

# Quarterly Financial Statements Q3/2012 of TELES Group (IFRS, unaudited)

## Key Figures January 1 through September 30, 2012

- Increase in revenues by 7 per cent
- Significant improvement of gross profit
- Solid development of all business units and sales regions
- Renaming of business units provides for greater transparency among customers
- Forecast for the entire year confirmed

TELES Group (in m€)	January 1 through September 30		Change
	2012	2011	
Revenues	9.30	8.70	7%
Gross Profit	4.73	3.92	21%
EBIT	-2.42	-4.77	49%

## Interim Management Report

### Business Figures

The business performance during the first three quarters of 2012 is characterized by strong growth for all relevant key figures. By September, the revenues increased by 7 per cent to 9.3 m€. The operating loss (EBITDA) was halved, and the gross profit increased significantly by 21 per cent to 4.7 m€.

Intensive management of accounts receivable and consistent cash management contributed towards securing liquidity and financing the on-going business.

### Business Units

In order to improve the presentation of TELES' performance and simplify the acquisition of new customers, two business units were renamed as follows:

- Business Unit *Access Solutions* (previously: Access Gateways) offers access technology solutions for voice and data communications.
- Business Unit *Enterprise Solutions* (previously: Next Generation Networks) comprises solutions for network service providers who render support to business clients.

### Business Unit Access Solutions

This business unit shows a revenues of 3.67 m€ which is approximately at last year's level, however, with improved gross profit. The business performed well mainly in the core market DACH.

### Business Unit Carrier Solutions

Revenues achieved with Carrier Solutions strongly increased during the first three quarters of 2012, in fact by 25 per cent to 3.65 m€. The gross profit also picked up vigorously with a plus of 33 per cent, amounting to 2.05 m€.

### Business Unit Enterprise Solutions

This business unit also performed well: The revenues slightly increased to 1.98 m€ with the gross profit increasing by 31 per cent to 1.02 m€. During discussions with customers and interested parties we encountered an increasing interest in TELES solutions, which is a confirmation that the services offered by our youngest business unit is covering the customers' demands very well.

### New Member of the Board of Directors

As of July 1, 2012, Thomas Roll joined the Board of Directors, accountable for the Sales Division. Owing to his previous assignment with TELES and his professional experience in the telecommunication industry, he is well acquainted with this task.

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

During the current business year, the corporate restructuring implemented during last year has led to a perceptible improvement of all material key figures such as revenues, gross profit and operating result. Besides, compared to last year, the financial position thoroughly improved due to consistent cash management, enabling us to entirely finance the operating business from the cash flow.

The focus on core competencies in the business units Access, Enterprise and Carrier Solutions as well as the strategic sales orientation towards the home region DACH, Europe and North America have proven to be the right choice. Following a profound restructuring and harsh cost savings TELES AG, at the end of the third quarter, is well on its way to a positive result and further growth.

### **Forecast**

TELES continues to expect achieving revenues of 13 m€ in 2012. Further increase of the gross profits will improve the (yet negative) operating result. Securing the liquidity remains a high priority, supported by the customers' improved payment behavior.

### **Risk Report**

Foreseeable risks were fully described in the 2011 business report and confirmed in the subsequent financial reports. The Board of Directors maintains the statements on the economic environment made in there.

The Company exercises an effective and sustainable risk control by means of managing risks and accounts receivable. This provides for steady and thorough review of payments due in order to prevent any liquidity threat. The Board of Directors is not aware of any trade-specific or cyclical risks which might jeopardize the revenue and income targets.

Berlin, November 12, 2012

TELES AG Informationstechnologien

The Board of Directors

## Interim Financial Statements

### Consolidated Balance Sheet (IFRS, unaudited)

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

	Sep. 30, 2012	Dec. 31, 2011
<b>Assets</b>		
<b>Non-current Assets</b>		
Tangible Assets	0,27	0,38
Intangible Assets	0,01	0,01
Other Financial Assets	0,60	0,60
	<b>0,87</b>	<b>0,99</b>
<b>Current Assets</b>		
Inventories	1,70	2,78
Trade accounts receivable	2,68	4,06
Other Financial Assets	0,04	0,15
Receivable from income taxes	0,04	0,14
Other current assets	0,66	0,75
Cash and cash equivalents	0,52	0,66
	<b>5,64</b>	<b>8,54</b>
<b>Total Assets</b>	<b>6,52</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	-25,45	-22,99
Retained earnings/ treasury stock	-20,55	-20,55
Other equity changes	0,44	0,34
<b>Equity attributable to shareholders of the parent company</b>	<b>-10,09</b>	<b>-7,74</b>
<b>Minority interests</b>	<b>0,04</b>	<b>0,01</b>
<b>Total Equity</b>	<b>-10,05</b>	<b>-7,73</b>
<b>Non-current Liabilities</b>		
Non-current accrued liabilities	0,27	0,25
Other financial liabilities	10,23	10,02
	<b>10,50</b>	<b>10,27</b>
<b>Current Liabilities</b>		
Trade accounts payable	1,26	1,87
Accruals for income taxes	0,13	0,13
Other accruals	2,00	2,08
Deferred revenues	0,98	1,00
Other current financial liabilities	0,10	0,10
Other current liabilities	1,61	1,81
	<b>6,07</b>	<b>6,99</b>
<b>Total Liabilities</b>	<b>16,57</b>	<b>17,26</b>
	<b>6,52</b>	<b>9,53</b>

## Consolidated Statement of Income (IFRS, unaudited)

(in m€, except share-related information)	3rd Quarter 2012	3rd Quarter 2011	1 January – 30 September 2012	30 September 2011
<b>Revenues</b>	<b>3,17</b>	<b>2,72</b>	<b>9,30</b>	<b>8,70</b>
<b>Cost of Sales</b>	<b>1,51</b>	<b>1,68</b>	<b>4,57</b>	<b>4,78</b>
<b>Gross Profit</b>	<b>1,66</b>	<b>1,04</b>	<b>4,73</b>	<b>3,92</b>
Sales and marketing expenditures	0,97	1,10	2,87	3,45
Research and development costs	0,64	0,80	2,13	2,85
General administrative expenditures	0,74	0,70	1,98	2,34
Other income	0,06	-0,11	0,22	0,17
Other expenditures	0,29	0,15	0,39	0,21
<b>Operating result (EBIT)</b>	<b>-0,91</b>	<b>-1,81</b>	<b>-2,42</b>	<b>-4,77</b>
Financial earnings	0,00	0,00	0,01	0,02
Financial expenditures	0,00	0,03	0,00	0,09
<b>Earnings before income taxes</b>	<b>-0,91</b>	<b>-1,84</b>	<b>-2,41</b>	<b>-4,84</b>
Income taxes paid (income taxes refunded)	0,01	0,00	0,02	0,01
<b>Earnings from Continued Operations</b>	<b>-0,92</b>	<b>-1,84</b>	<b>-2,43</b>	<b>-4,85</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>-0,92</b>	<b>-1,84</b>	<b>-2,43</b>	<b>-2,55</b>
thereof attributable to:				
Shareholders of the parent company	-0,95	-1,84	-2,46	-2,55
Minority interests	0,03	0,00	0,03	0,00
Earnings per share from continued operations				
Undiluted	-0,04	-0,08	-0,11	-0,21
Diluted <sup>1</sup>	-0,04	-0,08	-0,11	-0,21
Total earnings per share				
Undiluted	-0,04	-0,08	-0,11	-0,11
Diluted <sup>1</sup>	-0,04	-0,08	-0,11	-0,11
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:				
EBITDA				
(earnings before interest, taxes, depreciation, and amortization)	-0,85	-1,74	-2,23	-4,48

<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 m€	3rd Quarter 2012	3rd Quarter 2011	1 January – 30 September 2012	30 September 2011
<b>Net loss for the Reporting Period</b>	<b>-0,92</b>	<b>-1,84</b>	<b>-2,43</b>	<b>-2,55</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	-0,01	0,35	0,10	0,22
<b>Other comprehensive income, net of tax</b>	<b>-0,01</b>	<b>0,35</b>	<b>0,10</b>	<b>0,22</b>
<b>Total comprehensive income</b>	<b>-0,93</b>	<b>-1,49</b>	<b>-2,33</b>	<b>-2,33</b>
thereof attributable to:				
Shareholders of the parent company	-0,96	-1,49	-2,36	-2,33
Minority interests	0,03	0,00	0,03	0,00

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

in m€, except number of common shares	Number of nominal shares	Nominal value of shares	Additional paid-in capital	Fair value reserve	Unappro- priated retained earnings	Con- solida- ted Profit/ Loss	Other changes in equity	Equity of parent company share- holders	Other minority share- holders	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 compre- hensive income						-2,46	0,10	-2,36	0,03	-2,33
Waiver of claims										0,00
Financial liability from recovery agreement										0,00
<b>Sep. 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>-25,45</b>	<b>0,44</b>	<b>-10,09</b>	<b>0,04</b>	<b>-10,05</b>
in m€, except number of common shares	Number of nominal shares	Nominal value of shares	Additional paid-in capital	Fair value reserve	Unappro- priated retained earnings	Con- solida- ted Profit/ Loss	Other changes in equity	Equity of parent company share- holders	Other minority share- holders	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						-2,55	0,22	-2,33		-2,33
Waiver of claims			4,08					4,08		4,08
Financial liability from recovery agreement			-3,47					-3,47		-3,47
<b>Sep. 30, 2011</b>	<b>23.304.676</b>	<b>23,30</b>	<b>9,21</b>	<b>0,59</b>	<b>-20,55</b>	<b>-21,72</b>	<b>0,23</b>	<b>-8,94</b>	<b>0,01</b>	<b>-8,93</b>

## Consolidated Cash Flow Statement (IFRS, unaudited)

in m€	1 January – September 30	
	2012	2011
<b>Cash flow from operating activities:</b>		
Net loss for the reporting period	-2,43	-2,55
<b>Adjustment of the net loss to the operating cash flow</b>		
Result from deconsolidation	0.00	-2.30
Income taxes	0.02	0.01
Financial result:		
Interest result	-0.01	0.07
Allowance for doubtful accounts	0.17	0.34
Impairment of inventories	-0.01	0.40
Depreciations for tangible fixed assets	0.19	0.24
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	1.09	-0.10
Trade accounts receivable	1.06	1.50
Other current assets, accruals and deferrals	0.03	0.08
Current Liabilities	-0.55	-1.11
Accruals and other liabilities	-0.16	-1.11
Effects from exchange rate changes with no impact on payment	0.10	0.22
Received income taxes	0.09	0.00
Paid income taxes	0.00	0.03
Received interest	0.01	0.01
<b>Cash outflow from operating activities</b>	<b><u>-0.37</u></b>	<b><u>-4.26</u></b>
<b>Cash flow from investing activities:</b>		
Acquisition of fixed assets	-0.08	-0.06
Right to recovery	0.11	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	-0.14	0.15
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>0.52</u></b>	<b><u>0.61</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 September 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.