

Half-yearly Financial Report of the TELES Group to 30.06.2018

(IFRS, unaudited)

Key figures from 1 January 2018 to 30 June 2018

- Weak business in first half of 2018
- Sales of € 2.3 million and gross profit of € 1.4 million

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

TELES Group (in K€)	01.01.2017 - 30.06.2017	01.01.2018 - 30.06.2018	Change
Revenue	3,488	2,347	-33%
Gross Profit	2,583	1,486	-42%
EBIT	44	-1,002	-2396%

Interim Management Report

Following a poor start to 2018, a slight improvement was recorded in the second quarter. Despite this, the first six months proved to be below the expectations and the sales revenue decreased on an annualised basis by 33 percent to € 2.3 million. We effected investments in our service and in our infrastructure. Due to the lower sales revenue and higher outlays for personnel in the service area, the gross profit was reduced to just under € 1.5 million – representing a minus of 42 percent compared to the same period in the previous year. The operating result (EBIT) was reported at minus € 1 million.

Presentation of Income from Subleasing

As of 30.06.2018, TELES effected a change in the accounting presentation of income from subleasing. Previously, this income was reported under sales revenue, whereas from now on it is to be reported as other income. As a result, as of 30 June 2017, the sales revenues and actual costs decreased by K€ 129, while the other income and other expenses increased by the same amount (with the reclassified values amounting to K€ 65 as of 31.03.2017).

Summary Statement of the Business Situation

In the first six months of the year, TELES continued to consistently pursue its focus on the software-based portfolio of UC solutions for telecommunications providers. The number of customer projects grew slight in the second quarter compared to Q1, but still proved to be too low. In spite of this, the investments are being effected as planned in the personnel and infrastructure, 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 be the focus. The necessary expansion of the marketing and sales 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 prior 2017 financial year, all of risks known to us and of relevance 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, utilising 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.

Outlook

For the current financial year, the Management Board has lowered the forecasts for the complete year compared to those provided in the 2017 annual report. Accordingly, we are expecting growth of 1% to 5% in total in the 2018 sales revenue for the company and a positive result (EBIT) compared to the previous year.

TELES AG Informationstechnologien

The Management Board

July 2018

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2017	30.06.2018
ASSETS		
Non-current assets		
Property, plant and equipment	38	91
Intangible assets	4	3
	42	94
Current assets		
Inventories	26	9
Trade receivables	1.450	870
Receivables from taxes on income	1	3
Other current assets	189	318
Cash and cash equivalents	254	64
	1.921	1.264
Total assets	1.963	1.358
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	-45.782
Valuation of pension obligations	-262	-262
Currency translation reserve	341	347
	-9.619	-10.824
Non-current liabilities		
Non-current provisions	823	851
Other financial liabilities	3.923	4.589
	4.746	5.440
Current liabilities		
Trade payables	895	938
Liabilities on Income Taxes	9	9
Other provisions	66	79
Accrued income	326	414
Other financial liabilities	4.667	4.521
Other current liabilities	873	782
	6.836	6.743
Total liabilities	11.582	12.183
Total equity and liabilities	1.963	1.358

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	2nd Quarter		01 Jan - 30 Jun	
	2017	2018	2017	2018
Sales revenues	1.641	1.257	3.488	2.347
Production costs	438	479	904	861
Gross profit	1.203	778	2.583	1.486
Sales and marketing expenses	321	330	674	719
Research and development expenses	676	743	1.297	1.421
Administration expenses	354	308	728	723
Other income	206	406	273	465
Other expenses	46	49	114	89
Operating result/EBIT	12	-246	44	-1.002
Financial expenses	91	103	181	203
Result before taxes on income	-79	-349	-137	-1.206
Taxes on income	4	4	10	6
Net loss of the period	-83	-353	-147	-1.212
of which attributable to:				
Parent company shareholders	-83	-1.212	-147	-1.212
Minority interests	0	0	0	0
Result per share from continuing operations				
Undiluted	-0,004	-0,015	-0,006	-0,052
Diluted	-0,004	-0,015	-0,006	-0,052
Result per share from continuing operations				
Undiluted	-0,004	-0,015	-0,006	-0,052
Diluted	-0,004	-0,015	-0,006	-0,052
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	20	-239	61	-989

¹ Corresponds to Earnings (2017: k€ 12/k€ 44; 2018: -k€ 246/-k€ 1.002) before depreciation (2017: k€ 8/k€ 18; 2018: k€ 7/k€ 13)

Statement of comprehensive income (IFRS, unaudited)

in k€	2nd Quarter		01 Jan - 30 Jun	
	2017	2018	2017	2018
Net loss of the period	-83	-353	-147	-1.212
Other comprehensive income:				
Other income reclassified in current period affecting net income, net	0	0	0	0
Currency translation differences, foreign subsidiaries	-6	34	68	6
Other income to be reclassified in subsequent periods affecting net income, net	-6	34	68	6
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	-6	34	68	6
Comprehensive income after deduction of taxes	-89	-319	-79	-1.205
of which attributable to:				
Parent company shareholders	-89	-319	-79	-1.205
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. 2016	23.305	11.568	-45.091	-288	359	-10.147
Net loss for the period	0	0	-147	0	0	-147
Other comprehensive income	0	0	0	0	68	68
June 30, 2017	23.305	11.568	-45.238	-288	427	-10.226
December 31. 2017	23.305	11.568	-44.571	-262	341	-9.619
Net loss for the period	0	0	-1.212	0	0	-1.212
Other comprehensive income	0	0	0	0	6	6
June 30, 2018	23.305	11.568	-45.782	-262	347	-10.824

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 Jan - 30 Jun	
Cash flow from operating activities	2017	2018
Net loss for the period	-147	-1.212
Adjustment of the net loss for the period to the:	-	-
Depreciation of property, plant and equipment	16	12
Depreciation of intangible assets	1	1
Value impairment on inventories	-9	54
Changes to the provisions, pension obligations an public sector grants	-8	28
Value adjustment on receivables	-3	-2
Financial result		
Interest result	181	203
Taxes on income	10	6
Charges to other balance sheet items:	-	-
Inventories	-9	-37
Trade receivables	-238	583
Other current assets, prepayments and accrued Current liabilities	-168	-98
Current liabilities	625	-122
Provisions and other liabilities	-29	13
Interest paid	-92	-2
Effects from exchange rate differences	68	6
Taxes on income received	4	-8
Cash flow from operating activities	202	-575
Cash flow from investing activities:	-	-
Acquisition of property, plant and equipment	0	-65
Acquisition of intangible assets	0	0
Cash flow from investing activities	0	-65
Cash flow from financing activities:	-	-
Loans from related parties	0	450
Loan from Austrian sponsoring company for research promotion (FFG)	56	-
Cash flow from financing activities	56	450
Net change in cash and cash equivalents	259	-190
Cash and cash equivalents at beginning of period	164	254
Cash and cash equivalents at end of period	423	64
Cash and cash equivalents contain: money market	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 30 June 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 30 June 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 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.