

# Semi-Annual Financial Statements 1/2012 of TELES Group (IFRS, unaudited)

## Key Figures January 1 through June 30, 2012

- Semi-annual figures confirm consolidation measures initiated during the preceding year
- Significant improvement of the operating result (EBIT)
- Slight increase in sales by 4 per cent to € 6.22 mn (1st half-year period 2011: € 5.97 mn)
- Favorable development in receipt of orders provides tail wind for the third quarter
- All business units on track
- Forecast for the entire year confirmed

<b>TELES Group</b> (in million Euro)	<b>1st half-year</b> <b>2012</b>	<b>1st half-year</b> <b>2011</b>	<b>Change</b>
Revenues	6.22	5.97	4%
Gross Profit	3.14	2.87	9%
EBITDA	-1.31	-2.74	52%
EBIT	-1.44	-2.95	51%

## Interim Management Report

### Income and Net Asset Position

During the first half-year of 2012, the measures adopted and implemented during the last year bore the first visible fruit: corporate restructuring, cost savings, focusing on the business units Access Gateway, Carrier Solutions and Next Generation Networks as well as the concentration on Europe with particular focus on the German, Austrian and Swiss markets. Continuous management of accounts receivable as well as unerring cash management also provided for a significant stabilization of the business and the liquidity, enabling us to further finance the operating business from the cash inflow.

During the reporting period, revenues increased by four per cent to € 6.22 mn. Thus, the target was clearly achieved. The gross profit even increased by nine per cent to € 3.14 mn. As compared to the last year's reporting period, the losses were cut in half: the earnings before interest, taxes and depreciation and amortization (EBITDA) down to € -1.31 mn and the operating result (EBIT) to € -1.44 mn.

First and foremost, there has been a positive development for orders received during the second quarter, which is a great start into the third quarter of 2012. The supplementary order by a Spanish media and communication provider, worth well three quarters of a million Euros with about one third to be allocated to services during the years 2013 through 2018, is of prime importance in this respect. Thus, an important European existing customer has been secured for the years to come.

### Business Unit Access Gateways

In the business unit Access Gateways the revenues with existing business partners were increased; first achievements in North America were reached by means of sales and use of mobile gateways in the Verizon and Sprint communication networks. For the first half-year, the revenues of this business unit amounted to € 2.35 mn.

### Business Unit Carrier Solutions

The Carrier Solutions business unit experienced a good first half-year: Existing customers placed major orders for network expansions and migration projects from iSWITCH to an IP-based network infrastructure. This trend confirmed the product developments made in 2011. The revenues amounted to € 2.53 mn.

### Business Unit Next Generation Networks

The Company secured three big projects in Germany and Austria for the Next Generation Networks business unit. Being a German producer, the flexibility and capacity of the Softswitch-Solutions as well as customer proximity were convincing factors for our clients. The acquisition of these projects confirms the growing demand for high performing and

flexible IP-Centrex solutions, a situation which already loomed during the fourth quarter of 2011. The revenues totaled € 1.35 mn.

### **Conclusive Statement on the Economic Situation**

During the first six months of the current year, TELES benefited from the new alignment of products and solutions on the business units Access Gateways, Carrier Solutions and Next Generation Networks, initiated during the last year, where great potentials in the domestic market Germany, Austria and Switzerland, as well as Europe and North America can be identified. A consistent cash management and sustained management of accounts receivable contributed to a substantial improvement of the financial situation and earnings position, particularly as it compares to the same reporting period of last year. The Company succeeded in slightly increasing the revenues and financing the business operations from the cash flow without having to rely on the financial aid of the majority shareholder, Prof. Sigrum Schindler, like before during the first half-year 2011. Altogether, by the end of the first half-year 2012, TELES AG finds itself in a stable situation and is oriented towards continued growth and profitability.

### **Outlook**

The Company evidently benefited from the changes implemented last year and created the basis for growth during the second half-year as well as the subsequent months. Nonetheless, the Company is cautiously planning to achieve revenues of € 13 mn for 2012. Besides, there is further need to foster the liquidity position. However, the revenue increases to be expected over the coming months and the customer's improved payment behavior gives reason for TELES to expect a clear tension release on the liquidity side and a higher financial flexibility.

### **Risk Report**

The Annual Report 2011 of TELES AG provided a comprehensive risk report. We specifically respond to potential risks by loss of receivables from customers by tightly analyzing and monitoring receipts of payment. Whether or not these targets are achieved mainly depends on the economic and, subsequently, trade-specific development, particularly in Europe.

TELES AG Informationstechnologien

The Board of Directors

10 August, 2012

## Interim Financial Statements

## Consolidated Balance Sheet (IFRS, unaudited)

(in million €, except for number of nominal shares)

	June 30, 2012	Dec. 31, 2011
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Tangible Assets	0.29	0.38
Intangible Assets	0.01	0.01
Other Financial Assets	0.60	0.60
	<b>0.90</b>	<b>0.99</b>
<b>Current Assets</b>		
Inventories	1.99	2.78
Trade accounts receivable	3.03	4.06
Other Financial Assets	0.07	0.15
Receivable from income taxes	0.06	0.14
Other current assets	0.96	0.75
Cash and cash equivalents	0.40	0.66
	<b>6.51</b>	<b>8.54</b>
<b>Total Assets</b>	<b>7.41</b>	<b>9.53</b>
<b>LIABILITIES</b>		
<b>Equity</b>		
Common shares	23.30	23.30
issued: 23,304,676 and 23,304,676 respectively		
Outstanding: 23,304,676 and 23,304,676, respectively		
Additional paid-in capital	11.57	11.57
Fair valuation reserve	0.59	0.59
Consolidated Profit/Loss	-24.43	-22.99
Retained earnings/ treasury stock	-20.55	-20.55
Other equity changes	0.45	0.34
<b>Equity attributable to shareholders of the parent company</b>	<b>-9.07</b>	<b>-7.74</b>
<b>Minority interests</b>	<b>0.01</b>	<b>0.01</b>
<b>Total Equity</b>	<b>-9.06</b>	<b>-7.73</b>
<b>Non-current Liabilities</b>		
Non-current accrued liabilities	0.26	0.25
Other financial liabilities	10.23	10.02
	<b>10.49</b>	<b>10.27</b>
<b>Current Liabilities</b>		
Trade accounts payable	1.48	1.87
Accruals for income taxes	0.13	0.13
Other accruals	1.69	2.08
Deferred revenues	1.05	1.00
Other current financial liabilities	0.10	0.10
Other current liabilities	1.53	1.81
	<b>5.98</b>	<b>6.99</b>
<b>Total Liabilities</b>	<b>16.47</b>	<b>17.26</b>
	<b>7.41</b>	<b>9.53</b>

## Consolidated Statement of Income (IFRS, unaudited)

(in million €, except share-related information)	2nd Quarter 2012	2nd Quarter 2011	1st half-year 2012	1st half-year 2011
<b>Revenues</b>	<b>3.15</b>	<b>2.98</b>	<b>6.22</b>	<b>5.97</b>
<b>Cost of Sales</b>	<b>1.53</b>	<b>1.53</b>	<b>3.09</b>	<b>3.10</b>
<b>Gross Profit</b>	<b>1.62</b>	<b>1.45</b>	<b>3.14</b>	<b>2.87</b>
Sales and marketing expenditures	1.04	1.06	1.90	2.35
Research and development costs	0.75	1.02	1.49	2.06
General administrative expenditures	0.68	0.87	1.24	1.65
Other income	-0.03	0.15	0.17	0.28
Other expenditures	0.12	0.04	0.12	0.06
<b>Operating result</b>	<b>-0.99</b>	<b>-1.38</b>	<b>-1.44</b>	<b>-2.95</b>
Financial earnings	0.00	0.01	0.01	0.01
Financial expenditures	0.00	0.03	0.00	0.06
<b>Earnings before income taxes (EBIT)</b>	<b>-0.99</b>	<b>-1.41</b>	<b>-1.43</b>	<b>-3.00</b>
Income taxes paid (income taxes refunded)	0.00	-0.01	0.01	0.00
<b>Earnings from Continued Operations</b>	<b>-0.99</b>	<b>-1.39</b>	<b>-1.44</b>	<b>-3.00</b>
Earnings from discontinued operations, net of taxes	0.00	0.00	0.00	2.30
<b>Net loss for the Reporting Period</b>	<b>-0.99</b>	<b>-1.39</b>	<b>-1.44</b>	<b>-0.70</b>
thereof attributable to:				
Shareholders of the parent company	-0.99	-1.39	-1.44	-0.70
Minority interests	0.00	0.00	0.00	0.00
Earnings per share from continued operations				
Undiluted	-0.04	-0.06	-0.06	-0.13
Diluted <sup>1</sup>	-0.04	-0.06	-0.06	-0.13
Total earnings per share				
Undiluted	-0.04	-0.06	-0.06	-0.03
Diluted <sup>1</sup>	-0.04	-0.06	-0.06	-0.03
Number of underlying shares				
Undiluted	23,304,676	23,304,676	23,304,676	23,304,676
Diluted <sup>1</sup>	23,304,676	23,304,676	23,304,676	23,304,676
Additional information:				
EBIT (earnings before interest and taxes)	-0.99	-1.38	-1.44	-2.95
EBITDA (earnings before interest, taxes, depreciation, and amortization)	-0.93	-1.29	-1.31	-2.74

<sup>1</sup> Potential shares from employee stock option plans and outstanding convertible bonds were not considered to be dilutive as an assumed conversion would result in a reduction of the loss per share for the period

## Statement of Comprehensive Income (IFRS, unaudited)

in million €	2nd Quarter 2012	2nd Quarter 2011	1st half- year 2012	1st half- year 2011
<b>net loss for the Reporting Period</b>	<b>-0.99</b>	<b>-1.39</b>	<b>-1.44</b>	<b>-0.70</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	0.23	-0.07	0.11	-0.14
<b>Other comprehensive income, net of tax</b>	<b>0.23</b>	<b>-0.07</b>	<b>0.11</b>	<b>-0.14</b>
<b>Total comprehensive income</b>	<b>-0.76</b>	<b>-1.46</b>	<b>-1.33</b>	<b>-0.84</b>
thereof attributable to:				
Shareholders of the parent company	-0.76	-1.46	-1.33	-0.84
Minority interests	0.00	0.00	0.00	0.00

## Statement of Changes in Shareholders' Equity (IFRS, unaudited)

in million €, except number of common shares	Number of nominal shares	Nominal value of shares	Addition al paid-in capital	Fair value reserve	Unappro priated retained earnings	Consolid ated Profit/Loss	Other changes in equity	Equity of parent company sharehold ers	Other minority sharehol ders	Total equity
<b>Dec. 31, 2011</b>	<b>23,304,676</b>	<b>23.30</b>	<b>11.57</b>	<b>0.59</b>	<b>-20.55</b>	<b>-22.99</b>	<b>0.34</b>	<b>-7.73</b>	<b>0.01</b>	<b>-7.73</b>
Total comprehensiv e income						-1.44	0.11	-1.33	0.00	-1.33
Waiver of claims										0.00
Financial liability from recovery agreement										0.00
<b>June 30, 2012</b>	<b>23,304,676</b>	<b>23.30</b>	<b>11.57</b>	<b>0.59</b>	<b>-20.55</b>	<b>-24.43</b>	<b>0.45</b>	<b>-9.06</b>	<b>0.01</b>	<b>-9.06</b>
in million €, except number of common shares	Number of nominal shares	Nominal value of shares	Addition al paid-in capital	Fair value reserve	Unappro priated retained earnings	Consolid ated Profit/Loss	Other changes in equity	Equity of parent company sharehold ers	Other minority sharehol ders	Total equity
<b>Dec. 31, 2010</b>	<b>23,304,676</b>	<b>23.30</b>	<b>8.59</b>	<b>0.59</b>	<b>-20.55</b>	<b>-19.17</b>	<b>0.01</b>	<b>-7.22</b>	<b>0.01</b>	<b>-7.21</b>
Total comprehensiv e income						-0.70	-0.14	-0.84		-0.84
Waiver of claims			2.50					2.50		2.50
Financial liability from recovery agreement			-2.12					-2.12		-2.12
<b>June 30, 2011</b>	<b>23,304,676</b>	<b>23.30</b>	<b>8.97</b>	<b>0.59</b>	<b>-20.55</b>	<b>-19.87</b>	<b>-0.13</b>	<b>-7.69</b>	<b>0.01</b>	<b>-7.68</b>

## Consolidated Cash Flow Statement (IFRS, unaudited)

in million €	HY 1/2012	HY 1/2011
<b>Cash flow from operating activities:</b>		
net loss for the Reporting Period	-1.44	-0.70
<b>Adjustment of the net loss to the operating cash flow</b>		
Result from deconsolidation	0.00	-2.30
Income taxes	0.01	0.00
Financial result:		
Interest result	-0.01	0.05
Allowance for doubtful accounts	0.17	0.26
Impairment of inventories	0.08	-0.01
Depreciations for tangible fixed assets	0.13	0.19
Amortization of intangible assets	0.01	0.02
<b>Changes of other balance sheet items (without changes due to company acquisitions and divestitures)</b>		
Inventories	0.71	-0.21
Trade accounts receivable	0.72	-0.03
Other current assets, accruals and deferrals	-0.24	0.03
Current Liabilities	-0.35	-0.43
Accruals and other liabilities	-0.48	-0.99
Effects from exchange rate changes with no impact on payment	0.11	-0.14
Received income taxes	0.08	0.00
Paid income taxes	0.00	0.03
Received interest	0.01	0.00
<b>Cash outflow from operating activities</b>	<b><u>-0.49</u></b>	<b><u>-4.23</u></b>
<b>Cash flow from investing activities:</b>		
Acquisition of fixed assets	-0.04	-0.06
Right to recovery	0.07	0.47
<b>Cash outflow from investing activities</b>	<b><u>0.03</u></b>	<b><u>0.41</u></b>
<b>Cash flow from financial activities:</b>		
Loans from related parties	0.20	4.00
<b>Cash flow from financial activities:</b>	<b><u>0.20</u></b>	<b><u>4.00</u></b>
Net change of cash and cash equivalents	-0.26	0.18
Cash and cash equivalents at the beginning of the reporting period	0.66	0.46
<b>Cash and cash equivalents at the end of the reporting period</b>	<b><u>0.40</u></b>	<b><u>0.64</u></b>
Cash and cash equivalents include money market funds	0.07	0.14



## **Summary of Significant Accounting Principles**

**Basis of Presentation:** TELES' Consolidated Financial Statements as at December 31, 2011, were prepared in accordance with the existing principles of the International Accounting Standard Board (IASB), London. The Interim Financial Statements as at June 30, 2012, were prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Financial Reporting". The accounting policies used in the preparation of the Interim Financial Statements are principally consistent with those used in the Consolidated Financial Statements for the business year 2011. Standards and interpretations binding as of January 1, 2012, had no effects on the accounting policies applied.

All IAS/IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly Standing Interpretations Committee (SIC), binding at June 30, 2012, have been applied.

## **Auditor's Review**

The Interim Financial Statements and the Interim Management Report were neither audited nor revised by a certified public accountant.

## **Affirmation by the Legal Representatives**

To the best of our knowledge, we affirm that in accordance with the accounting standards to be used for the interim reporting of the consolidated interim financial statements, a true and fair view of the net assets, finances, and earnings of the company is conveyed, and that in the consolidated interim management report, the development of business, including the position of the Group, is portrayed in such a way that a true and fair view is conveyed, and the important opportunities and risks relating to the Group's expected development for the remainder of the fiscal year are described.