

Third Quarter Financial Report of TELES Group to 30.09.2018

(IFRS, unaudited)

Key figures from 1 January 2018 to 30 September 2018

- Weak business in the first nine months of 2018
- Sales of just under 3.5 million € and 2.2 million € gross profit
- Reorganization measures are showing initial successes in Q3 2018

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

TELES Group (in k€)	01.01.2017 - 30.09.2017	01.01.2018 - 30.09.2018	Change
Revenue	4,467	3,488	-22%
Gross Profit	3,067	2,204	-28%
EBIT	-638	-1,581	-148%

Interim Management Report

The first nine months proved to be below the expectations and the sales revenue decreased on an annualised basis by 22 percent to just under € 3.5 million. Likewise due to the lower sales revenue, the gross profit was reduced to just under € 2.2 million – representing a minus of 28 percent compared to the same period in the previous year. The operating result (EBIT) amounted to minus € 1.6 million. A slight improvement on a low level was achieved in the third quarter compared to the same period in the previous year. This resulted in a sales revenue increase of 16 percent to € 1.1 million. It proved possible to increase the gross profit by 49 percent to € 0.7 million. Despite the savings measures introduced, an operating result of minus € 0.58 million (previous year: € -0.68 million) occurred. In September, TELES succeeded in gaining important UCaaS projects in Kuwait and in Oman. The projects are due for delivery in the fourth quarter, and thus they will make an important contribution to the stabilisation of TELES, together with the savings measures.

Presentation of Income from Subleasing

As of 30.06.2018, TELES effected a change in the accounting presentation of income from subletting. Previously, this income was reported under sales revenue, whereas from now on it is being reported as other income. Resulting from this, as of 30 September 2017, the sales revenues and actual costs decreased by k€ 194, while the other income and other expenses increased by the same amount (with the reclassified values amounting to k€ 129 as of 30 June 2017).

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 as provided in the 2018 half-yearly report for the complete year. Accordingly, we are expecting a decrease of 10 to 15% in total in the 2018 sales revenue for the company and a negative result (EBIT) between minus € 0.5 million and minus € 1 million compared to the previous year.

TELES AG Informationstechnologien

The Management Board

October 2018

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2017	30.09.2018
ASSETS		
Non-current assets		
Property, plant and equipment	38	84
Intangible assets	4	3
	42	87
Current assets		
Inventories	26	9
Trade receivables	1.450	765
Receivables from taxes on income	1	3
Other current assets	189	199
Cash and cash equivalents	254	83
	1.921	1.059
Total assets	1.963	1.146
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	-46.477
Valuation of pension obligations	-262	-262
Currency translation reserve	341	377
	-9.619	-11.489
Non-current liabilities		
Non-current provisions	823	864
Other financial liabilities	3.923	4.465
Other non-current liabilities		498
	4.746	5.828
Current liabilities		
Trade payables	895	900
Liabilities on Income Taxes	9	9
Other provisions	66	45
Accrued income	326	312
Other financial liabilities	4.667	4.597
Other current liabilities	873	944
	6.836	6.808
Total liabilities	11.582	12.635
Total equity and liabilities	1.963	1.146

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding numbers of ordinary shares	3rd Quarter		01 Jan - 30 Sep	
	2017	2018	2017	2018
Sales revenues	980	1.141	4.467	3.488
Production costs	496	422	1.400	1.284
Gross profit	484	718	3.067	2.204
Sales and marketing expenses	354	349	1.028	1.068
Research and development expenses	635	618	1.932	2.039
Administration expenses	321	330	1.049	1.053
Other income	205	28	478	493
Other expenses	<u>61</u>	<u>29</u>	<u>175</u>	<u>119</u>
Operating result/EBIT	-681	-579	-638	-1.581
Financial income				
Financial expenses	<u>89</u>	<u>115</u>	<u>271</u>	<u>319</u>
Other shareholdings result				
Result before taxes on income	-771	-694	-909	-1.900
Taxes on income	<u>-5</u>	-	<u>5</u>	<u>6</u>
Net loss of the period	-766	-694	-914	-1.906
of which attributable to:				
Parent company shareholders	-766	-694	-914	-1.906
Minority interests	0	0	0	0
Result per share from continuing operations				
Undiluted	-0,033	-0,030	-0,039	-0,082
Diluted	-0,033	-0,030	-0,039	-0,082
Result per share from continuing operations				
Undiluted	-0,033	-0,030	-0,039	-0,082
Diluted	-0,033	-0,030	-0,039	-0,082
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	-674	-573	-613	-1.562

¹ Corresponds to Earnings (2017: -k€ 681/-k€ 638; 2018: -k€ 579/-k€ 1.581) before depreciation (2017: k€ 7/k€ 25; 2018: k€ 6/k€ 20)

Statement of comprehensive income (IFRS, unaudited)

in k€	3rd Quarter		01 Jan - 30 Sep	
	2017	2018	2017	2018
Net loss of the period	-767	-695	-914	-1.906
Other comprehensive income:				
Other income reclassified in current period affecting net income, net	0	0	0	0
Currency translation differences, foreign subsidiaries	5	30	73	36
Other income to be reclassified in subsequent periods affecting net income, net	5	30	73	36
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	5	30	73	36
Comprehensive income after deduction of taxes	-762	-665	-841	-1.870
of which attributable to:				
Parent company shareholders	-762	-665	-841	-1.870
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	-914	0	0	-914
Other comprehensive income	0	0	0	0	73	73
September 30, 2017	23.305	11.568	-46.005	-288	432	-10.988
December 31. 2017	23.305	11.568	-44.571	-262	341	-9.619
Net loss for the period	0	0	-1.906		0	-1.906
Other comprehensive income	0	0	0	-	36	36
September 30, 2018	23.305	11.568	-46.477	-262	377	-11.489

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 Jan - 30 Sep	
Cash flow from operating activities	2017	2018
Net loss for the period	-914	-1.906
Adjustment of the net loss for the period to the:		
Depreciation of property, plant and equipment	23	20
Depreciation of intangible assets	2	
Value impairment on inventories		54
Changes to the provisions, pension obligations an public sector grants	-8	-8
Value adjustment on receivables	-3	-23
Financial result		
Interest result	271	319
Taxes on income	5	6
Charges to other balance sheet items:		
Inventories	-16	-37
Trade receivables	50	734
Other current assets, prepayments and accrued Current liabilities	-20	-10
Current liabilities	431	-348
Provisions and other liabilities	-349	319
Interest paid	-4	-4
Effects from exchange rate differences	73	36
Taxes on income received	17	-8
Cash flow from operating activities	-442	-856
Cash flow from investing activities:		
Acquisition of property, plant and equipment	-4	-65
Acquisition of intangible assets		
Cash flow from investing activities	-4	-65
Cash flow from financing activities:		
Loans from related parties	330	750
Loan from Austrian sponsoring company for research promotion (FFG)	192	
Cash flow from financing activities	522	750
Net change in cash and cash equivalents	76	-171
Cash and cash equivalents at beginning of period	164	254
Cash and cash equivalents at end of period	240	83
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 September 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 September 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.