

Half-yearly Financial Report of TELES Group to 30.06.2017

(IFRS, unaudited)

Key figures from 1 January 2017 to 30 June 2017

- Positive trend from past two quarters continues
- Revenue growth of 19% (compared to Q1 2016)
- Increase in gross profit of 27% (compared to H1 2016)
- Positive EBIT

Overview of the corporate key figures of TELES AG for H1 2017
(in accordance with IFRS, unaudited)

TELES Group (in k€)	01.01.2016 - 30.06.2016	01.01.2017 - 30.06.2017	Change
Sales revenues	3.033	3.617	19%
Gross profit	2.030	2.583	27%
Operating result/EBIT	-464	44	109%

Interim Management Report

The second quarter in 2017 has been a success. Sales increased by 37 percent compared to the same quarter of the previous year. Thus the positive trend continued the third quarter in a row with positive EBIT.

In the first six months of the reporting period, the revenue grew on annualized basis by 19 percent to approx. € 3.6 million. It proved possible to increase the gross profit to approx. € 2.6 million – representing a plus of 27 percent compared to the comparison period. Thanks to the increased gross profit as well as the improved cost situation, the operating result (EBIT) was reported at k€ 44.

Summary Statement of the Business Situation

In the first six months of 2017, TELES has consistently pursued the new structure and alignment strategy of the Group, which began in the second half 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 positives result (EBIT).

TELES AG Informationstechnologien

The Management Board

July 2017

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2016	30.06.2017
ASSETS		
Non-current assets		
Property, plant and equipment	50	33
Intangible assets	7	5
	57	39
Current assets		
Inventories	31	50
Trade receivables	793	1.046
Receivables from taxes on income	22	9
Other current assets	136	303
Cash and cash equivalents	164	424
	1.146	1.832
Total assets	1.203	1.871
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	-45.237
Valuation of pension obligations	-289	-289
Currency translation reserve	359	424
	-10.148	-10.226
Non-current liabilities		
Non-current provisions	805	834
Other financial liabilities	4.750	4.805
	5.555	5.639
Current liabilities		
Trade payables	652	672
Other provisions	147	82
Accrued income	347	506
Other financial liabilities	3.753	3.576
Other current liabilities	898	1.627
	5.796	6.458
Total liabilities	11.351	12.097
Total equity and liabilities	1.203	1.871

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	2 nd quarter		01 January - 30 June	
			2016	2017
CONTINUING OPERATIONS				
Sales revenues	1.122	1.706	3.033	3.617
Production costs	472	502	1.003	1.034
Gross profit	650	1.203	2.030	2.583
Sales and marketing expenses	310	321	663	674
Research and development expenses	654	676	1.275	1.297
Administration expenses	344	354	717	728
Other income	-162	-146	-159	-144
Other expenses	<u>-1</u>	<u>13</u>	<u>2</u>	<u>16</u>
Operating result/EBIT	-496	12	-464	44
Financial expenses	<u>41</u>	<u>91</u>	<u>132</u>	<u>181</u>
Result from continuing operations before taxes on income	-537	-79	-596	-137
Taxes on income	<u>9</u>	<u>4</u>	<u>15</u>	<u>10</u>
Result from continuing operations	-547	-83	-610	-147
Net loss	-547	-83	-610	-147
of which attributable to:				
Parent company shareholders	-547	-83	-610	-147
Minority interests	0	0	0	0
Result per share from continuing operations				
Undiluted	-0,03	-0,006	-0,03	-0,006
Diluted	-0,03	-0,006	-0,03	-0,006
Result per share from continuing operations				
Undiluted	-0,03	-0,006	-0,03	-0,006
Diluted	-0,03	-0,006	-0,03	-0,006
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 disclosure to the consolidated financial statements:

EBITDA ¹	-476	20	-435	62
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¹ Corresponds to Earnings (2016: -k€ 496/-k€ 464; 2017: k€ 12/k€ 44) before depreciation (2016: k€ 20/k€ 30; 2017: k€ 8/k€ 18)

Statement of comprehensive income (IFRS, unaudited)

in k€	2 nd quarter		01 January - 30 June	
	2016	2017	2016	2017
Net loss	-547	-83	-610	-147
Other comprehensive income:				
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	2	138	-1	68
Other income to be reclassified in subsequent periods affecting net income, net	2	138	-1	68
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	2	138	-1	68
Comprehensive income after deduction of taxes	-544	55	-611	-79
of which attributable to:				
Parent company shareholders	-544	55	-611	-79
Minority interests	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 Equity
December 31, 2015	23.305	11.568	-48.225	-220	379	-13.192
Net loss for the financial year	0	0	-610	0	0	-610
Other comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>	<u>-1</u>
June 30, 2016	23.305	11.568	-48.835	-220	379	-13.803
December 31, 2016	23.305	11.568	-45.092	-289	359	-10.148
Net loss for the financial year	0	0	-147	0	0	-181
Other comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68</u>	<u>65</u>
June 30, 2017	23.305	11.568	-45.238	-289	427	-10.226

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 January - 30 June	
	2016	2017
Cash flow from operating activities		
Net loss for the financial year	-610	-147
Adjustment of the net loss for the financial year to the:		
Taxes on income	-15	10
Financial result		
Interest result	132	181
Value adjustment on receivables	15	-3
Value impairment on inventories	-5	-9
Depreciation of property, plant and equipment	28	16
Depreciation of intangible assets	2	1
Changes to the provisions, pension obligations and public sector grants	0	-8
Charges to other balance sheet items:		
Inventories	117	-9
Trade receivables	254	-239
Other current assets, prepayments and accrued Current liabilities	-268	-168
Current liabilities	-123	625
Provisions and other liabilities	38	-29
Effects from exchange rate differences	-1	69
Taxes on income received	13	4
Interest paid	0	-92
Cash flow from operating activities	-427	202
Cash flow from investing activities:		
Acquisition of property, plant and equipment	0	0
Acquisition of intangible assets	0	0
Cash flow from investing activities	1	0
Cash flow from financing activities:		
Loans from related parties	250	0
Loan from Austrian sponsoring company for research promotion (FFG)	140	56
Cash flow from financing activities	391	56
Net change in cash and cash equivalents	-36	260
Cash and cash equivalents at beginning of period	209	164
Cash and cash equivalents at end of period	174	424
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 30 June 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 30 June 2017, 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.