

Quarterly report Q3 2015 of the TELES Group

(IFRS, not certified)

Key performance indicators 1 January 2015 – 30 September 2015

- Consistent implementation of restructuring measures
- Business with access technologies (Access Solutions) discontinued

The corporate key performance indicators for the continued business units of TELES AG for the first three quarters of 2015 shown as an overview

(according to IFRS, not certified)

TELES Group (in K€)	1.1.2014 – 30.9.2014	1.1.2015 – 30.9.2015	Change
Revenue	6,286	4,072	-35%
Gross profit	4,095	2,135	-48%
EBIT	-974	-2,813	-189%

Interim management report

The measures described in the half-yearly financial report regarding the restructuring of TELES AG were consistently implemented in the third quarter.

The division for access technology (Access Solutions) is being discontinued. TELES defined the end of sale for the VoIP Gateway product line and sold the residual warehouse stocks in the third quarter. The end of sale was also defined for the product family Mobile Gateways. The US telecommunication service provider UPM Technology agreed to continue the Mobile Gateway product family. For this purpose, UPM acquired warehouse stocks, trademarks and marketing rights to the CELLX and CELLX Pro product lines as well as qualified personnel.

The restructuring of the previous business units Carrier and Enterprise Solutions into the single unit Core Solutions was completed to a large extent. Development and service departments of both business units were amalgamated and processes harmonised.

By taking the measures described above into consideration there was a decrease in revenue by 35 per cent for the continued business unit. The gross profit fell by 48 per cent in the comparable reporting period. Despite having to provide for restructuring costs for the amalgamation of the two business units, expenses were cut by just under four per cent in the comparable reporting period,.

Summary statement concerning the financial position

The re-orientation of TELES with the clear focus on profitable product lines and markets as well as the identification of markets and trends which promise success was pressed ahead with. Non-profitable product lines were sold at very short notice (Mobile Gateways) or discontinued (VoIP Gateways). Measures to reduce the personnel costs were implemented and will also lead to savings in the fourth quarter.

The Management Board sees the loan commitment given by the majority shareholder in March 2015 as well as the incoming payments from the sale of the Mobile Gateways product line as sufficient in order to cover the expected requirements of financial funds until at least the middle of 2016.

Risk report

The annual financial statements published in April for the past fiscal year 2014 include a detailed report about all risks known to the company, which could negatively influence the results of operations and financial position of the company. In addition, we are not aware of any further opportunities and risks.

Outlook

For the fourth quarter of the fiscal year 2015, TELES expects a plus with the revenue and an improvement in the results of operations.

TELES AG Informationstechnologien

The Management Board

October 2015

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, except number of shares		
	31/12/2014	30/09/2015
ASSETS		
Non-current assets		
Tangible Assets	126	110
Intangible Assets	11	11
	137	121
Current Assets		
Inventories	879	161
Trade accounts receivables	1,244	742
Receivables from income tax	45	40
Other current assets	154	188
Cash and cash equivalents	636	210
	2,958	1,341
Total Assets	3,095	1,462
LIABILITIES		
Equity		
Common shares (issued resp. outstanding: 23,304,676)	23,305	23,305
Additional paid-in capital	11,569	11,569
Retained earnings	-46,792	-50,511
Reserve for pension funds	-224	-224
Reserve for currency differences	396	415
Equity attributable to shareholders of the parent company	-11,746	-15,446
Non-controlling interest	0	0
Total equity	-11,746	-15,446
Non-current liabilities		
Non-current accruals	622	663
Other financial liabilities	10,820	10,847
	11,442	11,510
Current liabilities		
Trade accounts payables	947	1,247
Other accruals	264	238
Accrued income	449	419
Other current liabilities	1,739	3,494
	3,399	5,398
Total current and non-current liabilities	14,841	16,908
Total Liabilities	3,095	1,462

Consolidated Statement of income (IFRS, unaudited)

in k€, except for share related information	3rd quarter		January 1 - September 30	
	2014	2015	2014	2015
CONTINUED OPERATIONS				
Revenue	2,417	1,339	6,286	4,072
Cost of Sales	849	695	2,191	1,937
Gross Profit	1,568	644	4,095	2,135
Sales and marketing expenditures	654	439	2,007	1,697
Research and development expenditures	543	613	1,587	1,894
General and administrative expenditures	463	497	1,411	1,423
Other income	1	103	218	173
Other expenditures	273	195	282	107
Operating loss/ EBIT	-364	-997	-974	-2,813
Financial earnings	0	0	15	0
Financial expenditures	0	52	1	114
Earnings before income tax	-364	-1,049	-960	-2,927
Income tax expenditures and income tax refund	2	0	7	0
Earnings from continued operations	-366	-1,049	-967	-2,927
DISCONTINUED OPERATIONS				
Earnings from discontinued operations, net of tax	-304	90	-431	-792
Net earnings/net loss	-670	-959	-1,398	-3,719
This can be divided into:				
Shareholders of the parent company				
Minority interests				
Earnings per share from continued operations				
Undiluted	-0.02	-0.05	-0.04	-0.13
Diluted	-0.02	-0.05	-0.04	-0.13
Earnings per share, total				
Undiluted	-0.03	-0.04	-0.06	-0.16
Diluted	-0.03	-0.04	-0.06	-0.16
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	-348	-978	-924	-2,761

¹ Corresponds to Earnings (2014: -T€ 364/ -T€ 974; 2015: -T€ 997/ -T€ 2.813) before depreciation (2014: T€ 16/ T€ 50; 2015: T€ 19/ T€ 52).

Statement of comprehensive income (IFRS, unaudited)

in k€	3rd quarter		January 1 – September 30	
	2014	2015	2014	2015
Net loss for the year	-670	-959	-1.398	-3.719
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	270	206	229	19
Other income to be reclassified in subsequent periods affecting net income, net	270	206	229	19
<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	270	206	229	19
Comprehensive income after deduction of taxes	-400	-753	-1,169	-3,700
of which attributable to:				
Parent company shareholders	-400	-753	-1,169	-3,700
Minority interests	0	0	0	0

Development of the consolidated equity (IFRS, unaudited)

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

	Nominal value of the shares	Additional paid-in capital	Retained earnings	Fair value reserve	Reserve for pension funds	Reserve for currency differences	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	-	-	-1,398	-	-	-	-1,398	0	-1,398
Other comprehensive income	-	-	-	-	-	229	229	0	229
30 September 2014	23,305	11,569	-46,415	0	-119	163	-11,497	0	-11,497
31 December 2014	23,305	11,569	-46,792	0	-224	396	-11,746	0	-11,746
Net loss	-	-	-3,719	-	-	-	-3,719	0	-3,719
Other comprehensive income	-	-	-	-	-	19	19	0	19
30 September 2015	23,305	11,569	-50,511	0	-224	415	-15,446	0	-15,446

Consolidated Cash flow statement (IFRS, unaudited)

in k€	01. Januar – 30. September	
	2014	2015
Cash flow from operating activities:		
Net loss/net earnings	-1,398	-3,719
Adjustment of the net loss for:		
Taxes on income	0	0
Financial results	-15	115
Value adjustments on receivables	14	105
Value impairment on inventories	71	143
Depreciation of property, plant and equipment	71	60
Depreciation of intangible assets	5	6
Taxes on income	0	-3
Changes to other balance sheet items:		
Inventories	720	575
Trade accounts receivables	45	378
Other current assets and accruals	43	-36
Non-current liabilities	-33	757
Provisions and other liabilities	-59	15
Effects from changes in exchange rates	229	19
Income tax received	0	5
Cash outflow from operating activities	<u>-307</u>	<u>-1,580</u>
Cash flow from investing activities:		
Acquisition of property, plant and equipment	-56	-43
Acquisition of intangible assets	-9	-6
Dividend GRAVIS	11	0
Gain from sale of fixed assets	0	3
Cash inflow (outflow) from investing activities	<u>-54</u>	<u>-46</u>
Cash flow from financing activities:		
Loans from related parties	200	1,200
Cash flow from financing activities	<u>200</u>	<u>1,200</u>
Net change in cash and cash equivalents	-161	-426
Cash and cash equivalents, beginning of the year	480	636
Cash and cash equivalents, end of the year	319	210
Cash and cash equivalents include: Money market funds	70	70

Summary of Significant Financial Reporting Policies and Standards

Presentation Basis

The consolidated financial statements of TELES 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 September 2015 were prepared on the basis of the International Accounting Standard (IAS 34) "Interim Financial Reporting". The accounting policies and measurement methods used in the preparation of the interim financial statements are fundamentally consistent with those applied 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 September 2015, as well as the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were applied accordingly.