

Semi-annual Financial Report HY 1/2013

of the TELES Group

(IFRS, not certified)

Key figures 1 January, 2013 – 30 June, 2013

- Half-year figures and successful call for bids confirm the product and sales strategy
- Strong recovery with the operating results (EBIT) and with the earnings before taxes (EBT)
- Delays in several projects in the business unit Carrier Solutions are slightly curbing the revenues
- Satisfactory development at Access and Enterprise Solutions

An overview of the company key values of TELES AG for the HY 1 2013 (according to IFRS, not certified)*

TELES Group (in mn €)	1/1/2013 – 30/6/2013	1/1/2012 – 30/6/2012	Change
Revenue	5.70	6.05	-6 %
Gross profit	3.37	3.04	11 %
EBIT	-0.55	-1.55	65 %
EBT	0.77	-1.54	n/a

Interim management report

Financial figures

Berlin, 22 July, 2013. Berlin-based Technology Company TELES substantially improved its operating results in the first half-year and thus consistently follows on from the positive trend in the previous quarters. The operating loss (EBIT) fell by 65 per cent to minus 549 k€. By the proceeds from the sale of all shares in Gravis Beteiligungs AG in April of this year the earnings before tax (EBT) grew to 771 k€.

The revenue fell slightly in the period under review to 5.7 mn € and was thus just under that of the previous year. It was not possible to fully compensate for delays in projects in the first quarter. Therefore, it was not yet possible to compensate for the fall in the revenue, which was indicated in the first three months of the year already.

Successes against strong competitors

Conclusions of contracts with well-known customers and sales partners show that the solutions and products of TELES AG are very well positioned in order to also be able to successfully compete with leading providers worldwide. The company has thus succeeded against hard competition in acquiring one of the leading Austrian mobile phone providers as a customer in the business unit Enterprise Solutions. A Swiss provider of telecommunications solutions for end customers and the Business-Segment also relies on Enterprise Solutions by TELES in order to be prepared for future growth. The follow-up order of a Spanish cable network provider for the expansion of its network infrastructure also shows which enormous potential the remaining European domestic market offers for Carrier Solutions. A Baltic customer for many years, a provider of integrated telecommunications services has commissioned TELES with the development of an order. This confirms not only the trust of our customers in the development capabilities of TELES in particular in the tried and tested business field of Access Solutions – the project also has substantial potential after the Go-Live for the further marketing in other sales regions.

A framework agreement for Mobile Gateways was concluded with the leading US mobile phone network operator Sprint and the electronics wholesaler PCD in the first half-year. With the order TELES hopes to gain a powerful boost with the development of the market for Access Solutions in North America.

TELES Group (in mn €)	1/1/2013 – 30/6/2013	1/1/2012 – 30/6/2012	Change
Revenue	5.70	6.05	-6 %
Access Solutions	2.45	2.17	+13 %
Carrier Solutions	1.71	2.53	-33 %
Enterprise Solutions	1.54	1.35	+14 %

Summary statement concerning the economic position

In the first half-year of 2013 TELES also profited from the new orientation of the products in the business fields Access, Carrier and Enterprise Solutions, which was started with the restructuring. The focus on profitability, on the potentials in the domestic market Germany, Switzerland, and Austria, in Europe and in North America as well as the clear communication of solutions, benefits and value added for customers are showing success.

Consistent cash management and sustainable receivables management helped hereby to substantially improve the financial position and the operating results. The company

thus succeeded in financing the business activity despite slight weaknesses in revenue from the regular cash flow. On the whole TELES is oriented to profitable growth in the middle of the fiscal year 2013.

Forecast

The basis has been created for growth in the second half-year. The successful participation in invitations to tender of well-known customers in the German-speaking regions and in the other sales regions shows that our products meet the requirements of our customers and can keep up with significant competitors in the whole world. We assume that the positive trend with the results of operations and liquidity of the company will continue in the second half-year and the revenue will stabilise.

Risk report

The risks have already been described in detail in the Business Report 2012. We continue to specifically counteract possible risks by bad debt losses towards customers and intensively analyse and monitor the incoming payments. Whether the revenue and operating results targets will be achieved also substantially depends on the economic and industry-specific development – in particular in Europe.

Outlook

The second half-year is marked by stabilisation and slight growth. The aim is to improve the results of operations in the long-term by reductions in operating costs and by a slight plus with the revenue and to consolidate the liquidity.

TELES AG Informationstechnologien

The Management Board

July 2013

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in mn €, except number of shares

	30.6.2013	31.12.2012
ASSETS		
Non-current assets		
Tangible assets	0,17	0,20
Intangible assets	0,00	0,01
Other financial assets	0,00	0,80
	0,17	1,02
Current assets		
Inventories	1,80	1,69
Trade accounts receivable	3,02	3,10
Other financial assets	0,00	0,57
Receivables from income tax	0,04	0,04
Other current assets	0,54	0,64
Cash and cash equivalents	0,98	0,32
	6,38	6,37
Total assets	6,55	7,38
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
Retained earnings	-45,71	-46,47
Reserve for valuation	0,00	0,79
Reserve for pension liabilities	-0,07	-0,07
Reserve for currency differences	0,09	0,23
Equity attributable to shareholders of the parent company	-10,82	-10,65
Non-controlling interest	0,00	0,00
Total equity	-10,82	-10,65
Non-current liabilities		
Non-current accruals	0,38	0,36
Other financial liabilities	10,46	10,46
	10,84	10,82
Current liabilities		
Trade accounts payables	1,92	1,77
Accruals for income taxes	0,13	0,13
Other accruals	2,23	2,51
Accrued income	0,89	1,31
Other financial liabilities	0,05	0,07
Other current liabilities	1,31	1,41
	6,53	7,21
Total liabilities	17,37	18,03
	6,55	7,38

Consolidated Statement of income (IFRS, unaudited)

in mn €, except for share related information	Q2/2013	Q2/2012	HY 1/2013	HY 1/2012
Revenues	2,95	3,06	5,70	6,05
Cost of sales	1,24	1,49	2,33	3,01
Gross profit	1,71	1,56	3,37	3,04
Sales and marketing expenditures	0,94	1,04	1,81	1,90
Research and development expenditures	0,78	0,75	1,44	1,49
General and administrative expenditures	0,53	0,68	1,07	1,24
Other income	0,31	-0,03	0,42	0,17
Other expenditures	0,01	0,12	0,01	0,12
Operating loss	-0,24	-1,05	-0,55	-1,55
Financial earnings	1,07	0,00	1,32	0,01
Financial expenditures	0,00	0,00	0,00	0,00
Earnings before income taxes	0,83	-1,04	0,77	-1,54
Income tax expenditures	0,01	0,00	0,01	0,01
Earnings from continued operations	0,82	-1,05	0,76	-1,54
Earnings from discontinued operations, net of tax	0,00	0,00	0,00	0,00
Net income/ loss	0,82	-1,05	0,76	-1,54
This can be divided into:				
Shareholders of the parent company	0,82	-1,05	0,76	-1,54
Minority interests	0,00	0,00	0,00	0,00
Earnings per share from continued operations				
Undiluted	0,04	-0,04	0,03	-0,07
Diluted	0,04	-0,04	0,03	-0,07
Earnings per share, total				
Undiluted	0,04	-0,04	0,03	-0,07
Diluted	0,04	-0,04	0,03	-0,07
Number of underlying shares				
Undiluted	23.304.676	23.304.676	23.304.676	23.304.676
Diluted ¹	23.304.676	23.304.676	23.304.676	23.304.676
Additional information:				
EBIT (Earnings before interest and taxes)	-0,24	-1,05	-0,55	-1,55
EBITDA (Earnings before interest, taxes, depreciation and amortization)	-0,21	-0,99	-0,48	-1,41

Statement of Comprehensive income (IFRS, unaudited)

in mn €	Q2/2013	Q2/2012	HY 1/2013	HY 1/2012
Net income/ loss	0,82	-1,05	0,76	-1,54
Other comprehensive income:				
Currency exchange differences of foreign subsidiaries	-0,03	0,23	-0,14	0,11
<i>Financial assets available-for-sale</i>	-1,07	0,00	-0,79	0,00
Profits achieved during the report period	0,00	0,00	0,28	0,00
Adjustment due to reclassification for profits included in the profit and loss	-1,07	0,00	-1,07	0,00
Other comprehensive income, net of tax	-1,10	0,23	-0,93	0,11
Total comprehensive income	-0,28	-0,82	-0,17	-1,43

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

In mn €, number of shares: 23.304.676, nominal share value: 23.30 mn €.

	Cumulative other Group earnings							Total equity
	Additional paid-in capital	Retained earnings	Reserve for valuation	Valuation of pension liabilities	Reserve for currency differences	Equity of share-holders of the parent company	Non-controlling interest	
31.12. 2012	11,57	-46,47	0,79	-0,07	0,23	-10,65	0,00	-10,65
Net result *	-	0,76	-0,79	-	-0,14	-0,17	-	-0,17
30.6. 2013	11,57	-45,71	0,00	-0,07	0,09	-10,82	0,00	-10,82

	Cumulative other Group earnings							Total equity
	Additional paid-in capital	Retained earnings	Reserve for valuation	Valuation of pension liabilities	Reserve for currency differences	Equity of shareholders of the parent company	Non-controlling interest	
31.12. 2011	11,57	-43,54	0,59	-	0,34	-7,74	0,01	-7,73
Net result *	-	-1,54	-	-	0,11	-1,43	-	-1,43
30.6. 2012	11,57	-45,08	0,59	-	0,46	-9,16	0,01	-9,16

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

Consolidated Cash Flow Statement (IFRS, unaudited)

in mn €	HY 1/2013	HY 1/2012
Cash flow from operating activities:		
Net income/ loss	0,76	-1,54
Adjustment of net loss to the operating cash flow:		
Income taxes	0,00	0,01
Financial result:		
Interest	0,00	-0,01
Dividends	-0,25	0,00
Result „Assets available for sale“	-1,07	0,00
Allowance for doubtful accounts	0,03	0,17
Impairment of inventories	-0,05	0,08
Depreciation for tangible assets	0,07	0,13
Amortization of intangible assets	0,00	0,01
Changes of other balance sheet items:		
Inventories	-0,06	0,64
Trade accounts receivables	-0,06	0,89
Other current assets, accruals and deferrals	0,08	-0,24
Current liabilities	-0,28	-0,35
Accruals and other liabilities	-0,27	-0,48
Effects from exchange rate changes with no impact on payment	-0,14	0,11
Income tax received	0,00	0,08
Interest received	0,00	0,01
Cash outflow from operating activities	<u>-1,24</u>	<u>-0,49</u>
Cash flow from investing activities:		
Acquisition of fixed assets	0,00	-0,04
Recovery rights	0,57	0,07
Dividends	0,25	0,00
Result „Assets available for sale“	1,08	0,00
Cash inflow from investing activities	<u>1,90</u>	<u>0,03</u>
Cash flow from financing activities:		
Loans from related companies and individuals	0,00	0,20
Cash inflow from financing activities	<u>0,00</u>	<u>0,20</u>
Net change of cash and cash equivalents	0,66	-0,26
Cash and cash equivalents, at the beginning of the period under review	0,32	0,66
Cash and cash equivalents, at the end of the period under review	<u>0,98</u>	<u>0,40</u>
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 June, 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.

Auditors' Review

The Interim Financial Statements and the Interim Management Report have not been audited or reviewed by the annual auditor.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the Interim Management Report of the group includes a fair review of the development and performance of the business and the position of the group, together with the expected development of the group for the remaining months of the financial year.