous year: €13.9 million) and higher other operating expenses of €9.7 million (previous year: €8.6 million) prompted this decline in adjusted EBITDA, which was not offset by income from the transfer of right-of-use assets. This income was used to fund sales activities to meet growth targets in the ecotel Business Customers segment, although this was not achieved in 2022.

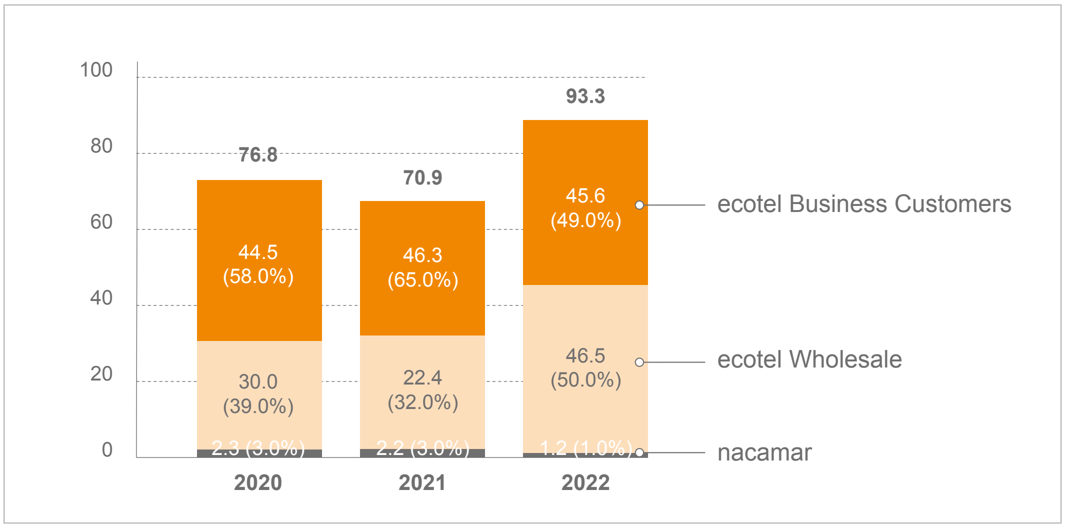
The Group's **depreciation and amortisation** decreased slightly by €0.6 million to €5.7 million in the financial year and so Group **EBIT** adjusted for the non-recurring effects described above was again on par with the previous year at €3.4 million.

Taking account of net finance costs (€6 thousand; previous year: €–68 thousand), income taxes (€5.8 million; previous year: €1.1 million) and net income from discontinued operations of €58.0 million (previous year: €5.0 million) and after deducting minority interests, **consolidated net profit came to €67.5 million** (previous year: €4.8 million); with **consolidated net profit adjusted for the non-recurring effects of €4.9 million** (€67.5 million, less the non-recurring effects described above after taxes of €62.7 million) and thus in line with the previous year.

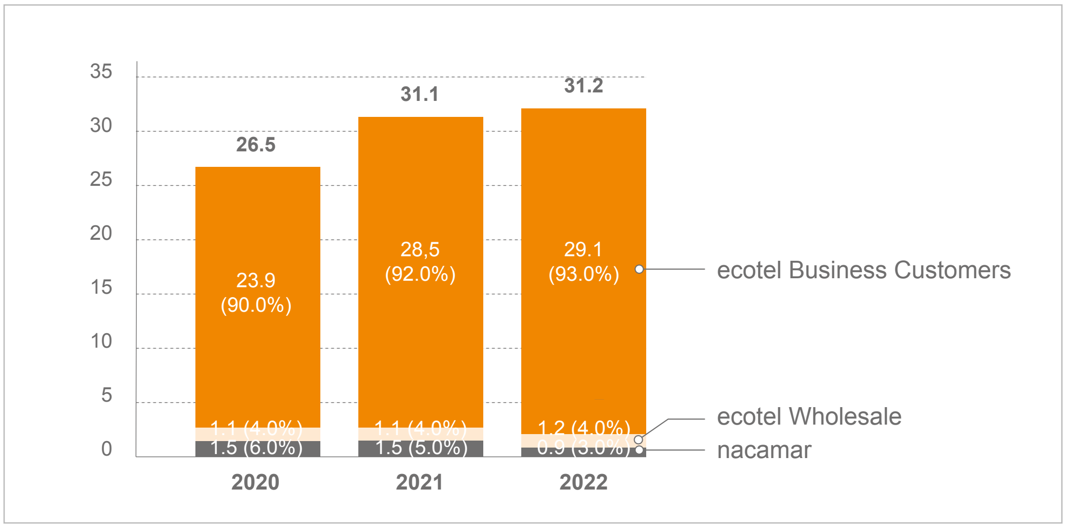
Results of operations of the operating segments

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 2020 to 2022 by segment (€ million and in %)



Gross profit 2020 to 2022 by segment (€ million and in %)



ecotel Business Customers

Sales in the ecotel Business Customers segment came to €45.6 million in the 2022 financial year, down €0.7 million year on year and thus lower than the original range forecast of €47 million to €50 million.

The segment did not acquire the (major) customer contracts originally planned until the end of 2022, as opposed to at the beginning of the year. The Management Board believes that the conflict in Ukraine and the general economic uncertainty that this entails made decision-makers far more cautious, especially when it came to concluding major projects. However, the segment gained significant (major) customers towards the end of 2022, which will have an impact on sales in 2023.

Within the individual product groups, sales with cloud and voice products picked up by € 0.2 million and sales in data business by € 0.5 million, while other sales (services and old ISDN-based products) declined by € 1.3 million.

Gross profit in the Business Customers segment increased by € 0.6 million to € 29.1 million. This gross profit upturn in the Business Customers segment was thanks to the scalable product platform and further sales growth in high-margin cloud and voice products.

However, gross profit for the 2022 financial year was negatively affected by significantly higher energy costs (primarily electricity) of € 1.7 million, only a very small portion of which (around € 0.1 million) could be passed on to customers and € 0.3 million of which was reported as an unplanned increase (see above).

A € 0.8 million rise in **staff costs** – chiefly due to pay rises – in this segment and higher **other operating expenses** – chiefly a result of higher expenses for external advisory services – caused **adjusted EBITDA** in the ecotel Business Customers segment to decline by € 0.2 million compared to 2022's figure to € 8.3 million. As a result, the segment fell slightly short of the original forecast of between € 8.5 million and € 10.5 million.

ecotel Wholesale

Following a sales downturn in the financial year 2021, the ecotel Wholesale segment saw **sales** pick up again significantly to € 46.5 million (previous year: € 22.4 million). It boosted its sales both in cross-network trading in telephone minutes (Wholesale) and marketing data lines for national and international carriers (Data). In previous years, business volume in this segment was deliberately managed to ensure that the Group did not exceed the € 100 million sales threshold in the German Telecommunications Act, protecting it against any negative retroactive regulatory decisions. The Management Board believes this is no longer necessary and so business volumes in this segment were increased again with existing customers.

As well as sales, the segment also increased **gross profit** to € 1.2 million (previous year: € 1.1 million). Cross-networking trading business is characterised by low margins and so gross profit did not increase in line with sales. Operating expenses in this segment were stable on the previous year, as the higher business volumes in existing systems do not result in higher expenses and so **EBITDA** also rose by € 0.1 million to € 0.6 million.

nacamar

As expected, **sales** in the nacamar segment almost halved to € 1.2 million (previous year: € 2.2 million). nacamar lost a major customer at the end of the last financial year and, as anticipated, it was unable to make up for this loss of sales. Thanks to restructuring, however, **gross profit** declined by just € 0.6 million to € 0.9 million and **EBITDA** by just € 0.2 million to € 0.3 million (previous year: € 0.5 million).

easybell (discontinued operation)

The easybell operating segment was sold in full as at 17 November 2022 (closing). For this reason, only the net income for this segment is reported as net income from discontinued operations and the previous years are adjusted accordingly. In the period from 1 January 2022 to 17 November 2022, this discontinued operation contributed € 5.3 million to the Group's net profit, excluding net deconsolidation gains / losses. In 2021 as a whole, it contributed € 5.0 million.

In addition, the Group generated deconsolidation gains from selling the easybell segment of € 53.4 million, taking account of all transaction costs.

More information on the sale of easybell can be found in the notes to the consolidated financial statements.

Comparison of forecasts with the actual business development

ecotel raised the original EBITDA guidance for the 2022 financial year on several occasions in the financial year. It did so firstly after signing an agreement to transfer right-of-use assets to online resources in June 2022 and then after signing the agreement to sell the easybell Group in October 2022.

With the exception of a necessary decrease in projected sales for the ecotel Business Customers segment from an original range of € 47 to € 50 million to € 45 to € 47 million and an increase in projected sales in the ecotel Wholesale segment from an original range of € 20 to € 25 million to € 43 to € 48 million, the original forecasts for the ecotel Business Customers, ecotel Wholesale and nacamar segments remained unchanged, especially in terms of adjusted consolidated EBITDA.

Forecast figure	Target range				
	Segment sales	Original forecast (€ million)	Current forecast from October 2022 (€ million)	Comparison with original forecast	Comparison with current forecast
ecotel Business Customers					
ecotel Wholesale	45.6	47 – 50	45 – 47	not achieved	achieved
easybell	46.5	20 – 25	43 – 48	exceeded	achieved
nacamar	–	27 – 30	–	–	–
Gross profit	1.2	0.5 – 1.5	approx. 1	achieved	achieved
Rohertrag	31.2	Increase	Increase	achieved	achieved
EBITDA [1]	32.4	20 – 22	–	exceeded	–
EBITDA [2] including deconsolidation gains	77.1	–	68 – 75	–	exceeded
Adjusted EBITDA [3]	**9.1**	**–**	**8.5 – 10.5**	**–**	**achieved**
ecotel Business Customers	8.3	8.5 – 10.5	–	slightly short	slightly short
ecotel Wholesale	0.6	> 0.5	–	achieved	achieved
easybell	–	9.5 – 11.5	–	–	–
nacamar	0.3	positive	positive	achieved	achieved
Consolidated net income	67.5	**Increase**	**Increase**	**achieved**	**achieved**

1 Earnings before depreciation, amortisation and impairment losses including EBITDA for the easybell segment of € 8.7 million (by 17 November 2022) (original basis of planning)
2 Earnings before depreciation, amortisation and impairment losses including deconsolidation gains from the disposal of the easybell segment (€ 53.4 million)
3 Earnings before depreciation, amortisation and impairment losses adjusted for non-recurring effects

Projected sales in the ecotel Business Customers segment were reduced by around € 2 million in the financial year. The segment did not acquire the (major) customer contracts originally planned until the end of 2022, as opposed to at the beginning of the year. The conflict in Ukraine and the general economic uncertainty that this entails made decision-makers far more cautious, especially when it came to concluding major projects. This caution subsided again towards the end of 2022 and so some major projects were concluded in 2022 that will have a positive impact on sales in 2023.

Projected sales in the ecotel Wholesale segment were exceeded significantly. During the 2022 financial year, the Management Board decided to exceed the € 100 million sales threshold in the German Telecommunications Act.

Financial position

The Group's financial position was shaped to a large degree by the non-recurring effects described of € 65.1 million. Overall, the Group generated **free cash flow** of € 72.5 million (previous year: € 10.5 million). This free cash flow was used to serve all stakeholder groups, as described in the sustained financial strategy, to repay bank loans in full and fund dividends to shareholders and distributions to minority shareholders.

Net cash from operating activities came to € 28.5 million (previous year: € 15.4 million). This includes cash inflow from the transfer of right-of-use assets to online resources of € 15.7 million. Without these effects, net cash from operating activities would have come to € 12.8 million. € 6.8 million of this is attributable to the discontinued easybell segment and around € 6 million to continuing operations (previous year: around € 7 million). Adjusted EBITDA of € 9.1 million and tax payments by continuing operations of € 1.2 million were key factors here.

Net cash used in financing activities totalled € 44.0 million (previous year: outflow of € 4.9 million). This figure includes the purchase price for easybell shares (€ 58.3 million), less transaction costs (€ 4.7 million) and cash and cash equivalents disposed of (€ 4.1 million) of € 49.5 million. € 5.5 million was also invested in intangible assets and property, plant and equipment in the financial year (previous year: € 5.2 million). Particularly noteworthy here are investments by the ecotel Business Customers segment of € 1.5 million in the ongoing development of the business support system, a basic version of which has been used since 2021.

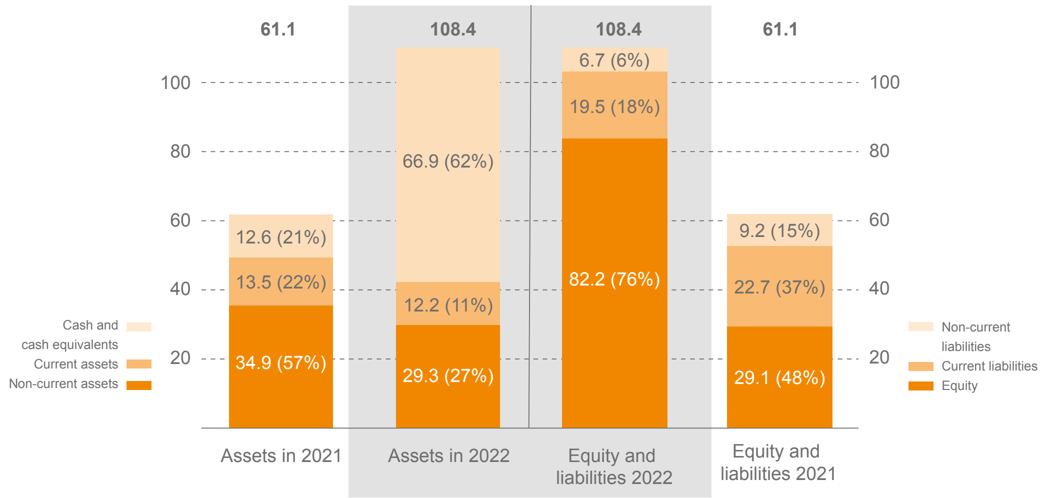
Net cash used in financing activities moved up by € 12.6 million to € 18.2 million. The Group repaid all loans from banks (€ 3.1 million) in the 2022 financial year. It also repaid leasing liabilities of € 1.2 million and distributed € 13.6 million in the form of dividends and special dividends totalling € 2.25 per share or € 7.9 million and € 5.7 million to minority shareholders.

As in the previous years, ecotel was able to meet all payment obligations in full and on schedule. In the 2022 financial year, we again achieved the important goals of financial management such as complying with the financial covenants agreed with the banks, minimising any credit risks and interest rate risks and complying with the dividend policy announced.

Net asset situation

The Group's **total assets** as at 31 December 2022 rose by a significant € 47.3 million to € 108.4 million (previous year: € 61.1 million). The non-recurring effects described above played a major role in this increase. As a result, financial resources picked up by € 54.3 million to € 66.9 million (previous year: € 12.6 million) and equity by € 53.2 million to € 82.2 million (previous year: € 29.1 million).

Assets and equity / liabilities in € million



2021: including easybell Group, 2022: excluding easybell Group

The sale of easybell segment resulted in the disposal of the previously fully consolidated share of the easybell segment in all items of the statement of financial position. Unlike the consolidated statement of comprehensive income, the consolidated statement of financial position for the previous year was not restated.

On the **assets side, non-current assets** declined by €5.7 million to €29.3 million. As well as the €4.4 million effect of the change in the scope of the consolidated financial statements, depreciation and amortisation of €5.7 million exceeded the investments described above. In addition, deferred tax assets were no longer capitalised on tax loss carryforwards as at 31 December 2022 on account of this year's taxable income and, in relation this, the full utilisation of tax loss carryforwards.

As at the reporting date, **current assets** rose by €53.0 million to €79.1 million. €54.3 million of this is attributable to the rise in financial resources. In addition, current assets declined by €1.3 million, essentially in connection with changes in the scope of the consolidated financial statements.

Equity increased by €53.2 million to €82.2 million. As well as the effects of changes in the scope of the consolidated financial statements of €3.5 million and net income of €70.2 million, distributions totalling €13.6 million were responsible for the changes in equity.

Non-current liabilities were reduced by €2.6 million to €6.7 million. As well as the effect of the scope of the consolidated financial statements of €0.6 million, the Group repaid non-current liabilities to banks of €0.7 million and lease liabilities of €0.8 million.

Current liabilities declined by € 3.3 million to € 19.5 million. At € 4.1 million, the effect of the change in the scope of the consolidated financial statements was a material factor in this development.

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

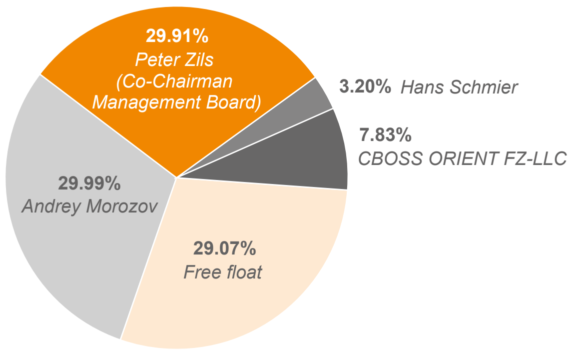
By way of resolution adopted by the Annual General Meeting on 8 July 2021, the Management Board of ecotel ag is now authorised to increase the share capital of ecotel ag, with the approval of the Supervisory Board, one or more times by a total of up to € 1,775,000.00 (previously: € 1,755,000.00) in exchange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

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).**

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 2022. 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 2022



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 once again improved considerably in financial year 2022. All segments are profitable in the long term. Thanks to the non-recurring effects in 2022 described and the associated cash inflows, ecotel communication ag and the Group had no financial debt. Cash and cash equivalents of €66.9 million were available at the end of the year.

Key statement of financial position figures such as the equity ratio (75.9%; previous year: 47.6%) and net financial assets (€66.9 million; previous year: €9.6 million), improved in the financial year. Against the previous year, there has also been an improvement in the financial position (free cash flow). The result of operations is characterised largely by recurring sales. For information on the planned growth strategy, the focus on cloud and fibre products 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.

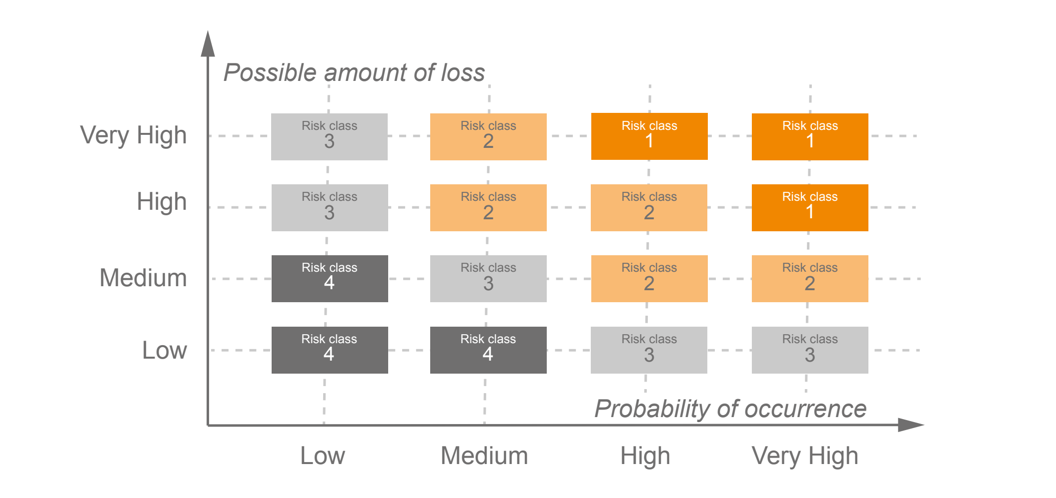
1.4 Forecast and report on opportunities and risks

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.



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, including in the 2022 financial year. The internal control system and the risk management system are dynamic systems that are constantly adjusted to account for changes to the business model, the nature and scope of transactions or to responsibilities. As a result, the reviews and audits carried out and the auditor's audit activities reveal potential for improvement with regard to both the appropriateness (lack of suitable controls) and the effectiveness (inadequate implementation) of controls. Moreover, compliance incidents may also result in potential for improvement. In our overall assessment of these management systems, we do not believe that any of the potential improvements identified in the year under review indicate that the two management systems are not appropriate or effective.

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), through Internal Audit in the context of full outsourcing, something demonstrated every year on the basis of the audit options in line with IDW PS 951 Type 2. These measures were necessary because ecotel provides both insurance companies and banks with various ICT solutions.

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.

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 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 1 / net risk 3; risk class: medium).

The company's own **local exchange carrier operations / voice platforms** and the connected technical software and system components form the basis for achieving value added in the ecotel Business Customers segment. 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 have already considerably reduced the risk of downtime for the telephony platform and additional measures taken in the future will likely result in further positive effects. (gross risk 1 / net risk 2; 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 are concluded with the material suppliers and escalation processes carried out, 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, increased significantly in the months from May to September 2022. By the end of the year, purchasing prices had settled at the same level as at the end of 2021. 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 2 / net risk 3; especially ecotel Business Customers segment; loss class: high).

The ecotel Business Customers segment implemented a brand-new **system architecture** in 2022 that makes it far easier for partners, customers and employees to enter orders and uses automated processes to ensure that the services ordered are provided. This new system is being gradually expanded and will replace current, in some cases obsolete, systems over the next few years. This kind of internal customer migration process poses various risks. Firstly, customer migration can cause business and technical errors and problems, resulting in a poorer customer relationship or even in incorrect invoices that then need to be corrected. Secondly, the old systems need to remain operational long enough to ensure that any technical problems that occur or changes required can be resolved or carried out by suitable members of staff and that the technical requirements for continued operation are met until the systems are finally shut down. (gross risk 1 / net risk 1; ecotel Business Customers segment; loss class: high).

Geopolitical developments and ever-present crises could make potential new customers more cautious. Although the telecommunications market as a whole as showed that it is not significantly affected by the various crises, ecotel cannot rule out having to deal with risks in connection with supply times, price changes, energy shortages and energy costs in the future. These issues are closely monitored and suitable countermeasures taken. (gross risk 1 / net risk 2; mainly ecotel Business Customers segment; loss class: high).

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 of the 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. 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 2023. (gross risk 2 / net risk 4; risk class: very high).

General **regulatory requirements,** especially for listed companies, are continuing to increase rapidly. The German Corporate Governance Code, sustainability reporting, risk management systems and the internal control system, as well as the establishment of a compliance management system, tie up resources and harbour the risk of making mistakes that could result in civil or criminal penalties.

ecotel deployed both external and internal resources for these topics in 2022 and will continue to do so in the next few years to ensure that all requirements here are met. (gross risk 1 / net risk 2; risk class: very high).

Legal risks

ecotel is exposed to a variety of legal risks, including risks in relation to warranties, breach of contract, competition and patent law and continuing liability risks from discontinued operations. 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 2022 financial year, the Group is not exposed to any significant legal disputes.

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 Düsseldorf 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 Düsseldorf 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. There were no new developments in these areas in the 2022 financial year.

Risks relating to the market environment
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).

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 2023, too.

Overall, the Management Board gives all but one of the risks with a gross risk of 1 a net risk of 2 or lower due to risk-minimising interventions. The exception is the risk resulting from merging and integrating the new and old system architecture.

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. As a result of the targeted strategic alignment and external factors, the opportunity situation has improved in comparison to the previous year. The opportunities from the perspective of the Group's Management Board are described below:

Focus on most important growth markets on the German telecommunications market
The German telecommunications market is essentially driven by the two trends of **cloud telephony** and **broadband expansion.** With its own cloud.phone product group and multi-carrier-based ethernet, ecotel is ideally positioned for these two growth areas and so focuses on “cloud and fibre”.

In our opinion, the cloud telephony market in Germany is still lagging behind international developments, primarily on account of delays in rolling out broadband/fibre optic. Accordingly, the two growth areas area interlinked and present an outstanding opportunity for ecotel to provide holistic support to new and existing customers in connection with these trends.

Cloud telephony (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.

fibre: 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 increasing progress being made in expanding fibre optic technology in Germany, the development of an open-access platform and successful positioning on the growing market of software-based networking (SD-WAN).

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. ecotel also successfully established itself on the SD-WAN market with several reference projects. 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 fibre-optic 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.

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, operating EBITDA, gross profit 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.

Notes to the forecast

Current forecasts on the development of gross domestic product for 2023 anticipate slight growth of 0.2%. (Source: 2023 annual economic report; German federal government).

In the past, ecotel and the German telecommunications market as a whole were generally far less affected by adverse macroeconomic developments and crises than other companies and sectors. The general economic conditions of the market situation and the assessment of the risk and opportunity situation as presented in this Group Management Report, as known at the time of preparing the report, were incorporated in the forecast for 2023.

Focus on most important growth markets on the German telecommunications market

The Management Board believes that the German telecommunications market is essentially driven by the two trends of **cloud telephony** and **broadband expansion.** With its own cloud.phone product group and multi-carrier-based ethernet, we believe ecotel is ideally positioned for these two growth areas and so focuses on “cloud and fibre”.

In our opinion, the cloud telephony market in Germany is still lagging behind international developments, primarily on account of delays in rolling out broadband/fibre optic. Accordingly, the two growth areas area interlinked and present an outstanding opportunity for ecotel to provide holistic support to new and existing customers in connection with these trends.

Growth strategy for the ecotel Business Customer segment

Die vorhandenen finanziellen Mittel haben ecotel in eine hervorragende Ausgangssituation ts financial resources have put ecotel in an excellent starting position to invest in the **“cloud”** and **“fibre”** growth markets in the German market as a way of establishing itself more sustainably in the growing segment. The Management Board and Supervisory Board see major potential here for ecotel to grow faster than the market in the next few years. Accordingly, a joint decision was made not only to continue to drive growth with the existing organisations and available resources – especially in the ecotel Business Customer segment – but also to invest in systems and processes to significantly accelerate this growth, in particular by investing in sales and sales-supporting resources and by tapping new sales channels. This depressed operating EBITDA in 2023 but, as planned, not by more than the growth it generated at the same time. In turn, the Management Board therefore assumes that operating EBITDA as a whole will increase slightly on 2022.

The Management Board and Supervisory Board expect these investments to pay off in 2024 and 2025 through above-average growth.

2023 forecast and medium-term planning

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

	2022 (€ million)	Forecast for 2023 (€ million)
Sales from continuing operations	**93.3**	**95–100**
ecotel Business Customers	45.6	46–48
ecotel Wholesale	46.5	48–52
Gross profit from continuing operations	**31.2**	**31–33**
Operating EBITDA from continuing operations	**8.9**	**9–10**
ecotel Business Customers	8.3	>8.5
ecotel Wholesale	0.6	0.5–1.0
Consolidated net income (in 2022 adjusted for non-recurring effects)	**4.9**	**>4**

Definition of operating EBITDA:

ecotel defines EBITDA as EBIT before depreciation, amortisation and impairment losses. Starting in the 2023 financial year, ecotel will use operating EBITDA as the central key performance indicator, replacing EBITDA/adjusted EBITDA. Given the difficulties in predicting non-recurring effects and in order to manage business operations and ensure the long-term comparability and transparency of business operations, the Management Board considers this new key performance indicator more suitable than EBITDA. ecotel has defined the following adjustment effects that will correct reported EBITDA into **operating EBITDA** from the 2023 financial year:

- Income and expenses from changes in the investment portfolio and the directly related transaction costs (including deconsolidation gains/losses, effects of purchase price allocation, expenses for due diligence, legal services, notarisation),
- Extraordinary income from the transfer of right-of-use assets to online resources (including purchase price, currency translation effects, transaction costs),
- Expenses for non-cash measurement effects (e.g. stock option plans),
- Expenses for reorganisation and restructuring measures,
- Other income and expenses that were unpredictable in terms of the type and/or amount, that reduce the comparability of operating activities and cannot be directly influenced by management (e.g. unpredictable temporary fluctuations in energy prices or unforeseen retroactive adjustments in the price of upstream products by regulatory authorities).

A Supervisory Board resolution from 23 January 2023 classified the nacamar operating segment as held for sale and so it is no longer included in the forecast for continuing operations in 2023. The impact on net assets and results of operations cannot currently be quantified. Further right-of-use assets to online resources were sold in February 2023. This transaction resulted in extraordinary income after deducting all associated costs of around €4 million for the Group (subject to currency translation effects), which is deducted from operating EBITDA. For further details on these events after the end of the reporting period, please refer to the statements in the notes to the consolidated financial statements. These effects are not included in projected operating EBITDA from continuing operations or in projected consolidated net income.

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

Factoring in current knowledge on risks and opportunities, for the ecotel Group, the Management Board also anticipates annual sales growth of more than 5% after financial year 2023. Based on the 2023 strategy described above to invest significantly in sales and sales-supporting resources, the Management Board expects adjusted EBITDA in 2024 to considerably exceed 2022 and 2023 levels. Furthermore, the Management Board anticipates, maintaining the key figures and targets of the sustained financial strategy presented in this report, also beyond the 2023 financial year.

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 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 separate remuneration 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, 6 March 2023

ecotel communication ag
The Management Board

Markus Hendrich *Peter Zils* *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, 6 March 2023

ecotel communication ag
The Management Board

Markus Hendrich *Peter Zils* *Achim Theis*

2.0

CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated statement of financial position as at 31 December 2022

€	Notes	31/12/2021	31/12/2022
Assets			
A. Non-current assets			
I. Intangible assets	(1)	14,765,225	14,397,064
II. Property, plant and equipment	(2)	8,485,378	5,238,715
III. Rights of use from leases	(3)	6,534,486	5,448,588
IV. Capitalised contract costs	(4)	3,335,303	2,948,196
V. Investments accounted for using the equity method	(5)	1,124,219	1,267,390
VI. Contract assets	(6)	69,513	25,681
VII. Deferred income tax assets	(7)	691,210	0
Total non-current assets		**35,005,334**	**29,325,634**
B. Current assets			
I. Trade receivables	(6)	10,599,902	8,436,293
II. Contract assets	(6)	51,269	43,832
III. Other financial assets	(6)	358,462	736,877
IV. Other non-financial assets	(6)	636,456	951,035
V. Current income tax assets	(7)	1,791,657	1,985,570
VI. Cash and cash equivalents	(8)	12,639,795	66,931,629
Total current assets		**26,077,541**	**79,085,236**
Total assets		**61,082,875**	**108,410,870**

Differences in the totals may occur due to rounding.

€	Notes	31/12/2021	31/12/2022
Equity and liabilities			
A. Equity	(9)		
I. Share capital		3,510,000	3,510,000
II. Capital reserves		2,002,095	2,121,065
III. Other reserves		18,730,920	76,609,285
Interests attributable to owners of the parent		**24,243,015**	**82,240,350**
IV. Minority interests		4,807,928	–
Total equity		**29,050,942**	**82,240,350**
B. Non-current liabilities			
I. Deferred income taxes	(10)	1,145,791	1,022,664
II. Non-current loans	(11)	666,666	0
III. Lease liabilities	(12)	5,703,870	4,947,807
IV. Contract liabilities	(13)	1,068,168	504,135
V. Other financial liabilities	(11)	675,418	235,547
Total non-current liabilities		**9,259,913**	**6,710,153**
C. Current liabilities			
I. Current income taxes	(10)	1,979,553	6,112,087
II. Current loans	(11)	2,416,667	0
III. Lease liabilities	(12)	1,265,283	949,150
IV. Trade payables	(11)	11,043,348	9,553,623
V. Contract liabilities	(13)	1,137,341	864,144
VI. Provisions	(11)	3,500	0
VII. Other financial liabilities	(11)	2,551,169	1,227,173
VIII. Other non-financial liabilities	(11)	2,375,159	754,190
Total current liabilities		**22,772,020**	**19,460,367**
Total equity and liabilities		**61,082,875**	**108,410,870**

2.2 Consolidated statement of comprehensive income

for the financial year 2022

€		Anhang	01/01–31/12/2021	01/01–31/12/2022
1.	Sales	(16)	70,893,169	93,328,159
2	Other operating income	(17)	476,812	15,905,010
3.	Other own work capitalised		578,289	476,667
4.	**Total operating performance**		**71,948,271**	**109,709,836**
5.	Cost of materials			
5.1	Cost of purchased services	(18)	–39,812,162	–62,084,178
6.	Staff costs	(19)		
6.1	Wages and salaries		–11,892,849	–12,291,871
6.2	Social security and expenses for pensions and other benefits		–1,970,699	–2,018,360
7	Depreciation and amortisation	(20)	–6,294,631	–5,721,291
	thereof amortisation of rights of use from leases		–1,003,404	–1,004,217
8.	Other operating expenses	(21)	–8,622,490	–9,660,026
9.	**Operating result (EBIT)**		**3,355,439**	**17,934,110**
10.	Interest income		1,451	120,005
11.	Interest expenses		–331,307	–257,663
	thereof interest expense from lease liabilities		–189,771	–180,604
12.	Other financial income/ expenses		–44	705
13.	Net income from investments accounted for using the equity method		261,660	143,170
14.	**Net finance costs**	(22)	**–68,240**	**6,217**
15.	**Profit from ordinary activities before income taxes**		**3,287,199**	**17,940,327**
16.	Income taxes	(23)	–1,061,331	–5,779,316
17.1	**Earnings after taxes from continuing operations**		**2,225,867**	**12,161,011**
17.2	Earnings after taxes from discontinued operations	(24)	5,039,652	57,993,421
18.	**Net profit (= consolidated comprehensive income)**		**7,265,519**	**70,154,433**
19.	Allocation of net profit to			
19.1	**Owners of the parent (consolidated net profit)**		**4,782,827**	**67,535,264**
19.2	Minority interests	(25)	2,482,692	2,619,168

EUR	Notes	01/01–31/12/2021	01/01–31/12/2022
Basic earnings per share	(26)	1.36	19.24
Diluted earnings per share [1]	(26)	1.36	17.51

1 As at 31 December 2022 there was dilution of earnings per share. In financial year 2022, 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 2022 financial year

See note 27

€ thousand	2021	2022[1]
Profit from ordinary activities before income taxes	10,547	25,588
Net interest income	329	224
Amortisation of non-current assets	7,481	6,649
Net income from investments accounted for using the equity method	–262	–143
Expenses for equity-settled share-based remuneration	119	119
Gain (–)/loss (+) from disposals of fixed assets	0	–29
Changes in working capital assets	–3,487	1,547
Change in provision	–7	–4
Change in other working capital liabilities	3,268	–1,692
Income taxes paid (–)/received (+)	–2,555	–3,774
Net cash from operating activities	**15,434**	**28,486**
Payments for investments in intangible assets and property, plant and equipment	–5,184	–5,511
Cash receipts from disposals from the scope of consolidated financial statements[2]	–	49,470
Cash receipts from repayments of equity by investments measured using the equity method	267	0
Interest payments received	1	69
Net cash used in/net cash generated by investing activities	**–4,916**	**44,029**
Dividends paid	–491	–7,898
Payments to minority interests	–1,226	–5,735
Repayments of financial loans	–2,417	–3,083
Repayments of lease liabilities	–1,172	–1,249
Interest payments for other financial liabilities	–142	–77
Interest payments for leases	–189	–181
Net cash used in financing activities	**–5,637**	**–18,223**
Cash-effective change in cash and cash equivalents	**4,881**	**54,292**
Cash and cash equivalents at beginning of period	7,759	12,640
Cash and cash equivalents at end of period	**12,640**	**66,932**

1 Cash inflows/outflows in the financial year include cash flows from continuing and discontinued operations. For further details, see the notes on discontinued operations (no. 24).

2 For further details, see the notes on discontinued operations (no. 24).

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 2021	**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	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**

As at 1 January 2022	**3,510**	**2,002**
Distributions	0	0
Reclassification of prior-year result	0	0
Changes in the scope of consolidation [1]	0	0
Changes in equity not recognised in income	**0**	**0**
Increase in equity-settled remuneration	0	119
Consolidated net income for 2022	0	0
Changes in equity recognised in income	**0**	**119**
As at 31 December 2022	**3,510**	**2,121**

1 For further details, see the notes on discontinued operations (no. 24).

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
13,439	**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**
13,948	**4,783**	**24,243**	**4,808**	**29,051**
–7,898	0	–7,898	–5,735	–13,633
4,783	–4,783	0	0	0
–1,759	0	–1,759	–1,692	–3,451
–4,874	**–4,783**	**–9,657**	**–7,427**	**–17,084**
0	0	119	0	119
0	67,535	67,535	2,619	70,154
0	**67,535**	**67,654**	**2,619**	**70,273**
9,074	**67,535**	**82,240**	**0**	**82,240**

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). Its parent company is ecotel communication ag (referred to hereinafter as “ecotel ag”). ecotel reports on the following segments:

The **ecotel Business Customers** segment is the core area of ecotel ag. It includes all business relating to the marketing of integrated product portfolios of voice and data services (ICT solutions) and the earnings contributions of the minority investment mvneco GmbH. The **ecotel Wholesale** segment comprises cross-network trading in telephone minutes (Wholesale Voice) and marketing data lines (Wholesale Data) for national and international carriers. The **easybell** segment, which was sold as at 17 November 2022, 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 streaming services for media companies on the basis of its own content delivery network (CDN).

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 company register. The consolidated financial statements will be released for publication on 6 March 2023 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 2022 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 2022

By the date the consolidated financial statements as at 31 December 2022 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 2022

Standard / Interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Standard / interpretation	1 January 2022	1 January 2022
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		

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

New standards or amendments to pronouncements of the IASB not yet applicable in the consolidated financial statements as at 31 December 2022

Standard / Interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023	1 January 2023
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023	1 January 2023
Amendment to IFRS 17 Insurance Contracts Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023	1 January 2023

The effects of the new standards or amendments to pronouncements listed above are currently being discussed. By the date the consolidated financial statements as at 31 December 2022 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 2022 were prepared, the following new and amended standards and interpretations had been adopted but not yet endorsed by the EU in European law. Only the new standards or amended pronouncements of the IASB that could theoretically have an impact based on ecotel's current business operations are shown. However, these do not take effect until later and will not be applied early.

Standard / Interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 1 Presentation of Financial Statements • Classification of Liabilities as Current or Non-Current • Classification of Liabilities as Current or Non-Current – Deferral of Effective Date • Non-Current Liabilities With Covenants	1 January 2024	pending
Amendments to IFRS 16 Leases: Lease Liabilities in Sale and Leasebacks	1 January 2024	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. Following the disposal of all shares in easybell GmbH, easybell GmbH and its subsidiaries were removed from the scope of the consolidated financial statements on 17 November 2022. For further details and information on the deconsolidation of the easybell Group, see note no. 24. In the financial year, ecotel communication ag directly and indirectly held the following equity investments (list of shareholdings, based on the financial statements as at 31 December 2022 of nacamar and mvneco and the interim financial statements as at 17 November 2022 of companies in the easybell Group):

Information on the basis of IFRS	Share of capital in % [2]	Equity in € thousand [2]	arnings in € thousand [2]	Sales in € thousand [2]	Employees [1] (average) [2]
easybell GmbH, Berlin (fully consolidated until 17 November 2022)	0	–	5,577	22,455	68
	(50.98)	(8,836)	(7,522)	(22,235)	(58)
carrier-services.de GmbH [3], Berlin (fully consolidated)	100.00	–	303	1,143	0
	(100.00)	(347)	(281)	(1,283)	(4)
sparcall GmbH [3], Bad Belzig (fully consolidated)	100.00	–	228	449	0
	(100.00)	(383)	(210)	(660)	(0)
init.voice GmbH [3], Bad Belzig (fully consolidated)	100.00	–	398	1,259	0
	(100.00)	(747)	(552)	(1,612)	(0)
nacamar GmbH, Düsseldorf (fully consolidated) [4]	100.00	586	188	1,173	7
	(100.00)	(645)	(128)	(2,231)	(9)
mvneco GmbH, Düsseldorf (associated company)	33.33	3,802	430	7,292	30
	(33.33)	(3,373)	(788)	(7,075)	(25)

1 Not including Management Board members/managing directors or trainees
2 Previous year's figures in brackets
3 Indirect investment in previous year 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 also 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 (essentially external acquisition commission for sales partners) 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. When determining the average customer retention period (5 years) for costs to obtain contracts, it is assumed that some of the customers will extend the original contract period. For costs to fulfil contracts, the average contract term (3–6 years) is used, which depends 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. The current remaining term is one to two years.

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. 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. Market conditions in trading in voice minutes make it a low-margin business. ecotel is responsible for its own pricing and fulfilling its contracts (including preparing and monitoring technical platforms, generation and commercial management) with its customers. ecotel bears the default risk in full. Accordingly, the ecotel Wholesale segment meets the criteria of a principal for the Voice area. Sales from marketing high-margin 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 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 consolidated statement of financial position and the consolidated 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 2022 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 01/01/2022	**14,427**	**8,676**	**5,966**	**9,769**	**822**	**39,660**
Additions	–	473	436	–	1,699	2,608
Reclassifications	–	1,500	860	–	–2,360	0
Disposals	–	358	–	–	–	358
Changes in the scope of consolidation	–143	–1,415	–934	–195	–161	–2,848
As at 31/12/2022	**14,285**	**8,875**	**6,328**	**9,574**	**0**	**39,062**
Amortisation as at 01/01/2022	**5,553**	**6,117**	**3,897**	**9,328**	**0**	**24,895**
Amortisation	–	747	738	143	–	1,628
Disposals	–	358	–	–	–	358
Changes in the scope of consolidation	–	–1,239	–67	–195	–	–1,501
As at 31/12/2022	**5,553**	**5,267**	**4,569**	**9,276**	**–**	**24,665**
Carrying amounts as at 31/12/2022	**8,732**	**3,609**	**1,759**	**298**	**0**	**14,397**

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 01/01/2021	**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**
Amortisation 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**

The reported goodwill breaks down as follows:

Cash-generating unit (CGU) € thousand	Carrying amount as at 31/12/2021	Carrying amount as at 31/12/2022
Business Customers	8,732	8,732
easybell [1]	124	0
carrier services[1]	17	0
init.voice[1]	1	0
	8,874	**8,732**

1 As a result of the deconsolidation of the easybell operating segment in the financial year, goodwill as at 31 December 2022 reduced by the share of the sold CGU.

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 2022 financial year.

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

- Capitalisation rate (WACC) after taxes: 4.6% (previous year: 3.0%), before taxes: 6.7% (previous year: 4.3%)
- 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 59% and 62% (previous year: between 58% and 62%),
- Annual sales growth of the CGU between 4% and 10% (previous year: 3% and 6%),
- The future annual investment volume covers the annual depreciation and amortisation.

A 10 percentage point increase in WACC would not result in impairment.

(2) Property, plant and equipment

Property, plant and equipment developed as follows in the 2022 financial year:

€ thousand	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment[1]	Advance payments and assets under development	Total
Cost as at 01/01/2022	**6,499**	**392**	**32,846**	**318**	**40,055**
Additions	298	104	2,026	453	2,881
Reclassifications	165	–	12	–177	0
Disposals	197	–	1,866	18	2,081
Changes in the scope of consolidation	–30	–496	–5,662	–292	–6,480
As at 31/12/2022	**6,735**	**0**	**27,355**	**284**	**34,374**
Amortisation as at 01/01/2022	**5,642**	**248**	**25,459**	**220**	**31,569**
Depreciation	214	39	3,521	–	3,774
Impairment	–	–	–	–	0
Disposals	197	–	1,855	–	2,052
Changes in the scope of consolidation	–23	–287	–3,846	–	–4,155
As at 31/12/2022	**5,636**	**0**	**23,279**	**220**	**29,135**
Carrying amounts as at 31/12/2022	**1,099**	**0**	**4,076**	**63**	**5,239**

1 This item includes customer equipment (e.g. customer routers/gateways).

In the 2021 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[1]	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**
Amortisation 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**

1 This item includes customer equipment (e.g. customer routers/gateways).

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 01/01/2022	**9,437**	**837**	**207**	**10,481**
Additions	353	141	–	494
Reclassifications	–	–	–	–
Disposals	–	–	–	–
Changes in the scope of consolidation	–1,550	–	–	–1,550
As at 31/12/2022	**8,240**	**978**	**206**	**9,425**
Amortisation as at 01/01/2022	**3,262**	**576**	**108**	**3,946**
Depreciation	1,032	173	42	1,248
Impairment	–	–	–	–
Disposals	–	–	–	–
Changes in the scope of consolidation	–1,218	–	–	–1,218
As at 31/12/2022	**3,076**	**750**	**150**	**3,976**
Carrying amounts as at 31/12/2022	**5,164**	**228**	**56**	**5,449**

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 € 526 thousand in the 2022 financial year (previous year: € 691 thousand). Expenses for leases for low-value assets amounted to € 28 thousand in the financial year (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 01/01/2021	**9,399**	**587**	**80**	**10,066**
Additions	38	250	127	415
Reclassifications	–	–	–	–
Disposals	–	–	–	–
As at 31/12/2021	**9,437**	**837**	**207**	**10,481**
Amortisation 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**

(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 2022, capitalised contract costs amounted to € 2,948 thousand (31/12/2021: € 3,335 thousand) and comprised costs to obtain contracts of € 1,063 thousand (31/12/2021: € 762 thousand) and costs to fulfil contracts of € 1,885 thousand (31/12/2021: € 2,574 thousand). Depreciation and amortisation amounted to € 1,898 thousand (previous year: € 1,941 thousand) in the 2022 financial year and was recognised and reported under other operating expenses and the cost of materials. € 318 thousand of this (previous year: € 366 thousand) was attributable to costs to obtain contracts and € 1,580 thousand (previous year: € 1,575 thousand) to costs to fulfil contracts. 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	1,267 (1,124)	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	31/12/2021	31/12/2022
Current assets	3,677	4,154
Non-current assets	385	381
Current liabilities	689	733
Net assets (equity)	3,373	3,802
Pro-rata net assets	1,124	1,267
Carrying amount at equity	1,124	1,267
	2021	2022
Sales	7,075	7,292
Earnings	788	430

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

€ thousand	Remaining maturity of more than 1 year	Total as at 31/12/2021	Remaining maturity of more than 1 year	Total as at 31/12/2022
Trade receivables	0	10,600	0	8,436
Contract assets	70	121	26	70
Miscellaneous other receivables and assets	126	358	50	737
Other non-financial assets	135	636	275	951

As at 31 December 2022, contract assets were reported in the amount of € 70 thousand (31/12/2021: € 121 thousand). From financial year 2021, current and non-current contract assets are also recognised on the balance sheet. There was no impairment in 2022. The effect on earnings from the increase in valuation allowances ontrade 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 2022, 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	4,158	4,096	62
Trade payables	4,196	4,096	100

In the previous year, receivables and liabilities with settlement balances agreements with customers and suppliers were offset as follows:

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

(7) Current and deferred income tax assets

€ thousand	31/12/2021	31/12/2022
Deferred income tax assets	691	0
Current income tax assets	1,792	1,986
	2,483	**1,986**
Deferred income tax assets with a remaining term of more than one year	0	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. There were no tax loss carryforwards as at 31 December 2022.

(8) Cash and cash equivalents

€ thousand	31/12/2021	31/12/2022
Bank balances	12,640	66,932
Cash in hand and cheques	0	0
	12,640	**66,932**

(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 in the previous year related to direct minority interests in the equity (49.02%) of the easybell Group. This consists of easybell GmbH (€ 2,541 thousand) and the indirect minority interests in the equity of sparcall GmbH (€ 555 thousand), carrier-services.de GmbH (€ 1,357 thousand) and init.voice GmbH (€ 355 thousand).

Aggregated statement of financial position of the easybell Group as at 31 December 2021:

€ million	31/12/2021
Total assets	**16.6**
Cash and cash equivalents	10.1
Other current assets	1.9
Non-current assets	3.8
Total liabilities	**16.6**
Current liabilities	6.1
Non-current liabilities	0.6
Equity	14.7

For further details on the easybell Group see note no. 24.

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 2022:

	2022
Peter Zils	29.91%
Andrey Morozov	29.99%
CBOSS ORIENT FZ-LLC	7.83%
Hans Schmier	3.20%
Zwischensumme:	70.93%
Streubesitz	29.07%

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 financial year.

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 ecotel Group repaid all financial loans in the financial year. Nevertheless, the financial covenants in connection with existing credit lines are still 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 2022 financial year and as at the reporting date.

(10) Liabilities from current and deferred income taxes

€ thousand	Opening balance 01/01/2022	Utilisation	Additions	Changes in the scope of consolidation	Closing balance as at 31/12/2022
Current income taxes	1,980	1,980	6,112	–	6,112
Deferred income taxes	1,146	184	426	–365	1,023
	3,125				**7,135**
Deferred income taxes with a term of more than one year	763				351

€ thousand	Opening balance 01/01/2021	Utilisation	Additions	Changes in the scope of consolidation	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

(10) Liabilities from current and deferred income taxes

€ thousand	Remaining maturity of less than 1 year	Total as at 31/12/2021	Remaining maturity of less than 1 year	Total as at 31/12/2022
Loans	**2,417**	**3,083**	**–**	**–**
Trade payables	**11,043**	**11,043**	**9,554**	**9,554**
thereof to associated companies	9	9	8	8
Provisions	**4**	**4**	**–**	**–**
Other financial and non-financial liabilities	**4,881**	**5,602**	**1,981**	**2,217**
thereof liabilities from hire purchase agreements	496	1,172	440	675
thereof liabilities from social security	4	4	4	4
thereof liabilities from wages and salaries	3	3	2	2
thereof other personnel-related liabilities	1,399	1,399	251	251
thereof liabilities for audit / Supervisory Board	256	256	380	380

As in the previous year, there were no derivative financial liabilities as at 31 December 2022. The ecotel Group repaid all loan liabilities in the financial year. The loan liabilities as at 31 December 2021 related to non-current loans with fixed and variable interest rates and contractually agreed repayments. The current loan liabilities related to the loan repayments due in 2022.

In the previous year, provisions chiefly comprised 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 € 2,700 thousand (31/12/2021: € 4,354 thousand). As at the reporting date, the non-current lease liabilities totalled € 4,948 thousand (31/12/2021: € 5,704 thousand), of which € 3,460 thousand (previous year: € 3,459 thousand) is due within the next five years and € 1,488 thousand (previous year: € 2,245 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 2022, contract liabilities were reported in the amount of € 1,368 thousand (31/12/2021: € 2,206 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: The ecotel Group repaid all loan liabilities in the financial year. The interest rate risk is thus considered very low.

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, default risks are actively reduced. Trade receivables are therefore impaired pro rata at a rate of 1%. 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 2022, 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 2022 (€ thousand)	Trade receivables	Contract assets
As at 01/01/2022	241	0
Valuation allowances for the financial year	84	0
Disposals	1	0
Changes in the scope of consolidation	– 144	0
As at 31/12/2022	**179**	**0**

Valuation allowances for 2021 (€ thousand)	Trade receivables	Contract assets
As at 01/01/2021	451	0
Valuation allowances for the financial year	19	0
Disposals	230	0
As at 31/12/2021	**241**	**0**

The table below shows the calculated default risk as at 31 December 2022:

(€ thousand)	Maximum default risk	Expected credit loss
Trade receivables	8,436	179
thereof ecotel Business Customers	2,407	120
thereof ecotel Wholesale	5,961	59
thereof nacamar	68	1
Other financial assets	737	–
Contract assets	70	–

In accordance with IFRS 9, the simplified model is used for determining impairment on trade receivables and contract assets. 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 2021, the situation was as follows:

(€ 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

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	31/12/2022		
	Fair Value	Carrying amount	
(€ thousand)		At amortised cost (AC)	At fair value through profit or loss
Cash and cash equivalents		66,932	
Trade receivables		8,436	
Contract assets		70	
Other current financial assets		737	0

The financial assets also include an interest rate cap valid until 31 December 2022 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 2022 financial year, there was no reclassification between different classes.

Financial liabilities	31/12/2022		
	Fair Value	Carrying amount	
(€ thousand)		Other liabilities	Total
Trade payables		9,554	9,554
Lease liabilities		5,897	5,897
Contract liabilities		1,368	1,368
Other financial liabilities		1,463	1,463
		18,282	**18,282**

As at 31 December 2021, the breakdown was as follows:

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

Financial liabilities	31/12/2021		
	Fair Value	Carrying amount	
(€ thousand)		Other liabilities	Total
Current loans	2,417 [1]	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**

1 Repaid early in the 2022 financial year.

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. Cash and cash equivalents of € 66.9 million (previous year: € 12.6 million) are available to cover the liquidity requirements. In addition to the reported cash and cash equivalents, credit lines amounting to € 7.0 million (previous year: € 7.0 million) are available to ecotel as at 31 December 2022, up to € 1.0 million (previous year: € 1.0 million) of which may be used for guarantee liabilities. Failure to comply with the financial covenants could possibly result in termination and the credit facility if no agreement can be reached on an adjustment of the financial covenants.

The following repayment schedule for the future was in place in the previous 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 [1]	–	36	6	–

1 Repaid early in the 2022 financial year.

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: € 0 thousand). On 31 December 2022, 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. All loan liabilities were repaid in the financial year. ecotel therefore was not exposed to any interest rate risks as defined in IFRS 7 on 31 December 2022. 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 2022, 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 € 12 thousand as at 31 December 2022 (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 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%. There was no change to this in the 2022 financial year.

Notes to the consolidated statement of comprehensive income

Notes from no. 16 to no. 23 refer exclusively to continuing operations. The presentation of the comparative period was restated accordingly.

(16) Sales

€ thousand	2021[1]	2022
Breakdown of sales by segment		
ecotel Business Customers	46,269	45,634
ecotel Wholesale	22,394	46,521
nacamar	2,231	1,173
	70,893	**93,328**
Germany	50,837	52,509
International	20,056	40,819
	70,893	**93,328**

1 Prior year figures restated

In the 2022 financial year, sales of € 1,024 thousand (previous year: € 1,110 thousand) were recognised over a period in the ecotel Business Customers segment that had previously been included in the contract liability balance. The remaining sales of € 92,304 thousand (previous year: € 69,783 thousand) were recognised at a specific point in time.

(17) Other operating income

Other operating income amounted to € 15,905 thousand in the 2022 financial year (previous year: € 477 thousand). It included proceeds from the transfer of right-of-use assets to online resources of € 15,654 thousand (previous year: €–), € 14,912 thousand of which is considered a non-recurring effect as it was not included in the forecast for 2022, and income from receipts of impaired trade receivables of € 1 thousand (previous year: € 3 thousand) and reversals of impairment losses on trade receivables of € 1 thousand (previous year: € 230 thousand).

(18) Cost of materials

The cost of materials relates entirely to third-party services utilised and includes expenses for trading in voice minutes in the ecotel Wholesale segment of € 42,491 thousand (previous year: € 20,169 thousand), for purchased data products of € 16,188 thousand (previous year: € 16,369 thousand), own termination fees for voice services of € 776 thousand (previous year: € 932 thousand) and electricity costs for the data centre in Frankfurt am Main of € 1,724 thousand (previous year: € 871 thousand).

(19) Staff costs

€ thousand	2021[1]	2022
Wages and salaries	11,893	12,292
Social security contributions	1,971	2,018
thereof expenses for pensions and other benefits	914	933
	13,864	**14,310**

1 Prior year figures restated

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	2021	2022
Salaried employees	261	273

(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 or other assets in the 2022 financial year.

(21) Other operating expenses

Other operating expenses totalled € 9,660 thousand in the 2022 financial year (previous year: € 8,622 thousand), with expenses for partner and dealer commission accounting for € 3,758 (previous year: € 3,729 thousand). Technical expenses for operating costs, logistics and field service and similar expenses amounted to € 2,207 thousand (previous year: € 1,771 thousand), while the change in impairment on receivables and bad debt losses amounted to € 157 thousand (previous year: € 150 thousand).

(22) Net finance costs

€ thousand	2021 [1]	2022
Interest income		
Other interest and similar income	1	1
Interest income from non-current investments	–	119
Interest expenses		
Interest expenses from loan liabilities	–75	–39
Interest expenses from leases	–190	–181
Other interest and similar expenses	–66	–38
Net interest income	**–330**	**–138**
Other financial expense and income		
Income from reversal of impairment on non-current financial assets	–	–
Result from companies measured at equity	262	143
Other financial expenses	0	0
Net finance costs	**–68**	**6**

1 Prior year figures restated

(23) Income taxes

€ thousand	2021 [1]	2022
Current income taxes	–239	–5,062
Deferred income taxes	–822	–717
	–1,061	–5,779

1 Prior year figures restated

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 financial year and the previous year is as follows:

TEUR	2021[1]	2022
Earnings before tax	3,287	17,940
Group tax rate (in %)	**31.0**	**31.0**
Forecast tax expense	–1,019	–5,561
Differences arising from tax rates deviating from the Group tax rate	1	–42
Tax effect from changes in permanent differences	–	–
Tax impact due to tax-free income/expenses for profit distributions	–24	–93
Tax increases due to non-deductible expenses	–40	–60
Taxes from previous years	–3	–
Results from investments carried equity	82	45
Other tax effects	–58	–68
Tax expense according to income statement (expense –/income +)	–1,061	–5,779
Effective tax rate (in %)	**32.3**	**32.2**

1 Prior year figures restated

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:

TEUR	2021 assets	2021 liabilities	2022 assets	2022 liabilities
Property, plant and equipment/intangible assets	7	898	–	652
Rights of use from leases, lease liabilities	135	–	140	–
Capitalised contract costs, contrast assets, contract liabilities (IFRS 15)	–	389	–	511
Deferred taxes on loss carryforwards	691	–	–	–
Netting, assets/liabilities	–142	–142	–140	–140
	691	**1,146**	**0**	**1,023**

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

All loss carryforwards were used in the financial year. In the previous year, deferred taxes were capitalised for all loss carryforwards as future taxable profits were anticipated.

(24) Discontinued operations

After being approved by the Supervisory Board, a contract was signed on 25 October 2022 to sell the interest in easybell GmbH to the Dstny Group (Dstny DE SC GmbH). The consideration received for the shares held by ecotel ag (50.98%) before taxes was € 58.3 million (after taxes: € 57.5 million) and comprised exclusively cash. It was also agreed that easybell GmbH would distribute € 4 million to its previous shareholders prior to control being transferred. ecotel ag's share was € 2 million.

The accounting requirements pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" were met at the end of September 2022. ecotel ag transferred control over easybell GmbH and its subsidiaries (carrier-services.de GmbH, sparcall GmbH and init. voice GmbH) on 17 November 2022. The easybell Group was thus deconsolidated on 17 November 2022.

In the financial year, the easybell Group's earnings after taxes from 1 January 2022 to 17 November 2022 were recognised in the consolidated statement of comprehensive income and in segment reporting (for more details see note no. 30) as earnings after taxes from discontinued operations.

In the statement of cash flows, cash and cash equivalents of the easybell Group no longer attributable to the ecotel Group are presented as net cash used in investing activities from 17 November 2022 onwards.

Net income from discontinued operations breaks down as follows:

€ million	2021	2022 [1]
Sales	25.0	24.6
Gross profit	**14.6**	**15.4**
Staff costs	–4.0	–4.4
Other operating income and expenses	–2.2	–2.2
EBITDA	**8.5**	**8.7**
EBIT	**7.3**	**7.7**
Earnings before tax	**7.3**	**7.7**
Income taxes	–2.2	–2.4
Earnings after taxes from discontinued operations	**5.0**	**5.3**
Deconsolidation gains after taxes	–	**52.6**
Net income from discontinued operations	–	**57.9**
thereof attributable to owners of the parent	2.6	55.4
thereof attributable to minority interests	2.5	2.6
Earnings per share (in €), calculated on discontinued operations	0.73	15.78 [2]

1 The figures shown cover the period from 1 January 2022 to 17 November 2022.
2 Diluted earnings per share = € 14.35

Flows of cash and cash equivalents from discontinued operations break down as follows:

€ million	2021	2022 [1]
Net cash from operating activities	10.1	6.8
Net cash used in investing activities	–1.0	–1.6
Net cash used in financing activities	–2.8	–12.0
Cash-effective change in cash and cash equivalents	**6.2**	**–6.7**

1 Cash flows cover the period from 1 January 2022 to 17 November 2022.

The following table shows the gain or loss on disposal from the deconsolidation of easybell Group:

€ million	
Purchase price received	58.3
Disposal of net assets and deconsolidation effects (including transaction costs)	–4.9
Deconsolidation gains before taxes	**53.4**
Tax expense	–0.8
Deconsolidation gains after taxes	**52.6**

The following assets and liabilities were deconsolidated as at 17 November 2022:

€ million	
Non-current assets	4.4
Current assets not including cash and cash equivalents	1.3
Cash and cash equivalents	**4.1**
Total assets	**9.7**
Non-current liabilities	0.6
Current liabilities	5.8
Total liabilities	**6.3**

(25) Allocation of net profit to minority interests

The share of net profit attributable to minority interests amounts to € 2,619 thousand (previous year: € 2,483 thousand) and relates to the pro rata annual results of easybell GmbH (€ 2,163 thousand; previous year: € 1,972 thousand), sparcall GmbH (€ 112 thousand; previous year: € 138 thousand), carrier-services.de GmbH (€ 148 thousand; previous year: € 103 thousand) and init.voice GmbH (€ 196 thousand; previous year: € 270 thousand).

(26) Earnings per share

The number of **ecotel communication ag shares outstanding** as at 31 December 2022 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. Meeting the targets in the stock option plan resulted in dilution of earnings per share as at 31 December 2022, meaning that basic and diluted earnings are not identical.

	2021	2022
Attributable consolidated net income for the year (in €)	4,782,827	67,535,264
Weighted average number of shares	3,510,000	3,510,000
Basic earnings per share (in €)	1.36	19.24
Diluted earnings per share (in €)	1.36	17.51

Notes to the consolidated statement of cash flows

(27) 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 2022.

	Non-current loans	Current loans	Lease liabilities	Total
01/01/2022	667	2,417	6,969	10,053
Borrowings	–	–	494	494
Repayment	–	–3,084	–1,249	–4,333
Reclassification	–667	667	–	0
Changes in the scope of consolidation	–	–	–317	–317
31/12/2022	0	0	5,897	5,897

The following effective cash flows arose in the previous year:

	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	–	–
31/12/2021	667	2,417	6,969	10,053

Alongside the cash flows described above, in financial year 2022 € 539 thousand (previous year: € 711 thousand) was paid for short-term leases and leases for low value assets.

Other disclosures

(28) 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 € 66,077 thousand (previous year: € 7,900 thousand). In financial year 2022, ecotel communication ag distributed a dividend of € 7,898 thousand for the financial year 2021 (previous year: € 491 thousand).

(29) 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	
	2021	2022	2021	2022
mvneco GmbH				
– from deliveries and services	36	56	914	1.094

As at 31 December 2022, there were receivables from mvneco GmbH of € 7 thousand (previous year: € 4 thousand) and trade payables to mvneco GmbH of € 8 thousand (previous year: € 9 thousand).

The ecotel Group had service relationships with the following related persons (or their companies) in 2022:

€ thousand	Volume of services performed by ecotel		Volume of services utilised by ecotel	
	2021	2022	2021	2022
MPC Serivces GmbH				
– from deliveries and services	5	7	379	509

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 € 42 thousand (previous year: € 37 thousand).

€ thousand	Volume of services performed by ecotel		Volume of services utilised by ecotel	
	2021	2022	2021	2022
Noerr PartG mbB				
– from deliveries and services	–	–	8	280

Agreement with Noerr Partnerschaftsgesellschaft mbB Rechtsanwälte Steuerberater Wirtschaftsprüfer:
Noerr PartGmbB and ecotel have concluded a service contract. Under this contract, Noerr PartGmbB provides legal advice for ecotel ag. The Supervisory Board member Dr Thorsten Reinhard is a partner at the company. As at the reporting date, there were liabilities to Noerr PartGmbB of € 0 thousand (previous year: € 0 thousand).

(30) Segment reporting

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

Segmentation is based on the internal reporting by business areas. Continuing operations 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.
- In the nacamar segment, the company offers its own content delivery network (CDN) streaming services for media companies.

The following operation will not be continued:

- 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.

Please see note no. 24 regarding the easybell segment.

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 2022 financial year, the ecotel Wholesale segment generated more than 10% of consolidated sales with two international carriers (€ 20.4 million and € 14.9 million). The highest international sales were generated in Romania. In the previous financial year, there were no international carriers which generated more than 10% of consolidated sales.

TEUR	ecotel Business Customers 2021	ecotel Business Customers 2022	ecotel Wholesale 2021	ecotel Wholesale 2022	nacamar 2021	nacamar 2022	Cross-segment consolidation 2021	Cross-segment consolidation 2022	Continuing operations [1] 2021	Continuing operations [1] 2022	Discontinued operations 2021	Discontinued operations 2022
External sales	46,269	45,634	22,394	46,521	2,231	1,173	–	–	70,893	93,328	24,975	24,605
Intersegment sales			5,995	5,828			–5,995	–5,828	0	0	0	0
Gross profit	28,500	29,073	1,051	1,224	1,530	947	–	–	31,081	31,244	14,642	15,400
EBITDA	8,634	22,828	499	555	517	272	–	–	9,650	23,655	8,465	8,678
Depreciation and amortisation	–6,025	–5,557	–	–	–270	–165	–	–	–6,295	–5,721	–1,186	–929
Unscheduled impairment	–	–	–	–	–	–	–	–	–	–	–	–
EBIT	2,610	17,271	499	555	247	108	–	–	3,355	17,934	7,279	7,749
Net finance costs									–68	6	–18	–10
Profit from ordinary activities									3,287	17,940	7,261	7,739
Income tax expense									–1,061	–5,779	–2,221	–2,396
Deconsolidation gains after taxes									–	–	–	52,650
Earnings									2,226	12,161	5,040	57,993

1 Includes income from the transfer of right-of-use assets to online resources (disclosure no. 17 in the notes).

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.

(31) 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	346,943	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	–2,000	
Options outstanding at the end of the reporting period	344,943	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: € 119 thousand) was expensed with a corresponding increase in capital reserves of € 119 thousand (previous year: € 119 thousand).

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

Total remuneration	Markus Hendrich		Peter Zils		Achim Theis	
in € thousand	2021	2022	2021	2022	2021	2022
Fixed remuneration	212	283	350	267	250	250
Fringe benefits	15	16	20	20	21	22
Annual variable remuneration	40	24	50	19	33	20
Multi-year variable remuneration	–	–	–	–	–	–
Total remuneration	**267**	**323**	**420**	**306**	**304**	**292**

In addition to fixed remuneration and fringe benefits, the Management Board is entitled to securely earned variable remuneration of € 63 thousand for the 2022 financial year (previous year: € 123 thousand). After deducting the remuneration components already paid, corresponding liabilities were recognised. This remuneration consists of short-term benefits. Remuneration for the 2022 financial year thus amounted to € 921 thousand (previous year: € 991 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. € 77 thousand is recognised in expenses for members of the Management Board.

The following table shows Supervisory Board remuneration:

Remuneration of the Supervisory Board in € thousand	2021	2022
Uwe Nickl (Deputy Chairman of the Supervisory Board until 1 September 2022, Chairman of the Supervisory Board since 1 September 2022)	18	42
Dr Norbert Bensel (Chairman of the Supervisory Board until 1 September 2022, Deputy Chairman of the Supervisory Board since 1 September 2022)	35	44
Alfried Bührdel (since 8 July 2021)	14	32
Brigitte Holzer	20	32
Mirko Mach (until 8 July 2021 Deputy Chairman of the Supervisory Board)	23	32
Dr Thorsten Reinhard	19	28
Sascha Magsamen (until 8 July 2021)	7	–
Tim Schulte Havermann (until 8 July 2021)	8	–
Total	**144**	**210**

The table below shows the remuneration of the Supervisory Board: 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 € 1,700 thousand (previous year: € 1,748 thousand) and is all short-term. € 44 thousand (previous year: € 47 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 remuneration report.

(33) 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 (www.ecotel.de under Investor Relations / Corporate Governance).

(34) Auditor's fees

In the 2022 financial year, the expensed fee for the auditor of the annual and consolidated financial statements of ecotel ag for auditing services amounted to € 186 thousand and comprises the fees for the statutory audit of the annual and consolidated financial statements of the company and its consolidated subsidiaries, € 25 thousand of which related to prior periods. € 21 thousand were recognised for other assurance services, € 13 thousand of which related to prior periods. As in the previous year, there were no expenses for tax consulting services or other services.

(35) Events after the reporting period

A Supervisory Board resolution from 23 January 2023 classified the nacamar operating segment as held for sale. Further rights to online resources were sold in February 2023. This transaction resulted in extraordinary income of around € 4 million for the Group

(36) 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, 6 March 2023
The Management Board

Markus Hendrich *Peter Zils* *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 2022 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 2022, 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 2022. 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 2022. 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 93.3 million, EUR 45.6 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 published 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, due to fraudulent acts (i.e. manipulation of accounting and damage to assets) or errors.

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, due to fraudulent acts or errors, 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 fraudulent acts or errors 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, due to fraudulent acts or errors, 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 fraudulent acts is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent acts 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 presentation, structure and content of the Consolidated Financial Statements as a whole, 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 actions taken or safeguards implemented to eliminate independence threats.

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_2022.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 2022 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) (06.2022). 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 Group Auditor by the Annual General Meeting on 8 July 2022. We were engaged by the Supervisory Board on 2 January 2023. 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 Companies Register – 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, 6 March 2023

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Lauten Public Auditor	Tobias Schmelter Public Auditor

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Financial calendar

9 March 2023	Publication of annual financial report
21 April 2023	Annual General Meeting
9 May 2023	Publication of quarterly report (Q1)
15 August 2023	Publication of half-year financial report
7 November 2023	Publication of quarterly report (Q3)

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