

# Half-yearly financial Report 2019 of the TELES Group

(IFRS, unaudited)

## Key figures from 1 January 2019 to 30 June 2019

- Sales increase of 8% in the first half of 2019
- Increase in gross profit by 11% compared to the previous year
- Halve losses in the same period

Overview of the corporate key figures of TELES AG for the first six months of 2019  
(in accordance with IFRS, unaudited)

TELES Group (in k€)	01.01.2018 - 30.06.2018	01.01.2019 - 30.06.2019	Change
Sales revenues	2,347	2,539	8%
Gross profit	1,486	1,651	11%
Operating result/EBIT	-1,002	-493	51%

## Interim Management Report

After a very good start to the year 2019, there has been a deterioration in the second quarter. As a result, the first six months have fallen short of expectations and sales have risen by 8 percent over the year to 2.5 million euros. Gross profit increased by 11 percent year-on-year. Operating costs were reduced by 16 percent compared to the previous year. The operating result (EBIT) was minus 493 T € (previous year minus 1,002 T €).

In the first half of the year, we expanded our Unified Communications portfolio and now offer Collaboration Services including Screen Sharing as part of our solutions. In addition, we are increasingly working on IMS integrations for mobile providers through our new customers.

## Summary Statement of the Economic Situation

In the first six months, TELES has consistently pursued its focus on the software-based portfolio of UC solutions for telecommunications providers. The number of customer projects fell in the second quarter compared to the first quarter, but new customers were also gained. Investments in personnel are sluggish due to the prevailing shortage of skilled workers in Germany / Austria. The further development of the product family, the identification of further niche markets and additional market segments, as well as the development of suitable solutions and products continue to remain focal areas. The necessary expansion of marketing and sales activities in order to further position TELES on the market and to anchor it as a competent, efficient and future-oriented provider, is making slow progress in view of the weak cash and cash equivalents. Attentive cash management and persistent receivables management help to keep the company stable.

## Risk Report

In the Management Report for the 2018 financial year, all of the relevant risks known to us were diligently detailed. No other ones need to be added at present. We secure the company's liquidity by means of very conscientious planning. We continue to monitor incoming payments very precisely, utilizing this to counter any payment defaults on the part of customers in a targeted manner. Irrespective of internal corporate factors, the achievement of the revenue and profit targets is decisively dependent on economic, political and sector-specific developments – and that especially in our core market of Europe.

## Forecast

For the current financial year, the Management Board continues to adhere to the forecast provided in the 2018 annual report for the complete year. Accordingly in 2019, the company is expecting growth in the sales revenue of between 17% and 33% in total and a positive result (EBIT) compared to the previous year.

### **TELES AG Informationstechnologien**

The Management Board

July 2019

# Interim Financial Statements

## Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2018	30.06.2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	78	66
Intangible assets	2	1
Rights of use from leasing agreements <sup>1</sup>		918
	<b>80</b>	<b>986</b>
<b>Current assets</b>		
Inventories	16	10
Trade receivables	1,004	455
Receivables from taxes on income	3	3
Other current assets	242	263
Cash and cash equivalents	103	55
	<b>1,368</b>	<b>785</b>
<b>Total assets</b>	<b>1,448</b>	<b>1,772</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total Equity</b>		
Ordinary shares (issued and in circulation: 23,304,676)	23,305	23,305
Capital reserve	14,864	14,864
Revenue reserves	-47,603	-48,220
Valuation of pension obligations	-22	-22
Currency translation reserve		
	<b>-9,457</b>	<b>-10,074</b>
<b>Non-current liabilities</b>		
Non-current provisions	608	627
Other financial liabilities	5,149	7,965
Finance lease liabilities <sup>1</sup>		918
	<b>5,758</b>	<b>9,510</b>
<b>Current liabilities</b>		
Trade payables	852	629
Provisions for income taxes	9	9
Other provisions	27	9
Accrued income	386	425
Other financial liabilities	2,864	131
Other current liabilities	1,010	1,133
	<b>5,147</b>	<b>2,336</b>
<b>Total liabilities</b>	<b>10,905</b>	<b>11,845</b>
<b>Total equity and liabilities</b>	<b>1,448</b>	<b>1,772</b>

<sup>1</sup> First time application of IFRS 16 Leases

## Consolidated Statement of income (IFRS, unaudited)

in k€, excluding number of ordinary shares	2 <sup>nd</sup> Quarter		01 Jan - 30 Jun	
	2018	2019	2018	2019
<b>Sales revenues</b>	1,257	971	2,347	2,539
Production costs	480	320	861	889
<b>Gross profit</b>	778	651	1,486	1,651
Sales and marketing expenses	330	195	719	479
Research and development expenses	743	524	1,421	1,162
Administration expenses	308	364	723	730
Other income	406	254	465	283
Other expenses	49	21	89	55
<b>Operating result/EBIT</b>	-246	-198	-1,002	-493
Financial expenses	103	53	203	117
<b>Result before taxes on income</b>	-349	-251	-1,205	-610
Taxes on income	4	2	6	7
<b>Net loss of the period</b>	-354	-253	-1,211	-617
of which attributable to:				
Parent company shareholders	-354	-253	-1,211	-617
Minority interests	0	0	0	0
<b>Result per share</b>				
Undiluted	-0,015	-0,011	-0,052	-0,026
Diluted	-0,015	-0,011	-0,052	-0,026
<b>Number of underlying shares</b>				
Undiluted	23,304,676	23,304,676	23,304,676	23,304,676
Diluted	23,304,676	23,304,676	23,304,676	23,304,676
<b>Additional disclosure to the consolidated financial statements:</b>				
EBITDA <sup>1</sup>	-239	-191	-989	-480

<sup>1</sup> Corresponds to Earnings (2018: -k€ 246 / -k€ 1,002; 2019: k€ 263 / -k€ 493) before depreciation (2018: k€ 6; 2019: k€ 13)

## Statement of comprehensive income (IFRS, unaudited)

in k€	2 <sup>nd</sup> Quarter		01 Jan - 30 Jun	
	2018	2019	2018	2019
<b>Net loss of the period</b>	-354	-253	-1,211	-617
Other comprehensive income:				
Other income reclassified in current period affecting net income, net				
Currency translation differences, foreign subsidiaries	34		6	
Other income to be reclassified in subsequent periods affecting net income, net	34		6	
Actuarial losses from defined benefit pension plan obligations as per IAS 19		-262		-22
Items not to be reclassified in subsequent periods affecting net income, net		0		0
Other comprehensive income after deduction of taxes	34	0	6	0
<b>Comprehensive income after deduction of taxes</b>	<b>-319</b>	<b>-253</b>	<b>-1,205</b>	<b>-617</b>
of which attributable to:				
Parent company shareholders	-319	-253	-1,205	-617
Minority interests	0	0	0	0

## Development of the consolidated Equity (IFRS, unaudited)

in k€, number of ordinary shares: 23,304,676

	Nominal value of the shares	Capital reserve	Revenue reserves	Valuation of pension obligations	Currency translation reserve	Total Equity
<b>December 31, 2017</b>	<b>23,305</b>	<b>11,568</b>	<b>-44,571</b>	<b>-262</b>	<b>341</b>	<b>-9,619</b>
Net loss for the period	0	0	-1,211	0	0	-1,211
Other comprehensive income	0	0	0	0	6	6
<b>June 30, 2018</b>	<b>23,305</b>	<b>11,568</b>	<b>-45,782</b>	<b>-262</b>	<b>347</b>	<b>-10,824</b>
<b>December 31, 2018</b>	<b>23,305</b>	<b>14,864</b>	<b>-47,603</b>	<b>-22</b>	<b>0</b>	<b>-9,457</b>
Net loss for the period	0	0	-617	0	0	-617
Other comprehensive income	0	0	0	0	0	0
<b>June 30, 2019</b>	<b>23,305</b>	<b>14,864</b>	<b>-48,220</b>	<b>-22</b>	<b>0</b>	<b>-10,074</b>

## Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 Jan – 30 Jun	
	2018	2019
<b>Cash flow from operating activities</b>		
<b>Net loss for the period</b>	-1,212	-617
<b>Adjustment of the net loss for the period to the:</b>		
Depreciation of property, plant and equipment	12	12
Depreciation of intangible assets	1	1
Value impairment on inventories	54	
Changes to the provisions, pension obligations an public sector grants	28	-18
Value adjustment on receivables	-2	11
Financial result		
Subsequent evaluation of debtor warrant granted by Sigram Schindler Beteiligungsgesellschaft mbG		
Interest result	203	117
Taxes on income	6	7
<b>Changes to other balance sheet items:</b>		
Inventories	-37	6
Trade receivables	583	538
Other current assets, prepayments and accrued Current liabilities	-98	10
Current liabilities	-122	-324
Provisions and other liabilities	13	15
Interest paid	-2	
Effects from exchange rate differences	6	
Taxes on income received	-8	-7
<b>Cash flow from operating activities</b>	<b>-575</b>	<b>-248</b>
<b>Cash flow from investing activities</b>		
Cash flow from operating activities		
Cash flow from investing activities:	-65	
Acquisition of property, plant and equipment		
Acquisition of intangible assets		
<b>Cash inflow from investing activities</b>	<b>-65</b>	<b>0</b>
<b>Cash flow from financing activities</b>		
Loans from related parties	450	200
Loan from Austrian sponsoring company for research promotion (FFG)		
<b>Cash inflow from financing activities</b>	<b>450</b>	<b>200</b>
Net change in cash and cash equivalents	-190	-48
Cash and cash equivalents, beginning of period	254	103
<b>Cash and cash equivalents at end of period</b>	<b>64</b>	<b>55</b>



## Summary of Significant Financial Reporting Policies and Standards

### Presentation Basis

The consolidated financial statements of TELES as of 31 December 2018 were prepared in accordance with the regulations and rules in the financial reporting standards from the International Accounting Standards Board (IASB), London, valid and applicable on the balance sheet reporting date. The interim financial statements as of 30 June 2019 were prepared on the basis of the International Accounting Standard (IAS 34) "Interim Financial Reporting". The accounting policies and measurement methods used in the preparation of the interim financial statements are fundamentally consistent with those applied in the consolidated financial statements for the year ending 31 December 2018. Standards and interpretations binding and applicable from 1 January 2019 had no deviating effects on the accounting policies and measurement methods applied.

All of the IAS and IFRS reporting standards binding and applicable as of 30 June 2019, as well as the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were applied accordingly.

### Audit Review

The interim financial statements and the interim management report were not subject to either an audit or an audit review by the statutory auditor.

### Responsibility Statement by the Company Officers (Management)

We hereby confirm to the best of our knowledge that the consolidated interim financial statements give a true and fair view of the net assets, financial and earnings position of the Group in accordance with the applicable accounting and reporting policies and standards for interim reporting, and that the business development including the performance of the business and the position of the Group in the interim consolidated management report provides a true and fair view, together with a description of the fundamental opportunities and risks associated with the expected development of the Group for the rest of the financial year.