

Quarterly Financial Statements

Q3/2013 of TELES Group

(IFRS, unaudited)

Key Figures January 1 through September 30, 2013

- Breakeven pre-tax result
- Operating loss (EBIT) halved yoy
- Lower sales on account of project delays
- Very pleasing development in Business Unit Enterprise Solutions

Overview of the corporate key figures of TELES for Q1-3 of 2013
(according to IFRS, unaudited)

TELES Group (in mn €)	1/1/2012 – 30/9/2012	1/1/2013 – 30/9/2013	Change
Revenue	9.22	7.90	-14 %
Gross Profit	4.68	4.55	-3 %
EBIT	-2.47	-1.18	52 %
EBT	-2.45	0.14	n. a.

Interim Management Report

In spite of a small dip in sales TELES has posted a healthy improvement in its operating earnings in the first nine months of the current fiscal year. Operating profits for the year (EBIT) improved by 52 percent to minus € 1.18 mn. Pre-tax earnings (EBT) turned positive to the tune of € 140,000. The positive trend in earnings has therefore continued unchanged.

Turnover fell in the reporting period to € 7.9 mn. The company has not yet made up for project delays from previous quarters. So it has not yet been possible to offset the fall in sales which had already been posted in the first half of the year.

Tenders won and positive feedback confirm product strategy

Contracts signed with well-known customers and partners as well as the successful relaunch of individual product ranges and the positive feedback from numerous customers confirm that the products and solutions offered by TELES are eminently marketable and that they can compete on an equal footing with those of leading suppliers around the world. Even so-called Tier 1 carriers are now focusing on TELES products in order to upgrade their network infrastructure and to enable them to implement innovative services for their customers. This confirms the trust of the markets in TELES' innovative capabilities and development skills.

In the Access Solutions business segment, the new Gateway VoIPBox DSL has been presented to customers and tested, both successfully. We expect demand to pick up in the course of the coming months especially in German-speaking countries.

The new business segment, Enterprise Solutions, in which innovative services and solutions such as unified communications are bundled for corporate customers, is growing at a particularly healthy rate. The turnover recorded in this business segment was significantly higher than in the previous year with a gain of 15 percent.

On the other hand the process of opening up the market in North America is proving tough going. Selling mobile Gateways and communicating added value and application scenarios are taking more time and proving costlier than first expected. However we still consider our US sales strategy to be the right one in view of our partnerships, e.g. with Sprint, the leading US mobile communications company, or Ingram Micro, the market-leader worldwide for the distribution of ICT products.

TELES Group (in mn €)	1/1/2012 – 30/9/2012	1/1/2013 – 30/9/2013	Change
Revenue	9.22	7.90	-14 %
Access Solutions	3.59	3.37	-6 %
Carrier Solutions	3.65	2.26	-38 %
Enterprise Solutions	1.98	2.27	15 %

Summary statement on the financial situation

The realignment of the product ranges which started with the restructuring of TELES and the definition of new customer segments and solutions are well underway in all business segments. The focus remains on strengthening our base in our domestic market (Germany, Austria, Switzerland) and in Europe, communicating our targeted marketing activities, identifying new channels and on promotions to celebrate the company's 30th anniversary.

Concentrated cash management and sustained receivables management helped to further stabilize the financial situation. Business activities were financed from current cash flow in spite of a dip in sales in individual regions and market segments. TELES remains focused on profitability and growth.

Forecast

Feedback from well-known customers and the winning of tenders give us confidence that our products meet market requirements, and that the positive trend in the earn-

ings positions and liquidity of the company will continue. We expect sales to recover somewhat by the end of the year.

Risk report

Relevant risks were described in detail in the annual report for the past fiscal year. We continually and conscientiously monitor and analyze payment receipts thereby actively tackling customer bad debt. Whether the sales and earnings targets are met will depend on economic, political and specific developments relevant to our business sector – particularly in Europe and USA.

Outlook

The final quarter of 2013 will be characterized by the stabilization of TELES as have been the preceding months. The aim is to markedly improve the earnings position, to strengthen liquidity and to lay the foundation for short-term and medium-term sales growth.

TELES AG Informationstechnologien

The Management Board

Oktober 2013

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in mn €, except number of shares

	31/12/2012	30/09/2013
Assets		
Non-current assets		
Tangible assets	0.20	0.16
Intangible assets	0.01	0.01
Other financial assets	0.80	0.00
	1.02	0.17
Current assets		
Inventories	1.69	1.87
Trade accounts receivable	3.10	2.43
Other financial assets	0.57	0.00
Receivables from income tax	0.04	0.04
Other current assets	0.64	0.60
Cash and cash equivalents	0.32	0.32
	6.37	5.26
Total assets	7.38	5.43
Liabilities		
Equity		
Common shares (issued resp. outstanding: 23.304.676)	23.30	23.30
Additional paid-in capital	11.57	11.57
Retained earnings	-46.47	-45.83
Reserve for valuation	0.79	0.00
Reserve for pension liabilities	-0.07	-0.07
Reserve for currency differences	0.23	0.00
Equity attributable to shareholders of the parent company	-10.65	-11.02
Non-controlling interest	0.00	0.00
Total equity	-10.65	-11.02
Non-current liabilities		
Non-current accruals	0.36	0.39
Other financial liabilities	10.46	10.46
	10.82	10.85
Current liabilities		
Trade accounts payables	1.77	1.84
Accruals for income taxes	0.13	0.13
Other accruals	2.51	1.33
Accrued income	1.31	0.69
Other financial liabilities	0.07	0.05
Other current liabilities	1.41	1.57
	7.21	5.61
Total liabilities	18.03	16.45
	7.38	5.43

Consolidated Statement of income (IFRS, unaudited)

in mn €, except for share related information

	3 rd Quarter		January 1 - September 30	
	2012	2013	2012	2013
Revenues	3.17	2.20	9.22	7.90
Cost of sales	1.51	1.02	4.54	3.35
Gross Profit	1.66	1.18	4.68	4.55
Sales and marketing expenditures	0.97	0.77	2.87	2.58
Research and development expenditures	0.64	0.73	2.13	2.17
General and administrative expenditures	0.74	0.55	1.98	1.62
Other income	0.04	0.27	0.22	0.69
Other expenditures	0.27	0.04	0.39	0.06
Operating loss	-0.91	-0.64	-2.47	-1.18
Financial earnings	0.00	0.00	0.01	1.32
Financial expenditures	0.00	0.00	0.00	0.00
Earnings before income taxes	-0.91	-0.63	-2.45	0.14
Income tax expenditures	0.01	0.00	0.02	0.02
Earnings from continued operations	-0.92	-0.63	-2.47	0.12
Earnings from discontinued operations	0.00	0.52	0.00	0.52
Net income/loss	-0.92	-0.11	-2.47	0.64
This can be divided into				
Shareholders of the parent company	-0.95	-0.11	-2.50	0.64
Minority interests	0.03	0.00	0.03	0.00
Earnings per share from continued operations				
Undiluted	-0.04	-0.03	-0.11	0.01
Diluted	-0.04	-0.03	-0.11	0.01
Earnings per share total				
Diluted	-0.04	0.00	-0.11	0.03
Undiluted	-0.04	0.00	-0.11	0.03
Number of underlying shares				
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
Additional information:				
EBIT (Earnings before interest and taxes)	-0.91	-0.64	-2.47	-1.18
EBITDA (Earnings before interest, taxes, amortization and depreciation)	-0.85	-0.61	-2.28	-1.09

Statement of Comprehensive income (IFRS, unaudited)

in mn €

	3 rd Quarter		January 1 - September 30	
	2012	2013	2012	2013
Net income/loss	-0.92	-0,11	-2,47	0,64
Other comprehensive income				
Currency exchange differences of foreign subsidiaries	-0.01	-0.09	-0.10	-0.23
Financial assets available-for-sale	0.00	0.00	0.00	-0.79
Profits achieved during the report period	0.00	0.00	0.00	0.28
Adjustment due to reclassification for profits included in the profit and loss	0.00	0.00	0.00	-1.07
Other comprehensive income, net of tax	-0.01	-0.09	0.10	-1.02
Total comprehensive income	-0.93	-0.20	-2.37	-0.37

Statement of changes in Shareholders' equity (IFRS, unaudited)

in mn €, number of shares: 23,304,676, nominal share value: 23,30 mn €

	Additional paid-in capital	Retained earnings	Cumulative other group earnings			Equity of shareholders of the parent company	Non-controlling interest	Total equity
			Reserve for valuation	Evaluation of pension liabilities	Reserve for currency differences			
31/12/2011	11.57	-43.54	0.59	-	0.34	-7.74	0.01	-7.73
Net result*	-	-2.47	-	-	0.10	-2.37	-	-2.37
30/9/2012	11.57	-46.01	0.59	-	0.44	-10.11	0.01	-10.10

	Additional paid-in capital	Retained earnings	Cumulative other group earnings			Equity of shareholders of the parent company	Non-controlling interest	Total equity
			Reserve for valuation	Evaluation of pension liabilities	Reserve for currency differences			
31/12/2012	11.57	-46.47	0.79	-0.07	0.23	-10.65	0.00	-10.65
Net result*	-	0.64	-0.79	-	-0.23	-0.37	-	-0.37
30/9/2013	11.57	-45.83	0.00	-0.07	0.00	-11.02	0.00	-11.02

* Net result, attributable to parent company shareholders or non-controlling interest.

Consolidated Cash Flow Statement (IFRS, unaudited)

in mn €

	January 1 – September 30	
	2012	2013
Cash flow from operating activities		
Net income/loss	-2.47	0.64
Adjustment of net loss to the operating cash flow:		
Income taxes	0.02	0.00
Financial result:		
Interest	-0.01	0.00
Dividends	0.00	-0.25
Result "Assets available for sale"	0.00	-1.07
Allowance for doubtful accounts	0.17	0.06
Impairment of inventories	-0.01	-0.05
Depreciation for tangible assets	0.19	0.10
Amortization of intangible assets	0.01	0.00
Changes of other balance sheet items:		
Inventories	1.09	-0.13
Trade accounts receivables	1.09	0.50
Other current assets, accruals, and deferrals	0.03	0.03
Current liabilities	-0.55	-0.31
Accruals and other liabilities	-0.14	-1.16
Effects form exchange rate changes with no impact on payment	0.10	-0.23
Income tax received	0.09	0.00
Interest received	0.01	0.00
Cash outflow from operating activities	-0.37	-1.86
Cash flow from investing activities:		
Acquisition of fixed assets	-0.08	-0.05
Recovery rights	0.11	0.57
Dividends	0.00	0.25
Result "Assets available for sale"	0.00	1.08
Cash inflow from investing activities	0.03	1.85
Cash flow from financing activities:		
Loans from related companies and individuals	0.20	0.00
Cash inflow from financing activities	0.20	0.00
Net change of cash and cash equivalents	-0.14	0.00
Cash and cash equivalents, at the beginning of the period under review	0.66	0.32
Cash and cash equivalents, at the end of the period under review	0.52	0.32
Cash and cash equivalents include: Money market funds	0.07	0.07

Summary of significant Accounting Principles

Basis of Presentation: TELES' Consolidated Financial Statements as at 31 December, 2012 were prepared in accordance with the existing principles of the International Accounting Standards Board (IASB), London. The Interim Financial Statements as at 30 September, 2013 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 31 December, 2012. Standards and interpretations binding from 1 January, 2013 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 30th June 2013, have been applied.