

Quarterly Financial Report Q1/2012 of TELES Group (IFRS, unaudited)

Key figures

TELES Group (in Mio.€)	1st Quarter 2012	1st Quarter 2011	Variation 2012 vs. 2011
Revenues	3.07	3.00	3%
Gross Profit	1.51	1.43	6%
EBITDA	-0.38	-1.46	74%
EBIT	-0.46	-1.57	71%

Interim Management Report

Financial figures

Compared to the previous year period, the revenues in the first quarter of 2012 increased slightly by 3% to 3.07 Mio€ – a sign of the continuous stabilization of the course of business.

The EBIT of -0.46 Mio. € still disclose a loss, though it is improved by about 1 Mio. € compared to the previous year period. This is due to the reorganization measures and the reduction of costs, which were carried out in the second quarter of 2011 and which are now showing effect.

The revenues, together with a consequent management of accounts receivable led to an adequate cash flow. Thus, the operative business could be financed, without having to resort to the financial support of the majority shareholder Prof. Dr. Schindler – like before in the second half-year of 2011.

Main revenues und projects in the first quarter of 2012

Fortunately, it was possible to secure three big projects in the business unit Next Generation Networks in Germany and Austria. The decisive factors to the clients were the flexibility and the capacity of our Softswitch-Solution as well as the proximity to our clients as German producer. The acquisition of those projects confirms the positive emerging tendency of the fourth quarter 2011 through the demand of more capacity and flexible IP-Centrex and SIP-Trunking-Solutions.

The business unit Carrier Solutions had a good quarter thanks to existing clients, who placed large orders for network expansions and migration projects from iSWITCH to an IP-based network infrastructure. This is confirmed by the product developments made in 2011.

In the business unit Access Gateways, the revenues with the existing business partners were increased. The first achievements were reached by means of sales to and use of the Mobile-Gateways in the mobile communication networks of Verizon and Sprint.

TELES Group (in Mio.€)	1st Quarter 2012	1st Quarter 2011
Revenues	3.07	3.00
Access Gateways	1.15	1.23
Carrier Solutions	1.28	1.07
NGN	0.63	0.70

Outlook

The first quarter of 2012 also shows: The lightly increasing revenues and the decreased costs stabilize TELES. We see therein the basis for growth in the next quarters. Therefore, we accordingly plan to reach revenue of 13 Mio. € in 2012.

The liquidity position continues to be tense. As a result of the expected increase in turnover in the next months and the improved payment performance of our clients, we expect an easing of the liquidity situation.

TELES AG Informationstechnologien

The Board of Directors

May 2012

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in Mio€, except number of shares

	31-March-12	31-Dec-11
ASSETS		
Non-current assets		
Tangible assets	0.34	0.38
Intangible assets	0.01	0.01
Other financial assets	0.60	0.60
	0.95	0.99
Current assets		
Inventories	2.26	2.78
Trade accounts receivable	3.77	4.06
Other financial assets	0.15	0.15
Receivable from income taxes	0.05	0.14
Other current assets	0.82	0.75
Cash and cash equivalents	0.36	0.66
	7.41	8.54
Total Assets	8.36	9.53
LIABILITIES		
Equity		
Common shares:	23.30	23.30
Issued: 23,304,676 and 23,304,676, resp.		
Outstanding: 23,304,676 and 23,304,676, resp.		
Additional paid-in capital	11.57	11.57
Other comprehensive income	0.59	0.59
Unappropriated retained earnings	-23.45	-22.99
Revenue reserve / Treasury stock	-20.55	-20.55
Other equity changes	0.22	0.34
Equity attributable to shareholders of the parent company	-8.31	-7.74
Minority interests	0.01	0.01
Total equity	-8.30	-7.73
Non-current liabilities		
Non-current accrued liabilities	0.25	0.25
Other non-current financial liabilities	10.23	10.02
	10.48	10.27
Current liabilities		
Trade accounts payable	1.67	1.87
Accruals for income taxes	0.13	0.13
Other accruals	1.77	2.08
Deferred revenues	1.13	1.00
Other current financial liabilities	0.10	0.10
Other current liabilities	1.38	1.81
	6.18	6.99
Total liabilities	16.66	17.26
	8.36	9.53

Consolidated Statement of Income (IFRS, unaudited)

in Mio€, except for share related information	Q1/ 2012	Q1/ 2011
Revenues	3.07	3.00
Cost of sales	1.56	1.57
Gross profit	1.51	1.43
Sales and marketing expenditures	0.87	1.29
Research and development expenditures	0.74	1.04
General and administrative expenditures	0.56	0.78
Other income	0.20	0.12
Other expenditures	0.00	0.01
Operating loss	-0.46	-1.57
Financial earnings	0.01	0.00
Financial expenditures	0.00	0.03
Earnings before income taxes	-0.46	-1.60
Income tax expenditures	0.00	0.01
Earnings from continued operations	-0.46	-1.61
Earnings from discontinued operations, net of tax	0.00	2.30
Net loss	-0.46	0.68
This can be divided into:		
Shareholders of the parent company	-0.46	0.68
Minority interests	0.00	0.00
Earnings per share from continued operations		
Undiluted	-0.02	-0.07
Diluted ¹	-0.02	-0.07
Earnings per share, total		
Undiluted	-0.02	0.03
Diluted ¹	-0.02	0.03
Number of underlying shares		
Undiluted	23,304,676	23,304,676
Diluted ¹	23,304,676	23,304,676
Additional information:		
EBIT (earnings before interest and taxes)	-0.46	-1.57
EBITDA (earnings before interest, taxes, depreciation, and amortization)	-0.38	-1.46

¹ 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 Mio€	Q1/ 2012	Q1/ 2011
Net loss	-0.46	0.68
Other comprehensive income:		
Exchange differences on translating foreign operations	-0.12	-0.06
Other comprehensive income, net of tax	-0.12	-0.06
Total comprehensive income	-0.58	0.62
Thereof attributable to:		
Shareholders of the parent company	-0.58	0.62
Minority interests	0.00	0.00

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

(in Mio€, except number of shares)	Number of shares	Nominal-share value	Add. Paid in capital	Fair value reserve	Revenue reserve / Treasury stock	Unappr. Retained earnings	Other equity changes	Equity attr. to the shareholders of the parent company	Minority interests	Total equity
31 December 2011	23.304.676	23.30	11.57	0.59	-20.55	-22.99	0.34	-7.73	0.01	-7.73
Total comprehensive income						-0.46	-0.12	-0.58	0.00	-0.58
Waiver of claims										0.00
Financial liability from recovery agreement										0.00
31 March 2012	23.304.676	23.30	11.57	0.59	-20.55	-23.45	0.22	-8.31	0.01	-8.30
(in Mio€, except number of shares)	Number of shares	Nominal share value	Add. paid in capital	Fair value reserve	Revenue reserve/ Treasury stock	Unappr. Retained earnings	Other equity changes	Equity attr. to the shareholders of the parent company	Minority interests	Total equity
31 December 2010	23,304,676	23.30	8.59	0.59	-20.55	-19.17	0.01	-7.22	0.01	-7.21
Total comprehensive income						0.68	-0.06	0.62		0.62
Waiver of claims			2.00					2.00		2.00
Financial liability from recovery agreement			-1.70					-1.70		-1.70
31 March 2011	23,304,676	23.30	8.89	0.59	-20.55	-18.48	-0.05	-6.30	0.01	-6.29

Consolidated Cash Flow Statement (IFRS, unaudited)

in Mio€	Q1/ 2012	Q1/ 2011
Cash flow from operating activities:		
Net loss	-0.46	0.68
Adjustment of the net loss to the operating cash flow:		
Deconsolidation result	0.00	-2.30
Income taxes	0.00	0.02
Financial result:		
Interest result	-0.01	0.02
Allowance for doubtful accounts	0.07	0.18
Impairment of inventories	0.04	0.05
Depreciations for tangible fixed assets	0.07	0.11
Amortization on intangible assets	0.01	0.01
Changes of other balance sheet items (without changes due to company acquisitions and divestitures):		
Inventories	0.48	-0.27
Trade accounts receivable	0.08	0.24
Other current assets, accruals and deferrals	-0.06	0.07
Current liabilities	-0.27	-0.02
Accruals and other liabilities	-0.38	-0.28
Effects from exchange rate changes with no impact on payment	-0.12	-0.06
Received income taxes	0.08	0.00
Paid income taxes	0.00	0.01
Received interest	0.00	0.00
Mittelabfluss aus operativer Geschäftstätigkeit	<u>-0.47</u>	<u>-1.54</u>
Kapitalfluss aus Investitionstätigkeit:		
Acquisition of fixed assets	-0.03	-0.03
Cash outflow from investing activities	<u>-0.03</u>	<u>-0.03</u>
Cash flow from financing activities:		
Loans from related parties	0.20	2.00
Cash flow from financing activities	<u>0.20</u>	<u>2.00</u>
Net change of cash and cash equivalents	-0.30	0.43
Cash and cash equivalents, at the beginning of the reporting period	0.66	0.46
Cash and cash equivalents, at the end of the reporting period	<u>0.36</u>	<u>0.89</u>
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 31st December 2011 were prepared in accordance with the existing principles of the International Accounting Standard Board (IASB), London. The Interim Financial Statements as at 31th March 2012 were prepared in accordance with 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 year ended 31st December 2011. Standards and interpretations binding from 1st January 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 31th March 2012, have been applied.

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