

# Third Quarter Financial Report 2019 of the TELES Group

(IFRS, unaudited)

## Key figures from 1 January 2019 to 30 September 2019

- Sale of TELES Communication Systems GmbH, Vienna
- Decline in sales of 10% compared to the previous year
- Positive result due to deconsolidation

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

| TELES Group<br>(in k€)              | 01.01.2018 -<br>30.09.2018 | 01.01.2019 -<br>30.09.2019 | Change |
|-------------------------------------|----------------------------|----------------------------|--------|
| Sales revenues                      | 1,692                      | 1,530                      | -10%   |
| Gross profit                        | 1,210                      | 1,007                      | -17%   |
| Operating result/EBIT               | -1,405                     | 529                        | 138%   |
| Financial income                    | -317                       | -174                       | 45%    |
| EBT from continuing operations      | -1,722                     | 355                        | 121%   |
| Result from discontinued operations | 677                        | 204                        | -70%   |
| Net loss of the period              | -1,045                     | 559                        | 153%   |

## Interim Management Report

In August 2019, TELES AG Informationstechnologien, as a 100% shareholder, sold TELES Communication Systems GmbH, Vienna, to the local management under the leadership of Thomas Haydn through a management buy-out. Unlike the TELES AG Information Technologies, the acquirer is able to finance the modern and very complex Unified Communications as a Service business with additional investments that are still necessary. Both companies have signed a strategic partnership agreement that will ensure continued close cooperation over the next few years. TELES AG Informationstechnologien itself concentrates on its core business Carrier Solutions. The former Enterprise Solutions business area is reported as 'discontinued operations'.

The separation of companies will be completed by the end of the year. The joint development and service departments have to be separated and all systems and processes have to be changed as well.

Taking into account the measures described above, the continued business segment posted a decline in sales of 10 percent. Gross profit fell by almost 17 percent in the same period of the previous year. Expenses fell 17 percent in the same period of the previous year. Due to other income from the sale of the Vienna company, the operating result (EBIT) at the end of the period amounted to EUR 0.5 million.

## 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 depend-

ent 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 is sticking to the full-year forecast published at the end of August 2019. Accordingly, the company expects sales between EUR 2.5 and 2.6 million in 2019 and a positive result (EBIT).

### **TELES AG Informationstechnologien**

The Management Board

October 2019

# Interim Financial Statements

## Consolidated Balance Sheet (IFRS, unaudited)

| in k€, excluding numbers of ordinary shares             | 31.12.2018    | 30.09.2019    |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| <b>Non-current assets</b>                               |               |               |
| Property, plant and equipment                           | 78            | 52            |
| Intangible assets                                       | 2             | 1             |
| Rights of use from leasing agreements <sup>1</sup>      |               | 810           |
|   | <b>80</b>     | <b>864</b>    |
| <b>Current assets</b>                                   |               |               |
| Inventories   | 16            | 4             |
| Trade receivables                                       | 1,004         | 194           |
| Receivables from taxes on income                        | 3             | 3             |
| Other current assets                                    | 242           | 207           |
| Cash and cash equivalents                               | 103           | 73            |
|   | <b>1,368</b>  | <b>480</b>    |
| <b>Total assets</b>                                     | <b>1,448</b>  | <b>1,344</b>  |
| <b>EQUITY AND LIABILITIES</b>                           |               |               |
| <b>Total Equity</b>                                     |               |               |
| Ordinary shares (issued and in circulation: 23,304,676) | 23,305        | 23,305        |
| Capital reserve   | 14,864        | 14,864        |
| Revenue reserves  | -47,603       | -47,149       |
| Valuation of pension obligations                        | -22           |               |
| Currency translation reserve                            |               | 85            |
|   | <b>-9,457</b> | <b>-8,895</b> |
| <b>Non-current liabilities</b>                          |               |               |
| Non-current provisions                                  | 608           |               |
| Other financial liabilities                             | 5,149         | 7,793         |
| Finance lease liabilities <sup>1</sup>                  |               | 810           |
|   | <b>5,758</b>  | <b>8,603</b>  |
| <b>Current liabilities</b>                              |               |               |
| Trade payables  | 852           | 625           |
| Provisions for income taxes                             | 9             |               |
| Other provisions  | 27            | 196           |
| Accrued income  | 386           | 210           |
| Other financial liabilities                             | 2,864         | 143           |
| Other current liabilities                               | 1,010         | 461           |
|   | <b>5,147</b>  | <b>1,636</b>  |
| <b>Total liabilities</b>                                | <b>10,905</b> | <b>10,239</b> |
| <b>Total equity and liabilities</b>                     | <b>1,448</b>  | <b>1,344</b>  |

<sup>1</sup> First time application of IFRS 16 Leases

## Consolidated Statement of income (IFRS, unaudited)

| in k€, excluding number of ordinary shares                      | 3 <sup>rd</sup> Quarter |            | 01 Jan – 30 Sep |            |
|---|-------------------------|------------|-----------------|------------|
|   | 2018                    | 2019       | 2018            | 2019       |
| <b>Sales revenues</b>   | 559                     | 351        | 1,692           | 1,530      |
| Production costs  | 164                     | 146        | 483             | 524        |
| <b>Gross profit</b>   | 396                     | 205        | 1,210           | 1,007      |
| Sales and marketing expenses                                    | 94                      | 103        | 769             | 394        |
| Research and development expenses                               | 56                      | 364        | 682             | 694        |
| Administration expenses   | 396                     | 339        | 1,045           | 973        |
| Other income  |                         | 1,681      |                 | 1,872      |
| Other expenses  | 29                      | 233        | 119             | 288        |
| <b>Operating result/EBIT</b>                                    | -179                    | 846        | -1,405          | 529        |
| Financial income  | -                       | -          | -               | -          |
| Financial expenses  | 115                     | 63         | 317             | 174        |
| <b>Result before taxes on income</b>                            | -294                    | 783        | -1,722          | 355        |
| Taxes on income   | -                       | -          | 1               | -          |
| <b>Net loss Continued Operations</b>                            | -294                    | 783        | -1,722          | 355        |
| Net loss Discontinued Operations                                | 261                     | 16         | 677             | 204        |
| <b>Net loss of the period</b>                                   | -33                     | 799        | -1,045          | 559        |
| of which attributable to:                                       | <b>0</b>                |            | <b>0</b>        |            |
| Parent company shareholders                                     | -33                     | 799        | -1,045          | 559        |
| Minority interests  | 0                       | 0          | 0               | 0          |
| <b>Result per share</b>   |                         |            |                 |            |
| Undiluted   | -0,001                  | 0,034      | -0,045          | 0,024      |
| Diluted   | -0,001                  | 0,034      | -0,045          | 0,024      |
| <b>Number of underlying shares</b>                              |                         |            |                 |            |
| 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 <sup>1</sup>   | -175                    | 850        | -1,392          | 541        |

<sup>1</sup> Corresponds to Earnings (2018: -k€ 294 / k€ 1.722; 2019: k€ 783 / k€ 355) before depreciation (2018: k€ 4; 2019: k€ 12)

## Statement of comprehensive income (IFRS, unaudited)

| in k€   | 3 <sup>rd</sup> Quarter |      | 01 Jan - 30 Sep |      |
|---|-------------------------|------|-----------------|------|
|   | 2018                    | 2019 | 2018            | 2019 |
| <b>Net loss of the period</b>   | -33                     | 799  | -1,045          | 559  |
| Other comprehensive income:   |                         |      |                 |      |
| Other income reclassified in current period affecting net income, net           |                         |      |                 |      |
| Currency translation differences, foreign subsidiaries                          | 30                      |      | 36              |      |
| Other income to be reclassified in subsequent periods affecting net income, net | 30                      |      | 36              |      |
| Actuarial losses from defined benefit pension plan obligations as per IAS 19    |                         | 107  |                 | 85   |
| Items not to be reclassified in subsequent periods affecting net income, net    |                         | 107  |                 | 85   |
| Other comprehensive income after deduction of taxes                             | 30                      | 107  | 36              | 85   |
| <b>Comprehensive income after deduction of taxes</b>                            | -3                      | 906  | -1,009          | 643  |
| of which attributable to:   |                         |      |                 |      |
| Parent company shareholders   | -3                      | 906  | -1,009          | 643  |
| Minority interests  | 0                       | 0    | 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 | Other comprehensive Income | Total Equity   |
|----------------------------|-----------------------------|-----------------|------------------|----------------------------------|------------------------------|----------------------------|----------------|
| <b>December 31. 2017</b>   | <b>23,305</b>               | <b>11,568</b>   | <b>-44,571</b>   | <b>-262</b>                      | <b>341</b>                   |                            | <b>-9,619</b>  |
| Net loss for the period    | 0                           | 0               | -1,045           | 0                                | 0                            | -                          | -1,045         |
| Other comprehensive income | 0                           | 0               | 0                | 0                                | 36                           | -                          | 36             |
| <b>September 30, 2018</b>  | <b>23,305</b>               | <b>11,568</b>   | <b>-45,616</b>   | <b>-262</b>                      | <b>377</b>                   |                            | <b>-10,628</b> |
| <b>December 31. 2018</b>   | <b>23,305</b>               | <b>14,864</b>   | <b>-47,603</b>   | <b>-22</b>                       | <b>0</b>                     | <b>0</b>                   | <b>-9,457</b>  |
| Net income for the period  | 0                           | 0               | 455              | 0                                | 0                            | 0                          | 455            |
| Other comprehensive income | 0                           | 0               | 0                | 22                               | 0                            | 85                         | 107            |
| <b>September 30, 2019</b>  | <b>23,305</b>               | <b>14,864</b>   | <b>-47,149</b>   | <b>0</b>                         | <b>0</b>                     | <b>85</b>                  | <b>-8,895</b>  |

## Consolidated Cash Flow Statement (IFRS, unaudited)

| (in k€)  | 01 Jan – 30 Sep |             |
|--|-----------------|-------------|
|  | 2018            | 2019        |
| <b>Cash flow from operating activities</b>   |                 |             |
| <b>Net loss for the period</b>   | -1,906          | 559         |
| <b>Adjustment of the net loss for the period to the:</b>   |                 |             |
| Depreciation of property, plant and equipment  | 20              | 12          |
| Depreciation of intangible assets  |                 | 1           |
| Value impairment on inventories  | 54              | -3          |
| Changes to the provisions, pension obligations an public sector grants                           | -8              | -22         |
| Value adjustment on receivables  | -23             | 24          |
| Financial result   |                 |             |
| Subsequent evaluation of debtor warrant granted by Sigram Schindler Beteiligungsgesellschaft mbG |                 |             |
| Interest result  | 319             | 179         |
| Taxes on income  | 6               | 1           |
| <b>Changes to other balance sheet items:</b>   |                 |             |
| Inventories  | -37             | 15          |
| Trade receivables  | 734             | 790         |
| Other current assets, prepayments and accrued Current liabilities                                | -10             | 35          |
| Current liabilities  | -348            | -495        |
| Provisions and other liabilities   | 1,069           | -1,651      |
| Interest paid  | -4              |             |
| Effects from exchange rate differences   | 36              |             |
| Taxes on income received   | -8              | 10          |
| <b>Cash flow from operating activities</b>   | <b>-106</b>     | <b>-545</b> |
| <b>Cash flow from investing activities</b>   |                 |             |
| Cash flow from operating activities  |                 |             |
| Cash flow from investing activities:   | -65             |             |
| Acquisition of property, plant and equipment   |                 |             |
| Acquisition of intangible assets   |                 |             |
| <b>Cash inflow from investing activities</b>   | <b>-65</b>      | <b>0</b>    |
| <b>Cash flow from financing activities</b>   |                 |             |
| Loans from related parties   |                 | 500         |
| Loan from Austrian sponsoring company for research promotion (FFG)                               |                 |             |
| <b>Cash inflow from financing activities</b>   | <b>0</b>        | <b>500</b>  |
| Net change in cash and cash equivalents  | -171            | -31         |
| Cash and cash equivalents, beginning of period   | 254             | 103         |
| <b>Cash and cash equivalents at end of period</b>  | <b>83</b>       | <b>73</b>   |



## 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 30 September 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 30 September 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.