

Q1 2017 Quarterly Report of the TELES Group

(IFRS, unaudited)

Key figures from 1 January 2017 to 31 March 2017

- Positive trend from last quarter of 2016 continues into 2017
- Revenue growth of 7% (compared to Q1 2016)
- Increase in gross profit of 13% (compared to Q1 2016)
- Positive EBIT

Overview of the corporate key figures of TELES AG for Q1 2017
(in accordance with IFRS, unaudited)

	01.01.2016	01.01.2017	
	-	-	Veränderung
	31.03.2016	31.03.2017	
Sales revenues	1.785	1.911	7%
Gross profit	1.218	1.380	13%
Operating result/EBIT	-74	32	143%

Interim Management Report

The kick-off to the new 2017 financial year has certainly proven very satisfactory. Even in the first 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 2016.

In the first three months of the reporting period, the revenue grew on an annualized basis by 7 percent to approx. € 1.9 million. It proved possible to increase the gross profit to approx. € 1.4 million – representing a plus of 13 percent compared to the same quarter in the previous year. Thanks to the clearly improved cost situation, the operating result (EBIT) was reported at k€ 32.

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 2016 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 2016 annual report for the complete 2017 year. Accordingly, in 2017, we are expecting a total revenue growth of between 18 and 28 % for the Company and a positive result (EBIT).

TELES AG Informationstechnologien

The Management Board

May 2017

Interim, Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2016	31.03.2017
ASSETS		
Non-current assets		
Property, plant and equipment	50	41
Intangible assets	7	6
	57	47
Current assets		
Inventories	31	34
Trade receivables	793	1.161
Receivables from taxes on income	22	9
Other current assets	136	161
Cash and cash equivalents	164	228
	1.146	1.593
Total assets	1.203	1.640
EQUITY AND LIABILITIES		
Total Equity		
Ordinary shares (issued and in circulation: 23,304,676)	23.305	23.305
Capital reserve	11.568	11.568
Revenue reserves	-45.092	-45.156
Valuation of pension obligations	-289	-288
Currency translation reserve	359	433
	-10.148	-10.138
Non-current liabilities		
Non-current provisions	805	820
Other financial liabilities	4.750	4.749
	5.555	5.569
Current liabilities		
Trade payables	652	648
Other provisions	147	103
Accrued income	347	464
Other financial liabilities	3.753	3.576
Other current liabilities	898	1.418
	5.796	6.209
Total liabilities	11.351	11.778
Total equity and liabilities	1.203	1.640

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	01 January - 31 March	
	2016	2017
CONTINUING OPERATIONS		
Sales revenues	1.785	1.911
Production costs	567	531
Gross profit	1.218	1.380
Sales and marketing expenses	321	353
Research and development expenses	614	621
Administration expenses	380	374
Other income	14	3
Other expenses	<u>-9</u>	<u>3</u>
Operating result/EBIT	-74	32
Financial expenses	<u>63</u>	<u>91</u>
Result from continuing operations before taxes on income	-137	-59
Taxes on income	<u>9</u>	<u>5</u>
Result from continuing operations	-147	-64
Net loss	-147	-64
of which attributable to:		
Parent company shareholders	-147	-64
Minority interests	0	0
Result per share from continuing operations		
Undiluted	-0,01	-0,003
Diluted	-0,01	-0,003
Result per share from continuing operations		
Undiluted	-0,01	-0,003
Diluted	-0,01	-0,003
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	-58	42

¹ Corresponds to Earnings (2016: -k€ 74; 2017: k€ 3) before depreciation (2016: k€ 16; 2017: k€ 10)

Statement of comprehensive income (IFRS, unaudited)

in k€	01 January - 31 March	
	2016	2017
Net loss	-147	-64
Other comprehensive income:		
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	-3	74
Other income to be reclassified in subsequent periods affecting net income, net	-3	74
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	-3	74
Comprehensive income after deduction of taxes	-150	10
of which attributable to:		
Parent company shareholders	-150	10
Minority interests	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 Equity
December 31, 2015	23.305	11.568	48.225	-220	379	13.192
Net loss for the financial year	0	0	-147	0	0	147
Other comprehensive income	0	0	0	0	-3	-3
March 31, 2016	23.305	11.568	48.371	-220	376	13.342
December 31. 2016	23.305	11.568	45.092	-289	359	10.148
Net loss for the financial year	0	0	-64	0	0	-64
Other comprehensive income	0	0	0	0	74	74
March 31, 2017	23.305	11.568	45.156	-289	433	10.138

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 January - 31 March	
	2016	2017
Cash flow from operating activities		
Net loss for the financial year	-147	-64
Adjustment of the net loss for the financial year to the:		
Taxes on income	-9	5
Financial result		
Interest result	63	91
Value adjustment on receivables	-2	10
Value impairment on inventories	-9	-10
Depreciation of property, plant and equipment	15	9
Depreciation of intangible assets	1	1
Changes to the provisions, pension obligations an public sector grants	0	3
Charges to other balance sheet items:		
Inventories	120	7
Trade receivables	207	-374
Other current assets, prepayments and accrued Current liabilities	-123	-25
Current liabilities	-116	363
Provisions and other liabilities	25	-33
Effects from exchange rate differences	-3	74
Taxes on income received	14	8
Interest paid	<u>-1</u>	<u>-1</u>
Cash flow from operating activities	<u>36</u>	<u>64</u>
Cash flow from investing activities:		
Acquisition of property, plant and equipment	0	0
Acquisition of intangible assets	0	0
Cash flow from investing activities	<u>0</u>	<u>0</u>
Cash flow from financing activities:		
Loans from related parties	0	0
Loan from Austrian sponsoring company for research promotion (FFG)	<u>0</u>	0
Cash flow from financing activities	<u>0</u>	<u>0</u>
Net change in cash and cash equivalents	36	64
Cash and cash equivalents at beginning of period	<u>209</u>	<u>164</u>
Cash and cash equivalents at end of period	245	228
Cash and cash equivalents contain: money market	60	60

Summary of Significant Financial Reporting Policies and Standards

Presentation Basis

The consolidated financial statements of TELES as of 31 December 2016 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 2017 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 2016. Standards and interpretations binding and applicable from 1 January 2017 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 2017, as well as the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were applied accordingly.