

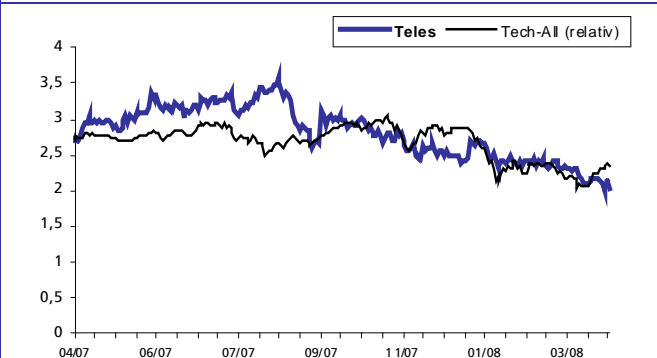
Hold Risk: Price target: **EUR 2.10**
 (old: Hold) high (old: EUR 2.40)

Freenet shareholding determines annual result and valuation

Bloomberg: TLI GR Price: EUR 2.04
 Reuters: TLI.G.DE TecDAX: 925.88
 ISIN: DE0007454902
 Internet: www.teles.de
 Segment: Prime Standard
 Sector: Telec. services and products

On April 2, 2008, Teles AG reported annual figures for 2007. Adjusted for the skyDSL business, which was sold in January and deconsolidated as of the end of year, sales were EUR 19.2 m as in the previous year. Earnings before taxes and interest decreased from EUR -11.0 m in 2006 to EUR -12.9 m in 2007. The main reasons for the still unprofitable business development are:

- Legal costs for lawsuits in relation with VoIP patents (TIPR division: EUR -4.2 m)
- A deterioration of the gross margin due to a one-off value adjustment of the inventory and a change of the product mix (TCS division: EUR -4.9 m)
- Increased overhead costs due to acquisition related costs and the evaluation of new business segment activities (MS division: EUR -3.8 m)



The burden of the discontinued business segment skyDSL was EUR -3.4 m after deduction of taxes. However, the full year result was positive (EUR 2.5 m) due to the dividend payment of freenet AG which was reflected in the budget with EUR 21.4 m. Teles AG paid a dividend of EUR 2 per share (a total of EUR 42.3 m), which is - in addition to the operating burden - the main reason for the decrease of cash from EUR 41.1 m to EUR 7.6 m. Without consideration of the current legal expenses the company could achieve the operating breakeven in 2009 due to positive business developments in the TCS segment.

Until profitable operating business activity is achieved the valuation is still based on the asset value.

Share data: Bloomberg 08.04.2008 / Closing price

High / Low 52 W: EUR 3.80 / EUR 1.99
 Market cap.: EUR 47.55 m.
 No. of shares: 23.31 m.

Sharehol- Sigram Schindler Beteiligungs- 47.5%
 gesellschaft mbH
 Teles AG 9.3%
 Sigram Schindler Stiftung 1.5%
 Other shareholders 41.7%

Calendar:

Analysis: SES Research

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Valuation Teles AG

in EUR m	Valuation band width	
	Market value freenet	Fair Value freenet (SESe)
Cash as of 31.12.07	7.6	7.6
Securities (freenet + own shares)	48.1	58.1
Cash flow until breakeven (SESe)*	-8.2	-8.2
Financial liabilities	-0.9	-0.9
Total	46.6	56.6
Discount for law costs (SESe)	6.0	6.0
EV	40.6	50.6
Shares in m.	23.31	23.31
Value per share	1.74	2.17

*includes 2.2 m. cash outflow for acquisitions in Q1/08

Source: Teles AG, SES Research

The valuation band range results from the fair value as well as the current market value of the freenet shareholding. The deduction of expected cash outflow until the achievement of break-even as well as financial liabilities result in an asset value between EUR 40.9 m and EUR 56.6 m. A discount of EUR 6 m is deducted from this value in order to consider the current costs of the lawsuit. The PT of 2.10 is geared to the fair value of freenet shares. The HOLD rating is reiterated.



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