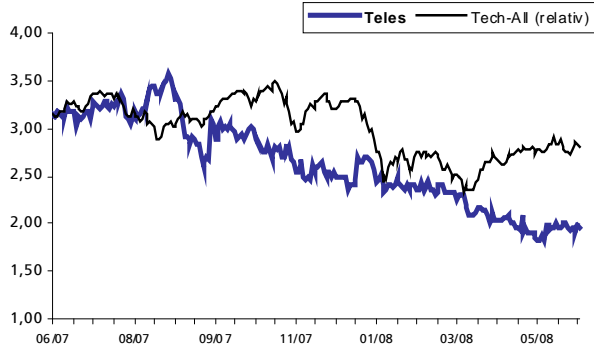


**Hold** Risk: Price target: **EUR 1.70**  
(old: Hold) medium (old: EUR 2.10)

## Weak Q1 2008 – Acquisition and lower gross margin are burdening the EBIT

Bloomberg: TLI GR Price: EUR 1.96  
Reuters: TLI.G.DE TecDAX: 979,37  
ISIN: DE0007454902  
Internet: www.teles.de  
Segment: Prime Standard  
Sector: Telec. services and products

On May 30, 2008, Teles released the figures for Q1. Sales increased by 18% over the previous year's level and were within expectations at EUR 5.7 m. The reason for the increase in sales were risen sales of Access Gateways (+96%) mainly due to the sales partnership in North America which overcompensated the decline in the segment of NGN (Next Generation Networks –16%).



Share data: Bloomberg 05.06.2008 / Closing price

High / Low 52 W: EUR 3.80 / EUR 1.80  
Market cap.: EUR 45.68  
No. of shares: 23.31 m

Shareholders: Sigram Schindler Beteiligungs-  
gesellschaft mbH 47.5%  
Teles AG 9.3%  
Sigram Schindler foundation 1.5%  
Other shareholders 41.7%

Calendar: Figures Q2/08 August 31, 2008  
Figures Q3/08 Nov. 30, 2008

### Analysis: SES Research

Date of publication: **06.06.2008**  
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The development of the first three months was considerably below expectations on the earnings side. With an EBIT of EUR – 3.2 m operating earnings deteriorated by approx. 40% over the value of the previous year. The weak earnings situation was mainly a result of...

- .. the reduction of gross margin due to the increased sales share of the lower margin Access Gateways.
- ...acquisition of „MissisSIPpi“ which included mainly the acquisition of customer relations in addition to the takeover of the technology and service know how. Its sales potential will however not become visible before the subsequent quarters.

The means of payment decreased to 2.35 m due to the acquisition (EUR 2.2 m) and the earnings development in the first three months (cash flow EUR – 2.7 m).

At an expected liquidity outflow of approx. EUR 2.0 – 2.5 m in the current quarter, Teles AG will shortly depend on selling parts of the equity stake in Freenet (current market value approx. EUR 45 m) or lending parts of it by means of debt financing, in order to provide the continuation of the operating business activity as well as the current lawsuits.

### Valuation Teles

m EUR	Valuation band width	
	Market value freenet	Fair Value freenet (SESe)
Cash as of 31.12.07	2.4	2.4
Securities (freenet + own shares)	48.9	46.6
Cashflow until breakeven (SESe)	-6.0	-6.0
Financial liabilities	-0.9	-0.9
<b>Total</b>	<b>44.4</b>	<b>42.0</b>
Discount for lawcosts (SESe)	3.5	3.5
<b>EV</b>	<b>40.9</b>	<b>38.5</b>
Shares in m	23.3	23.3
<b>Value per share</b>	<b>1.75</b>	<b>1.65</b>

Source: Teles AG, SES Reserach

The current valuation based on the asset value considers the lower cash as of March 31, 2008, an increased cash burn due to the acquisition costs as well as a slight reduction of law costs as a result of the temporary discontinuation of the lawsuit in the USA. The new PT is EUR 1.70. HOLD reiterated.



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