

Half-yearly Financial Report of TELES Group to 30.06.2016

(IFRS, unaudited)

Key figures from 1 January 2016 to 30 June 2016

- Increase in sales of 11% (compared to first six months of 2015)
- Increase in gross profit of 33% (compared to first six months of 2015)
- Weak sales development noted in Q2

Overview of the corporate key figures for the continuing business operations of TELES AG for the first six months of 2016 (in accordance with IFRS, unaudited)

TELES Group (in K€)	01.01.2015 - 30.06.2015	01.01.2016 - 30.06.2016	Change
Revenue	2,733	3,033	11%
Gross Profit	1,532	2,030	33%
EBIT	-1,745	-464	73%

Interim Management Report

Following quite a satisfactory start to 2016, a weaker sales development was noted in the second quarter of the year, with delays occurring in the conclusion of important projects. For instance in June, after 15 months of work, we were finally awarded a Norwegian tender for the replacement of a TDM-based legacy switch. The project implementation is due to occur in the third quarter. This market entry represents a further important reference for TELES. During the second quarter, it proved possible to conduct important work on the "International Gateway" Project in Iran. This concerns one of three international gateways in total for the client, and by now we are in the handover phase. This project has given us an excellent basis for our market entry in Iran.

In our branch in Vienna, we have set up a highly extensive development project for an integrated cloud communication system. This project is being conducted together with the Austrian Research Promotion Agency (FFG). The first interim result from this project already occurred in Q2 with the successful marketing of a new call center license. It is expected that by year-end, we will be able to launch further functionalities in the unified communication environment on the market.

In the first six months of the reporting period, the sales revenue grew on an annualized basis by 11 percent to approx. € 3 million. It proved possible to increase the gross profit to approx. € 2 million – representing a plus of 33 percent in the comparison period. Thanks to the clearly improved cost situation, the operating loss (EBIT) was reported at minus K€ 464.

Summary Statement of the Business Situation

In the first six months of 2016, TELES consistently pursued the new alignment which began in 2015 by clearly focusing on its software-based portfolio of interconnection and UC solutions for telecommunications providers.

The further development of the product family, the identification of further niche markets and additional market segments, as well as the development of suitable solutions and products continue to be the focus. However, building up a powerful sales team requires time. And the necessary expansion of the marketing and communications activities in order to continue to position TELES on the market and embed it with customers as a competent, high-performance and viable provider is proceeding at a slow pace due to the weak liquidity position. In this regard, attentive cash management and persistent receivables management are helping the company to maintain stability.

Risk Report

In the Management Report for the prior 2015 financial year, all of the relevant risks known to us were diligently detailed. No other ones need to be added at present. We secure the company's liquidity by means of very conscientious planning. We continue to monitor incoming payments very precisely, utilizing this to counter any payment defaults on the part of customers in a targeted manner. Irrespective of internal corporate factors, the achievement of the revenue and profit targets is decisively dependent on economic, political and industry specific developments – and that especially in our core market of Europe.

Forecast

For the current financial year, the Management Board continues to adhere to the forecast provided in the 2015 annual report for the complete year. Accordingly, the company is expecting growth in the 2016 sales revenue of more than 30% and a positive result (EBIT) compared to the previous year thanks to the growing investments in personnel and other areas.

TELES AG Informationstechnologien

The Management Board

July 2016

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2015	30.06.2016
ASSETS		
Non-current assets		
Property, plant and equipment	91	63
Intangible assets	10	8
	101	71
Current assets		
Inventories	167	55
Trade receivables	618	345
Receivables from taxes on income	32	33
Other current assets	164	432
Cash and cash equivalents	209	174
	1.190	1.040
Total assets	1.291	1.111
EQUITY AND LIABILITIES		
Equity		
Ordinary shares (issued and in circulation: 23,304,676)	23.305	23.305
Capital reserve	11.568	11.568
Revenue reserves	-48.225	-48.835
Valuation of pension obligations	-220	-220
Currency translation reserve	379	379
Total equity	-13.192	-13.803
Non-current liabilities		
Non-current provisions	682	709
Other financial liabilities	8.730	8.888
	9.412	9.597
Current liabilities		
Trade payables	894	753
Other provisions	125	136
Accrued income	416	461
Other financial liabilities	2.387	2.766
Other current liabilities	1.250	1.201
	5.071	5.317
Total liabilities	14.484	14.914
	1.291	1.111

Consolidated Statement of income (IFRS, unaudited)

in K€, excluding numbers of ordinary shares	2nd Quarter		01 January - 30 June	
	2015	2016	2015	2016
CONTINUING OPERATIONS				
Sales revenues	1.456	1.249	2.733	3.033
Production costs	666	436	1.201	1.003
Gross profit	790	812	1.532	2.030
Sales and marketing expenses	584	342	1.256	663
Research and development expenses	727	661	1.253	1.275
Administration expenses	468	338	926	717
Other income	269	145	221	159
Other expenses	0	7	-63	-2
Operating result/EBIT	-720	-390	-1.745	-464
Financial expenses	39	68	62	132
Result from continuing operations before taxes on income	-759	-458	-1.807	-596
Taxes on income	-3	5	-1	15
Result from continuing operations	-756	-464	-1.806	-610
DISCONTINUED OPERATIONS				
Result from discontinued operations after deduction of taxes	-727	0	-954	0
Net loss	-1.483	-464	-2.760	-610
of which attributable to:				
Parent company shareholders	-1.483	-464	-2.760	-610
Minority interests	0	0	0	0
Result per share from continuing operations				
Undiluted	-0,03	-0,03	-0,08	-0,03
Diluted	-0,03	-0,03	-0,08	-0,03
Result per share from continuing operations				
Undiluted	-0,06	-0,03	-0,12	-0,03
Diluted	-0,06	-0,03	-0,12	-0,03
Nmber 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 disclosure to the consolidated financial statements:				
EBITDA ¹	-702	-376	-1.712	-435

¹ Corresponds to Earnings (2015: -k€ 720/ -k€ 1.745; 2016: -k€ 390/ -k€ 464) before depreciation (2015: k€ 17/ k€ 33; 2016: k€ 14/ k€ 30)

Statement of comprehensive income (IFRS, unaudited)

(in k€)	2nd Quarter		01 January - 30 June	
			2015	2016
Net loss	-1.483	-464	-2.760	-610
Other comprehensive income:				
<i>Other income reclassified in current period affecting net income:</i>				
Financial assets available for sales; evaluation	0	0	0	0
Gain from financial assets available for sale	0	0	0	0
Income tax effects	0	0	0	0
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	-265	2	-187	-1
Other income to be reclassified in subsequent periods affecting net income, net	-265	2	-187	-1
Actuarial losses from defined benefit pension plan obligations as per IAS 19	0	0	0	0
Items not to be reclassified in subsequent periods affecting net income, net	0	0	0	0
Other comprehensive income after deduction of taxes	-265	2	-187	-1
Comprehensive income after deduction of taxes	-1.748	-461	-2.947	-611
of which attributable to:	-1.748	-461	-2.947	-611
Parent company shareholders	0	0	0	0

Development of the Consolidated Equity (IFRS, unaudited)

in k€, numbers of ordinary shares: 23,304,676

	Nominal value of the shares	Capital reserve	Revenue reserves	Valuation of pension obligations	Currency translation reserve	Total	Total Equity
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December 31, 2014	23.305	11.568	-46.792	-224	397	-11.746	-11.746
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Net loss for the financial year	0	0	-2.760	0	0	-2.760	-2.760
Other comprehensive income	0	0	0	0	-187	-187	-187

June 30, 2015	23.305	11.568	-49.552	-224	210	-14.693	-14.693
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	Nominal value of the shares	Capital reserve	Revenue reserves	Valuation of pension obligations	Currency translation reserve	Total	Total Equity
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December 31, 2015	23.305	11.568	-48.225	-220	379	-13.192	-13.192
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Net loss for the financial year	0	0	-610	0	0	-610	-610
Other comprehensive income	0	0	0	0	-1	-1	-1

June 30, 2016	23.305	11.568	-48.835	-220	379	-13.803	-13.803
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Consolidated Cash Flow Statement (IFRS, unaudited)

(in K€)	01 January - 30 June	
	2015	2016
Cash flow from operating activities		
Net loss for the financial year	-2.760	-610
Adjustment of the net loss for the financial year to the:		
Taxes on income	0	-15
Financial result	63	132
Value adjustment on receivables	87	15
Value impairment on inventories	143	-5
Depreciation of property, plant and equipment	38	28
Depreciation of intangible assets	4	2
Inventories	166	117
Trade receivables	474	254
Other current assets, prepayments and accrued Current liabilities	-55	-268
Current liabilities	979	-123
Provisions and other liabilities	36	38
Effects from exchange rate differences	-187	-1
Taxes on income received	0	13
Interest paid	0	-3
Cash flow from operating activities	-1.012	-427
Cash flow from investing activities:		
Acquisition of property, plant and equipment	-34	0
Disposal of property, plant and equipment	0	1
Cash flow from investing activities	-34	1
Cash flow from financing activities:		
Loans from related parties	800	250
Loan from Austrian sponsoring company for research promotion (FFG)	0	140
Cash flow from financing activities	800	390
Net change in cash and cash equivalents	-246	-36
Cash and cash equivalents at beginning of period	636	209
Cash and cash equivalents at end of period	390	174
Cash and cash equivalents contain: money market	70	70

Summary of Significant Financial Reporting Policies and Standards

Presentation Basis

TELES' consolidated financial statements as of 31 December 2015 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 2016 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 2015. Standards and interpretations binding and applicable from 1 January 2016 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 2016, 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, together with a description of the fundamental opportunities and risks associated with the expected development of the group for the rest of the financial year.