TELES AG Informationstechnologien

Q1 2018 Quarterly Financial Statements of the TELES Group

(IFRS, unaudited)

Key figures from 1 January 2018 to 31 March 2018

- Weak business as expected in first quarter of 2018
- Sales revenue of € 1.1 million and gross profit of € 0.7 million

Overview of the corporate key figures of TELES AG for Q1 2018
(in accordance with IFRS, unaudited)

TELES Group (in k€)	01.01.2017 - 31.03.2017	01.01.2018 - 31.03.2018	Change
Revenue	1,911	1,128	-41%
Gross profit	1,380	708	-49%
Operating result/EBIT	32	-756	-24%

Interim Management Report

The start to the new 2018 financial year proved to be weak. On a seasonal basis, the first quarter is the weakest one. Furthermore, we had an excellent fourth quarter in 2017, in which we were able to bring many projects to a conclusion. Thus, there was a lack of customer projects in Q1 2018 and the revenue dropped on an annualized basis by 41 percent to approx. € 1.1 million. We invested in our service and our infrastructure. Due to the low revenue and increased personnel expenses in the services area, the gross profit was reduced to € 0.7 million – representing a decrease of almost 50 percent compared to the same quarter in the previous year. TELES AG has moved into new offices in the Berlin Tempelhof district. Clear cost savings will result from this over the medium and long-term, with additional expenses arising in the short-term. The operating result (EBIT) was at minus k€ 756.

In the first quarter, we provided additional functionalities for our unified communications growth area as planned. With instant messaging and high definition video conferencing, we are now able to expand our position in the business communications sector, and that especially in the German-language regions and countries as well.

Summary Statement of the Business Situation

In the first three months, TELES also consistently pursued its focus on the software-based portfolio of UC solutions for telecommunication providers. Following a very powerful prior quarter, the number of customer projects was too low. The investments in personnel and infrastructure were effected as planned, and 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 remain focal areas. Expanding our powerful sales team requires time. And the necessary expansion of the marketing and communications activities in order to continue positioning TELES on the market and embed it with customers as a competent, high performance and viable future provider is proceeding at a slow pace due to the weak liquidity position. In this regard, attentive cash management and persistent receivables management help the company to maintain stability.

Risk Report

In the Management Report for the 2017 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 sector-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 2017 annual report for the complete year. Accordingly in 2018, the company is expecting growth in the sales revenue of between 5% and 11% in total and a positive result (EBIT) compared to the previous year.

TELES AG Informationstechnologien
The Management Board
May 2018

TELES AG Informationstechnologien

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	31.12.2017	31.03.2018
ASSETS		
Non-current assets		
Property, plant and equipment	38	63
Intangible assets	4	4
	42	**67**
Current assets		
Inventories	26	11
Trade receivables	1.450	1.011
Receivables from taxes on income	1	3
Other current assets	189	273
Cash and cash equivalents	254	3
	1.921	**1.301**
Total assets	**1.963**	**1.368**
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	-44.571	-45.429
Valuation of pension obligations	-262	-262
Currency translation reserve	341	313
	-9.619	**-10.505**
Non-current liabilities		
Non-current provisions	823	837
Other financial liabilities	3.923	4.103
	4.746	**4.940**
Current liabilities		
Trade payables	895	876
	9	9
Other provisions	66	70
Accrued income	326	436
Other financial liabilities	4.667	4.436
Other current liabilities	873	1.106
	6.836	**6.933**
Total liabilities	**11.582**	**11.873**
Total equity and liabilities	**1.963**	**1.368**

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	01 Jan - 31 March	
	2017	**2018**
Sales revenues	**1.911**	**1.128**
Production costs	**531**	**419**
Gross profit	**1.380**	**708**
Sales and marketing expenses	353	389
Research and development expenses	621	678
Administration expenses	374	416
Other income	3	22
Other expenses	3	4
Operating result/EBIT	**32**	**-756**
Financial expenses	91	100
Result before taxes on income	**-59**	**-856**
Taxes on income	5	2
Net loss of the period	**-64**	**-858**
of which attributable to:		
Parent company shareholders	-64	-858
Minority interests	0	0
Result per share from continuing operations	-0,003	-0,037
Undiluted	-0,003	-0,037
Diluted	-0,003	-0,037
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]	42	-750

[1] Corresponds to Earnings (2017: k€ 32; 2018: -k€ 756) before depreciation (2017: k€ 10; 2018: k€ 6)

Statement of comprehensive income (IFRS, unaudited)

in k€	01 Jan - 31 March	
	2017	2018
Net loss of the period	**-64**	**-858**
Other comprehensive income:		
Other income reclassified in current period affecting net income, net	**0**	**0**
Currency translation differences, foreign subsidiaries	74	-28
Other income to be reclassified in subsequent periods affecting net income, net	**74**	**-28**
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	**74**	**-28**
Comprehensive income after deduction of taxes	**10**	**-886**
of which attributable to:		
Parent company shareholders	10	-886
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 obli-gations	Currency translation re-serve	Total Equity
December 31. 2016	**23.305**	**11.568**	**-45.092**	**-289**	**359**	**-10.148**
Net loss for the period	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**
December 31. 2017	**23.305**	**11.568**	**-44.571**	**-262**	**341**	**-9.619**
Net loss for the period	0	0	-858	0	0	**-858**
Other comprehensive income	0	0	0	0	-28	**-28**
March 31, 2018	**23.305**	**11.568**	**-45.429**	**-262**	**313**	**-10.505**

TELES AG Informationstechnologien

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 Jan - 31 March	
	2017	**2018**
Cash flow from operating activities		
Net loss for the financial year	**-64**	**-858**
Adjustment of the net loss for the period to the:		
Depreciation of property, plant and equipment	9	6
Depreciation of intangible assets	1	
Value impairment on inventories	-10	-9
Changes to the provisions, pension obligations an public sector grants	3	17
Value adjustment on receivables	10	4
Financial result		
Interest result	91	100
Taxes on income	5	2
Charges to other balance sheet items:		
Inventories	7	25
Trade receivables	-374	435
Other current assets, prepayments and accrued Current liabilities	-25	-84
Current liabilities	363	173
Provisions and other liabilities	-33	1
Interest paid	-1	
Effects from exchange rate differences	74	-28
Taxes on income received	8	-4
Cash flow from operating activities	**64**	**-221**
Cash flow from investing activities:		
Acquisition of property, plant and equipment	0	-31
Acquision of intangible assets	0	
Cash flow from investing activities	**0**	**-31**
Cash flow from financing activities:		
Loans from related parties	0	
Loan from Austrian sponsoring company for research promotion (FFG)	0	
Cash flow from financing activities	**0**	**0**
Net change in cash and cash equivalents	64	-252
Cash and cash equivalents at beginning of period	164	254
Cash and cash equivalents at end of period	**228**	**3**
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 2017 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 2018 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 2017. Standards and interpretations binding and applicable from 1 January 2018 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 2018, 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 an 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.