

Q1 2016 Quarterly Report of the TELES Group

(IFRS, unaudited)

Key figures from 1 January 2016 to 31 March 2016

- Positive trend from last quarter of 2015 continues into 2016
- Revenue growth of 40% (compared to Q1 2015)
- Increase in gross profit of 69% (compared to Q1 2015)

Overview of the corporate key figures of TELES AG for Q1 2016
(in accordance with IFRS, unaudited)

TELES Group (in k€)	01.01.2015 - 31.03.2015	01.01.2016 - 31.03.2016	Change
Sales revenues	1.277	1.785	40%
Gross profit	721	1.218	69%
Operating result/EBIT	-1.062	-74	93%

Interim Management Report

The kick-off to the new 2016 financial year has certainly proven very satisfactory. Even in the three months of the year regarded as the weakest due to seasonal factors, the Group has succeeded in continuing the positive trend that started in the last quarter of 2015.

In the first three months of the reporting period, the revenue grew on an annualized basis by 40 percent to approx. € 1.8 million. It proved possible to increase the gross profit to approx. € 1.2 million – representing a plus of just under 70 percent compared to the same quarter in the previous year. Thanks to the clearly improved cost situation, the operating loss (EBIT) was reported at minus k€ 74.

Summary Statement of the Business Situation

In the first three months of 2016, TELES has consistently pursued the new structure and alignment strategy of the Group, which began in the last quarter of 2015, by clearly focusing on its software-based portfolio of interconnection and UC solutions for telecommunications providers – resulting in a successful start to the financial year.

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 of the corporate activities. 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 2015 financial year, all of the relevant risks known to us were diligently detailed. No further 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 forecasts provided in the 2015 annual report for the complete 2016 year. Accordingly, we are expecting single-digit growth in the sales revenue in 2016 overall and a balanced result (EBIT) compared to the fourth quarter of the previous year, which was also the first quarter with the new corporate structure.

TELES AG Informationstechnologien

The Management Board

May 2016

Interim, Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2015	31.03.2016
ASSETS		
Non-current assets		
Property, plant and equipment	91	77
Intangible assets	10	9
	101	86
Current assets		
Inventories	167	56
Trade receivables	618	412
Receivables from taxes on income	32	32
Other current assets	164	287
Cash and cash equivalents	209	245
	1.190	1.033
Total assets	1.291	1.119
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	-48.371
Valuation of pension obligations	-220	-220
Currency translation reserve	379	376
Total equity	-13.192	-13.342
Non-current liabilities		
Non-current provisions	682	696
Other financial liabilities	8.730	8.739
	9.412	9.434
Current liabilities		
Trade payables	894	863
Other provisions	-	5
Accrued income	125	137
Other financial liabilities	416	462
Other current liabilities	2.387	2.423
	1.250	1.136
	5.071	5.026
Total liabilities	14.484	14.460
	1.291	1.119

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	01. Januar - 31. März	
	2015	2016
CONTINUING OPERATIONS		
Sales revenues	1.277	1.785
Production costs	556	567
Gross profit	721	1.218
Sales and marketing expenses	673	321
Research and development expenses	539	614
Administration expenses	458	380
Other income	68	14
Other expenses	180	-9
Operating result/EBIT	-1.062	-74
Financial expenses	23	63
Result from continuing operations before taxes on income	-1.084	-137
Taxes on income	2	9
Result from continuing operations	-1.086	-147
DISCONTINUED OPERATIONS		
Result from discontinued operations after deduction of taxes	-190	0
Net loss	-1.276	-147
of which attributable to:		
Parent company shareholders	-1.276	-147
Minority interests	0	0
Result per share from continuing operations		
Undiluted	-0,05	-0,01
Diluted	-0,05	-0,01
Result per share from continuing operations		
Undiluted	-0,05	-0,01
Diluted	-0,05	-0,01
Number of underlying shares		
Undiluted	23.304.676	23.304.676
Diluted	23.304.676	23.304.676

Additional disclosure to the consolidated financial statements:

EBITDA ¹	-1.038	-53
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¹ Equates to operating result (2014: -K€ 1.062; 2015: -K€ 74) before depreciation (2014: K€ 24; 2015: K€ 16).

Statement of comprehensive income (IFRS, unaudited)

(in k€)	01. Januar - 31. März	
	2015	2016
Net loss	-1.276	-147
Other comprehensive income:		
<i>Other income reclassified in current period affecting net income:</i>		
Financial assets available for sales; evaluation	0	
Gain from financial assets available for sale	0	
Income tax effects	0	
Other income reclassified in current period affecting net income, net	0	0
<i>Other income to be reclassified in subsequent periods affecting net income:</i>		
Currency translation differences, foreign subsidiaries	78	-3
Other income to be reclassified in subsequent periods affecting net income, net	78	-3
Actuarial losses from defined benefit pension plan obligations as per IAS 19		
Items not to be reclassified in subsequent periods affecting net income, net		
Other comprehensive income after deduction of taxes	78	-3
Comprehensive income after deduction of taxes	-1.198	-150
of which attributable to:	-1.198	-150
Parent company shareholders	0	0

Development of the consolidated Equity (IFRS, unaudited)

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

	Nominalwert der Aktien	Kapitalrücklage	Gewinnrücklage	Bewertung von Pensionsverpflichtungen	Rücklage für Währungs-differenzen	Summe	Summe Eigenkapital
December 31, 2014	23.305	11.568	-46.792	-224	397	-11.746	-11.746
Net loss for the financial year	-	-	-1.276	-	-	-1.276	-1.276
Other comprehensive income	-	-	-	-	78	78	78
March 31, 2015	23.305	11.568	-48.068	-224	474	-12.944	-12.944

	Nominalwert der Aktien	Kapitalrücklage	Gewinnrücklage	Bewertung von Pensionsverpflichtungen	Rücklage für Währungs-differenzen	Summe	Summe Eigenkapital
December 31, 2014	23.305	11.568	-48.225	-220	379	-13.192	-13.192
Net loss for the financial year	-	-	-147	-	-	-147	-147
Other comprehensive income	-	-	-	-	-3	-3	-3
March 31, 2016	23.305	11.568	-48.371	-220	376	-13.342	-13.342

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01. Januar – 31. März	
	2015	2016
Cash flow from operating activities		
Net loss for the financial year	-1.276	-147
Adjustment of the net loss for the financial year to the:		
Taxes on income	-2	-9
Interest result	23	63
Value adjustment on receivables	59	-2
Value impairment on inventories	68	-9
Depreciation of property, plant and equipment	21	15
Depreciation of intangible assets	2	1
Inventories	57	120
Trade receivables	189	207
Other current assets, prepayments and accrued Current liabilities	-181	-123
Current liabilities	348	-116
Provisions and other liabilities	11	25
Effects from exchange rate differences	78	-3
Taxes on income received	7	14
Interest paid	-	-1
Cash flow from operating activities	-596	36
Cash flow from investing activities:		
Acquisition of property, plant and equipment	-34	-
Cash flow from investing activities	-34	-
Cash flow from financing activities: q		
Loans from related parties	200	-
Cash flow from financing activities	200	-
Net change in cash and cash equivalents	-430	36
Cash and cash equivalents at beginning of period	208	209
Cash and cash equivalents at end of period	-222	245
Cash and cash equivalents contain: money market	70	70

Summary of Significant Financial Reporting Policies and Standards

Presentation Basis

The consolidated financial statements of TELES 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 31 March 2016 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 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 31 March 2016, as well as the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were applied accordingly.