

Half-yearly Financial Statements of TELES Group to 30/6/2015

(IFRS, unaudited)

Key Figures from 1 January 2015 to 30 June 2015

- Disappointing development in sales in the first half of the year
- TELES will be focussing its attention upon the growth segment software-based solutions for network operators
- Business in the segment access technologies (Access Solutions) is being discontinued

Overview of the corporate key figures of TELES AG for continued operations for the first six months of 2015 (according to IFRS, unaudited)

TELES Group (in k€)	1/1/2014 – 30/6/2014	1/1/2015 – 30/6/2015	Change
Revenue	3.870	2.733	-29%
Gross Profit	2.581	1.532	-41%
EBIT	-525	-1.745	-232%

Interim Management Report

The development of business in the first half of the year was extremely disappointing. The decrease in revenues of 40 per cent in the half year comparison is to be attributed first and foremost to the massive slump in the trade in access technologies (Access Solutions). Sales in this sector slumped by 64 per cent in the half-year comparison.

For this reason a fundamental restructuring programme has been decided upon: the access technologies sector (Access Solutions) is to be discontinued. TELES will be focussing its attention upon the growth segment software-based solutions for network operators. The end of sale for the VoIP Gateway product line has been defined. The US-American telecommunication services provider UPM Technology was successfully enlisted for the continuation of the product family Mobile Gateways. This provider will be assuming the stocks, trade names and marketing rights to the product lines CELLX and CELLX Pro as well as qualified personnel. The current sectors Carrier and Enterprise Solutions are being restructured and merged to form Core Solutions. Alongside the successful products Softswitch and Application Server Clients for Desktop and Mobile have been taken over. TELES thus has an excellent software-based portfolio for telecommunications services providers at its disposal.

Taking the measures described above into account there has been a decrease in sales of 29 per cent in those business sectors being continued. Gross profits sank by 41 per cent in the comparison period. Expenditure in the comparison period, because of the restructuring provisions set up for the merging of two business sectors, increased by approximately four per cent.

A summarising statement pursuant to the economic situation

Business was dominated by the re-orientation of TELES with its clear focus upon profitable product lines and markets and the identification of markets and trends promising success. Non-profitable product lines are being disposed of at very short notice (Mobile Gateways) or discontinued (VoIP Gateways). The measures will lead to a long term reduction of personnel costs in the 2nd half of the year.

The loan commitment made by the majority shareholder in March 2015 and the expected payments received from the disposal of the product line Mobile Gateways are viewed by the management as sufficient to cover the presumed funds requirement until mid-2016 at least.

Risk Report

The Annual Financial Statement published in April for the past Commercial Year 2014 reports extensively on all risks known to the company that could have a negative impact upon the company's profits and financial situation. Beyond that, no further opportunities or risks for the Commercial Year 2015 have come to our attention.

Outlook

For the second half of the Commercial Year 2015 TELES is expecting an increase in sales and an improvement in the profits situation.

TELES AG Informationstechnologien

The Management

July 2015

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, except number of shares		
	31.12.2014	30.06.2015
ASSETS		
Non-current assets		
Tangible Assets	126	122
Intangible Assets	11	7
	137	129
Current Assets		
Inventories	879	195
Trade accounts receivables	1.244	665
Receivables from income tax	45	45
Other current assets	154	209
Cash and cash equivalents	636	390
Assets of the disposal group classified as held for sale	0	375
	2.958	1.879
Total Assets	3.095	2.008
Liabilities		
Equity		
Common shares (issued resp. outstanding: 23,304,676)		
Additional paid-in capital	23.305	23.305
Retained earnings	11.569	11.569
Reserve for pension funds	-46.792	-49.552
Reserve for currency differences	-224	-224
Equity attributable to shareholders of the parent company	396	210
	-11.746	-14.693
Non-controlling interest	0	0
Total equity	-11.746	-14.693
Non-current liabilities		
Non-current accruals	622	649
Other financial liabilities	10.820	10.838
	11.442	11.487
Current liabilities		
Trade accounts payables	947	1.047
Other accruals	264	273
Accrued income	449	483
Other current liabilities	1.739	3.411
Liabilities of the disposal group classified as held for sale	0	0
	3.399	5.213
Total current and non-current liabilities	14.841	16.701
Total Liabilities	3.095	2.008

Consolidated Statement of income (IFRS, unaudited)

in k€, except for share related information	2 nd quarter		January 1 – 30 June	
	2014	2015	2014	2015
CONTINUED OPERATIONS				
Revenue	1.873	1.456	3.870	2.733
Cost of Sales	627	666	1.289	1.201
Gross Profit	1.246	790	2.581	1.532
Sales and marketing expenditures	677	584	1.350	1.256
Research and development expenditures	494	727	1.014	1.253
General and administrative expenditures	509	468	947	926
Other income	233	269	236	221
Other expenditures	9	0	30	63
Operating loss/ EBIT	-210	-719	-524	-1.745
Financial earnings	15	0	15	0
Financial expenditures	0	40	1	62
Earnings before income tax	-195	-759	-510	-1.807
Income tax expenditures and income tax refund	2	-3	5	-1
Earnings from continued operations	-197	-756	-515	-1.806
DISCONTINUED OPERATIONS				
Earnings from discontinued operations, net of tax	33	-727	-212	-954
Net earnings/net loss	-164	-1.483	-727	-2.760
This can be divided into:				
Shareholders of the parent company	-164	-1.483	-727	-2.760
Minority interests	0	0	0	0
Earnings per share from continued operations				
Undiluted	-0,01	-0,03	-0,02	-0,08
Diluted	-0,01	-0,03	-0,02	-0,08
Earnings per share, total				
Undiluted	-0,01	-0,06	-0,03	-0,12
Diluted	-0,01	-0,06	-0,03	-0,12
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:				
EBITDA ¹	-194	-702	-491	-1.712

¹ Corresponds to Earnings (2014: -k€ 210/ -k€ 524; 2015: -k€ 719/ -k€ 1.745) before depreciation (2014: k€ 16/ k€ 33; 2015: k€ 17/ k€ 33).

Statement of comprehensive income (IFRS, unaudited)

in k€	2 nd quarter		1 January - 30 June	
	2014	2015	2014	2015
Net loss for the year	-164	-1.484	-727	-2.760
Other comprehensive income:				
<i>Other income reclassified in current period affecting net income::</i>				
Other income reclassified in current period affecting net income, net	0	0	0	0
<i>Other income to be reclassified in subsequent periods affecting net income:</i>				
Currency translation differences, foreign subsidiaries	-63	-265	-42	-187
Other income to be reclassified in subsequent periods affecting net income, net	-63	-265	-42	-187
<i>Other income to be reclassified in subsequent periods affecting net income, net</i>				
Items not to be reclassified in subsequent periods affecting net income, net	0	0	0	0
Other comprehensive income after deduction of taxes	-63	-265	-42	-187
Comprehensive income after deduction of taxes	-227	-1.749	-769	-2.947
of which attributable to:				
Parent company shareholders				
Minority interests				

Development of the consolidated equity (IFRS, unaudited)

in k€, except number of nominal shares: 23,304,676

	Nominal value of the shares	Capital reserve	Revenue reserves	Fair value reserve	Valuation of pension obligations	Currency translation reserve	Total	Attributed to non-controlling minority interests	Total equity
31 December 2013	23.305	11.569	-45.017	0	-119	-66	-10.328	0	-10.328
Net loss	-	-	-727	-	-	-	-727	0	-727
Other comprehensive income	-	-	-	-	-	-42	-42	0	-42
30 June 2014	23.305	11.569	-45.744	0	-119	-108	-11.097	0	-11.097
31 December 2014	23.305	11.569	-46.792	0	-224	397	-11.746	0	-11.746
Net loss	-	-	-2.760	-	-	-	-2.760	0	-2.760
Other comprehensive income	-	-	-	-	-	-187	-187	0	-187
30 June 2015	23.305	11.569	-49.552	0	-224	-210	-14.693	0	-14.693

Consolidated Cash flow statement (IFRS, unaudited)

in k€	1 January - 30 June	
	2014	2015
Cash flow from operating activities:		
Net loss/net earnings	-727	-2.760
Adjustment of the net loss for:		
Taxes on income	0	0
Financial results	0	63
Value adjustments on receivables	19	87
Value impairment on inventories	71	143
Depreciation of property, plant and equipment	49	38
Depreciation of intangible assets	3	4
Changes to other balance sheet items:		
Inventories	781	166
Trade accounts receivables	184	474
Other current assets and accruals	-21	-55
Non-current liabilities	-333	979
Provisions and other liabilities	-67	36
Effects from changes in exchange rates	-42	-187
Cash outflow from operating activities	-83	-1.012
Cash flow from investing activities:		
Acquisition of property, plant and equipment	-50	-34
Acquisition of intangible assets	-7	0
Cash inflow (outflow) from investing activities	-57	-34
Cash flow from financing activities:		
Loans from related parties	0	800
Cash flow from financing activities	0	800
Net change in cash and cash equivalents	-140	-246
Cash and cash equivalents, beginning of the year	480	636
Cash and cash equivalents, end of the year	340	390
Cash and cash equivalents include: Money market funds	70	70

Summary of Significant Financial Reporting Policies and Standards

Presentation Basis

TELES' consolidated financial statements as of 31 December 2014 were prepared in accordance with the regulations and rules in the financial reporting standards from the International Accounting Standards Board (IASB), London, valid and applicable on the balance sheet reporting date. The interim financial statements as of 30 June 2015 were prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies and measurement methods used in the preparation of the interim financial statements are principally consistent with those used in the consolidated financial statements for the year ending 31 December 2014. Standards and interpretations binding and applicable from 1 January 2015 had no deviating effects on the accounting policies and measurement methods applied.

All of the IAS and IFRS reporting standards binding and applicable as of 30 June 2015, as well as the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were applied accordingly.

Audit Review

The interim financial statements and the interim management report were not subject to either an audit or an audit review by the statutory auditor.

Responsibility Statement by the Company Officers (Management)

We hereby confirm to the best of our knowledge that the consolidated interim financial statements give a true and fair view of the net assets, financial and earnings position of the Group in accordance with the applicable accounting and reporting policies and standards for interim reporting, and that the business development including the performance of the business and the position of the group in the interim consolidated management report provides a true and fair view, to-

gether with a description of the fundamental opportunities and risks associated with the expected development of the group for the rest of the financial year.