

Q1 2019 Quarterly Financial Statements of the TELES Group

(IFRS, unaudited)

Key figures from 1 January 2019 to 31 March 2019

- Increase in sales by 44% in the first quarter of 2019
- Increase in gross profit by 41% compared to the previous year

Overview of the corporate key figures of TELES AG for Q1 2019
(in accordance with IFRS, unaudited)

TELES Group (in k€)	01.01.2018 - 31.03.2018	01.01.2019 - 31.03.2019	change
Revenue	1,091	1,569	44 %
Gross profit	708	1,000	41%
Operating result/EBIT	-756	-295	61%

Interim Management Report

The start to the new financial year 2019 went very well. Despite the seasonally weakest quarter of the year, we were able to significantly increase sales compared to 2018. The increase in sales compared to the previous year was 44%. The increase in sales has resulted from extensions to existing customers and new customer projects. Gross profit also increased by 41% compared to the previous year. The operating result (EBIT) was minus k€ 295.

In the first quarter, we expanded our Unified Communications portfolio and now offer Collaboration Services including Screen Sharing as part of our solutions. In addition, we are increasingly working on IMS integrations for mobile providers through our new customers.

Summary Statement of the Economic Situation

In the first three months, TELES has consistently pursued its focus on the software-based portfolio of UC solutions for telecommunications providers. The number of customer projects was good for the first quarter and we were not only able to realize new projects for our existing customers but also to acquire new customers. 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 2018 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 2018 annual report for the complete year. Accordingly in 2019, the company is expecting growth in the sales revenue of between 17% and 33% in total and a positive result (EBIT) compared to the previous year.

TELES AG Informationstechnologien

The Management Board

June 2019

Interim Financial Statements

Consolidated Balance Sheet (IFRS, unaudited)

in k€, excluding numbers of ordinary shares		
	31.12.2018	31.03.2019
ASSETS		
Non-current assets		
Property, plant and equipment	78	72
Intangible assets	2	2
Rights of use from leasing agreements ¹		918
	80	992
Current assets		
Inventories	16	8
Trade receivables	1,004	767
Receivables from taxes on income	3	3
Other current assets	242	237
Cash and cash equivalents	103	63
	1,368	1,079
Total assets	1,448	2,071
EQUITY AND LIABILITIES		
Total Equity		
Ordinary shares (issued and in circulation: 23,304,676)	23,305	23,305
Capital reserve	14,864	14,864
Revenue reserves	-47,603	-47,968
Valuation of pension obligations	-22	-22
Currency translation reserve	0	0
	-9,457	-9,821
Non-current liabilities		
Non-current provisions	608	617
Other financial liabilities	5,149	6,120
Finance lease liabilities ¹		918
	5,758	7,655
Current liabilities		
Trade payables	852	656
Provisions for income taxes	9	9
Other provisions	27	18
Accrued income	386	546
Other financial liabilities	2,864	1,774
Other current liabilities	1,010	1,232
	5,147	4,237
Total liabilities	10,905	11,892
Total equity and liabilities	1,448	2,071

¹ First time application of IFRS 16 Leases

Consolidated Statement of income (IFRS, unaudited)

in k€, excluding number of ordinary shares	01 Jan – 31 Mar	
	2018	2019
Sales revenues	1,091	1,569
Production costs	382	569
Gross profit	708	1,000
Sales and marketing expenses	389	284
Research and development expenses	678	638
Administration expenses	415	366
Other income	59	28
Other expenses	41	35
Operating result/EBIT	-756	-295
Financial expenses	100	64
Result before taxes on income	-856	-359
Taxes on income	2	5
Net loss of the period	-858	-364
of which attributable to:		
Parent company shareholders	-858	-364
Minority interests	0	0
Result per share from continuing operations		
Undiluted	-0.037	-0.016
Diluted	-0.037	-0.016
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	-750	-289

¹ Corresponds to Earnings (2018: -k€ 756; 2019: -k€ 295) before depreciation (2018: k€ 6; 2019: k€ 6)

Statement of comprehensive income (IFRS, unaudited)

in k€	01 Jan – 31 Mar	
	2018	2019
Net loss of the period	-858	-364
Other comprehensive income:		
Other income reclassified in current period affecting net income, net	0	0
Currency translation differences, foreign subsidiaries	-28	-313
Other income to be reclassified in subsequent periods affecting net income, net	-28	-313
Actuarial losses from defined benefit pension plan obligations as per IAS 19		240
Items not to be reclassified in subsequent periods affecting net income, net		240
Other comprehensive income after deduction of taxes	-28	-73
Comprehensive income after deduction of taxes	-886	-437
of which attributable to:		
Parent company shareholders	-886	-437
Minority interests	0	0

Development of the consolidated Equity (IFRS, unaudited)

in k€, number 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. 2017	23,305	11,568	-44,571	-262	341	-9,619
Net loss for the period	0	0	-858		0	-858
Other comprehensive income	0	0	0	-	-28	-28
March 31, 2018	23,305	11,568	-45,429	-262	313	-10,505
December 31. 2018	23,305	14,864	-47,603	-22	0	-9,456
Net loss for the period	0	0	-364		0	-364
Other comprehensive income	0	0	0	0	0	0
March 31, 2019	23,305	14,864	-47,967	-22		-9,820

Consolidated Cash Flow Statement (IFRS, unaudited)

(in k€)	01 Jan – 31 Mar	
	2018	2019
Cash flow from operating activities		
Net loss for the period	-858	-364
Adjustment of the net loss for the period to the:		
Depreciation of property, plant and equipment	6	6
Depreciation of intangible assets		
Value impairment on inventories	-9	
Changes to the provisions, pension obligations an public sector grants	17	-9
Value adjustment on receivables	4	6
Financial result		
Subsequent evaluation of debtor warrant granted by Sigram Schindler Beteiligungsgesellschaft mbH		
Interest result	100	64
Taxes on income	2	5
Changes to other balance sheet items:		
Inventories	25	8
Trade receivables	435	236
Other current assets, prepayments and accrued Current liabilities	-84	4
Current liabilities	173	-4
Provisions and other liabilities	1	8
Interest paid		
Effects from exchange rate differences	-28	
Taxes on income received	-4	5
Cash flow from operating activities	-221	-40
Cash flow from investing activities		
Cash flow from operating activities		
Cash flow from investing activities:	-31	
Cash inflow from investing activities	-31	0
Cash flow from financing activities		
Loans from related parties		
Loan from Austrian sponsoring company for research promotion (FFG)		
Cash inflow from financing activities	0	0
Net change in cash and cash equivalents	-252	-40
Cash and cash equivalents, beginning of period	254	103
Cash and cash equivalents at end of period	3	63
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 2018 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 2019 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 2018. Standards and interpretations binding and applicable from 1 January 2019 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 2019, 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.