

Third Quarter Financial Report of TELES Group to 30.09.2017

(IFRS, unaudited)

Key figures from 1 January 2017 to 30 September 2017

- Weak business performance in the third quarter
- Revenue and result in the first nine months at the previous year level

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

TELES Group (in k€)	01.01.2016 - 30.09.2016	01.01.2017 - 30.09.2017	Change
Sales revenues	4.645	4.661	0%
Gross profit	3.104	3.067	-1%
Operating result/EBIT	-639	-638	0%

Interim Management Report

The third quarter in 2017 was not successful. Through vacation periods as well as Ramadan, it is one of the most challenging quarters every year. This year, we have failed to win enough customer projects. With a drop in Sales of 35% to around € 1 million, an operating loss (EBIT) of minus k€ 682 thousand was generated.

In the first nine months of the reporting period, revenue for the year was around € 4.6 million at the level of previous year. Gross profit also stagnated at around € 3.1 million as well as the operating result at minus k€ 638.

Summary Statement of the Business Situation

In the first nine 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 fo-

cusing 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 is revising 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 10 and 15 % for the Company and a positive result (EBIT).

TELES AG Informationstechnologien

The Management Board

October 2017

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2016	30.09.2017
ASSETS		
Non-current assets		
Property, plant and equipment	50	31
Intangible assets	7	5
	57	35
Current assets		
Inventories	31	48
Trade receivables	793	841
Receivables from taxes on income	22	1
Other current assets	136	175
Cash and cash equivalents	164	240
	1.146	1.304
Total assets	1.203	1.339
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	-46.006
Valuation of pension obligations	-289	-289
Currency translation reserve	359	432
	-10.148	-10.989
Non-current liabilities		
Non-current provisions	805	848
Other financial liabilities	4.750	4.941
	5.555	5.789
Current liabilities		
Trade payables	652	662
Other provisions	147	78
Accrued income	347	393
Other financial liabilities	3.753	4.106
Other current liabilities	898	1.300
	5.796	6.539
Total liabilities	11.351	12.328
Total equity and liabilities	1.203	1.339

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	3 rd quarter		01 January - 30 September	
	2016	2017	2016	2017
CONTINUING OPERATIONS				
Sales revenues	1.612	1.044	4.645	4.661
Production costs	537	561	1.541	1.594
Gross profit	1.074	484	3.104	3.067
Sales and marketing expenses	371	354	1.034	1.028
Research and development expenses	610	635	1.885	1.932
Administration expenses	353	321	1.071	1.049
Other income	-86	-140	-245	-284
Other expenses	-	4	1	19
Operating result/EBIT	-175	-682	-639	-638
Financial expenses	77	90	208	271
Result from continuing operations before taxes on income	-252	-772	-848	-909
Taxes on income	4	-5	19	5
Result from continuing operations	-256	-767	-867	-914
Net loss	-256	-767	-867	-914
of which attributable to:				
Parent company shareholders	-256	-767	-867	-914
Minority interests	0	0	0	0
Result per share from continuing operations				
Undiluted	-0,04	-0,039	-0,04	-0,039
Diluted	-0,04	-0,039	-0,04	-0,039
Result per share from continuing operations				
Undiluted	-0,04	-0,039	-0,04	-0,039
Diluted	-0,04	-0,039	-0,04	-0,039
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	-180	-675	-614	-613

¹ Corresponds to Earnings (2016: -k€ 175/-k€ 639; 2017: -k€ 682/-k€ 638) before depreciation (2016: k€ 13/k€ 42; 2017: k€ 7/k€ 25)

Statement of comprehensive income (IFRS, unaudited)

in k€	3 rd quarter		01 January - 30 September	
	2016	2017	2016	2017
Net loss	-256	-767	-867	-914
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	-7	5	-8	73
Other income to be reclassified in subsequent periods affecting net income, net	-7	5	-8	73
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	-7	5	-8	73
Comprehensive income after deduction of taxes	-264	-762	-875	-841
of which attributable to:				
Parent company shareholders	-264	-762	-875	-841
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	-867	0	0	- 867
Other comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-8</u>	<u>-8</u>
September 30, 2016	23.305	11.568	-49.092	-220	372	-14.067
December 31, 2016	23.305	11.568	-45.092	-289	359	-10.148
Net loss for the financial year	0	0	-913	0	0	- 913
Other comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73</u>	<u>73</u>
September 30, 2017	23.305	11.568	-46.005	-289	432	-10.988

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 January - 30 September	
	2016	2017
Cash flow from operating activities		
Net loss for the financial year	-867	-914
Adjustment of the net loss for the financial year to the:		
Taxes on income	-19	5
Financial result		
Interest result	208	271
Value adjustment on receivables	27	-3
Value impairment on inventories	3	
Depreciation of property, plant and equipment	40	23
Depreciation of intangible assets	3	2
Changes to the provisions, pension obligations an public sector grants	0	-8
Charges to other balance sheet items:		
Inventories	126	-16
Trade receivables	-66	50
Other current assets, prepayments and accrued Current liabilities	12	-20
Current liabilities	-431	431
Provisions and other liabilities	34	-19
Effects from exchange rate differences	-8	73
Taxes on income received	25	17
Interest paid	0	-4
Cash flow from operating activities	<u>-916</u>	<u>-112</u>
Cash flow from investing activities:		
Disposal of property, plant and equipment	1	0
Acquisition of property, plant and equipment	-10	-4
Cash flow from investing activities	<u>-9</u>	<u>-4</u>
Cash flow from financing activities:		
Loans from related parties	650	0
Loan from Austrian sponsoring company for research promotion (FFG)	225	192
Cash flow from financing activities	<u>865</u>	<u>188</u>
Net change in cash and cash equivalents	-51	76
Cash and cash equivalents at beginning of period	209	164
Cash and cash equivalents at end of period	158	240
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 September 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 September 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.